



TELEFORM CONTRACTOR STORY

Lafarge Corporation Highlights

About the Company

afarge Corporation is the largest cement manufacturer in North America, operating a total of 19 cement manufacturing facilities in Canada and the United States with a rated annual production capacity of approximately 13 million tons. The Company's principal markets are located throughout Canada while in the United States they are concentrated in the major population growth areas of the Sunbelt.

Headquartered in Dallas, Texas, Lafarge Corporation was organized in April 1983 as the parent company for the established operations of Canada Cement Lafarge Ltd. of Montreal, Canada's largest cement producer, and General Portland Inc. of Dallas, the second largest cement manufacturer in the United States. In addition to the financial, technical and operating expertise provided by the joining of Canada Cement Lafarge and General Portland, Lafarge Corporation also benefits from its association with Lafarge Coppée of Paris, France, which has 150 years of experience in the cement manufacturing business and is one of the world's largest cement producers.

Lafarge Corporation's common shares began trading in the United States in June 1983 and are currently traded on the New York Stock Exchange under the symbol, LAF, and on the Montreal and Toronto stock exchanges.

(In millions of U.S. dollars, except per share amounts)

| Years Ended December 31 | 1983 | | 1982 | 1981 |
|--|-------------|----|--------|-------------|
| Operating Results | | | | |
| Net sales | \$ 867.9 | \$ | 900.2 | \$ 764.2 |
| Income before interest, taxes and | | | | |
| minority interest | 51.0 | | 41.2 | 79.4 |
| Net income (loss) | (13.1) | | (24.9) | 20.5 |
| Depreciation and depletion | 58.2 | | 52.6 | 38.5 |
| Working capital provided by operations | 50.8 | | 28.2 | 74.5 |
| Per Share Information | | | | |
| Net income (loss) | \$ (.41) | \$ | (.79) | \$.92 |
| Cash dividends | .18 | | .24 | .67 |
| Book value at year end | 10.10 | | 10.92 | 12.22 |
| Financial Position at Year End | | | | |
| Working capital | \$ 170.1 | \$ | 191.7 | \$ 203.7 |
| Total assets | ,028.5 | 1 | ,127.2 | ,254.9 |
| Shareholders' equity | 404.2 | | 347.3 | 381.3 |

MEGALL HAIVERSTON

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Executive Message



John D. Redfern

afarge Corporation commenced operations in 1983 through the combination of Canada Cement Lafarge Ltd., and General Portland Inc., thus forming the largest cement manufacturer in North America.

Lafarge Corporation's first year coincided with the beginning of a cyclical recovery in the United States, as lower levels of interest rates stimulated a sharp upswing in housing starts which produced significantly higher levels of demand for cement products. In contrast, the Canadian construction economy has yet to turn upward and provided mixed signals and a slightly lower level of cement consumption during 1983.

Our sales for the year 1983 amounted to \$867.9 million, down slightly from \$900.2 million recorded in 1982. Profit performance, however, was substantially improved. For the 12 months ended December 31, 1983, a net loss of \$13.1 million, or \$.41 per common share, was incurred. This was a significant improvement over the net loss of \$24.9 million, or \$.79 per share, recorded in 1982, and signaled the beginning of what we believe will be a strong comeback for the cement industry over the next several years.

The improvement in operating performance in 1983 generally resulted from the following major factors:

☐ A return to improved quarterly earnings beginning in the second quarter, after a very difficult first period that resulted in a net loss of \$25.4 million due to depressed pricing levels in the United States, winter season-

ality and significant maintenance costs at our Lebec, California, cement plant.

☐ A dramatically stronger U.S. construction economy with estimated U.S. cement consumption increasing 10 percent over 1982. The increase in demand has helped stabilize our U.S. cement prices, with moderate improvements occurring in the latter half of 1983.

□ Excellent progress in controlling cement manufacturing costs. Unit costs decreased five percent in the U.S. in 1983 because of lower fuel expenses and increased output, and in Canada significant decreases in fuel, labor and maintenance expenses helped lower per ton costs by three percent, despite reduced production levels and higher depreciation provisions.

□ Substantial reductions in interest expense due to sizable debt repayments, made possible by internally generated cash flow and the proceeds of an equity financing late in the year, and lower interest rates. Selling and administrative expenses also declined due to our efforts to control discretionary spending.

On balance, the operating difficulties of the last two years — difficulties attributable to the severely depressed overall economy and extraordinarily high interest rates that reduced cement consumption to the lowest level in 20 years — appear to be behind us and we are looking forward to a return to profitability in 1984.

Our recent corporate reorganization was important for several reasons. First, it provides long-term access to U.S. capital markets as Lafarge Corporation plans for future growth. Second, it facilitates strategic long-range planning. And third, it furnishes a framework for coordinating manufacturing, marketing and distribution operations on a continental

scale while retaining the flexibility to pursue business opportunities on a market-by-market basis.

This new organizational strength is further enhanced by the Company's association with Lafarge Coppée of Paris, France, which has a majority ownership position in Lafarge Corporation. Lafarge Coppée, which celebrated its 150th corporate birthday in 1983, is one of the world's largest and most technically advanced cement producers. The technical know-how and worldwide experience of Lafarge Coppée are valuable assets as Lafarge Corporation looks ahead.

Lafarge Corporation achieved a number of other significant objectives during 1983. The first of these was the initial public trading in the Company's securities in the United States in June through an exchange of two million Lafarge Corporation common shares for exchangeable preference shares of Canada Cement Lafarge.

This was followed by a successful public offering of 2,035,000 common shares and 1,100,000 convertible preferred shares in November, which generated net proceeds of \$44 million for the Company. These proceeds were used to retire a portion of the debt incurred in connection with the acquisition of General Portland in 1981. Concurrent with this public financing, the Company's common and convertible preferred shares were listed on the New York Stock Exchange.

In December, Standard Industries Ltd., a Canadian company engaged in producing and marketing a variety of basic construction materials, became a wholly-owned subsidiary through a share exchange involving the issuance of 2.4 million exchange-

2

able preference shares of Canada Cement Lafarge. This additional ownership will further strengthen the Company, particularly in the key Ontario market.

Historically, both General Portland and Canada Cement Lafarge, as separate business entities, have demonstrated an ability to weather downturns in the business cycle and recover quickly when operating conditions improve. This ability was sustained in 1983, as operating performance provided a basis for genuine optimism about future improvements in profitability for Lafarge Corporation.

Both Canada Cement Lafarge and General Portland showed operating profit improvements in 1983 compared with 1982. Lafarge Corporation earned a profit of \$3.9 million before taxes and minority interest in 1983, which represented an improvement of \$29.4 million over the prior year.

In Canada, the comparative increase in operating results was primarily a result of improved performance in cement, concrete and aggregate operations in the Ontario and Quebec Regions, partially offset by reduced cement shipments in both the Western sections of the country and to export markets. Cement prices in Canada increased slightly over the prior year.

General Portland, operating in the United States, reported a significant increase in cement shipments in 1983 compared with the prior year. Our shipments, on a comparable basis, were up approximately 10 percent for the year. While our average U.S. cement prices for 1983 declined four percent from the prior year, cement pricing in the United States took an important turn upward at midyear and improved moderately during the latter part of the period. We are hopeful that as the recovery continues and cement demand builds, we will be able to realize improvements in prices necessary to recapture the price deterioration and inflationary cost escalation that have eroded profit margins in the United States over the past three years.

The differences between Canadian and U.S. operating results in 1983 reflect a measurable strength of Lafarge Corporation. First, because of historically stronger pricing, there has been more stability in our Canadian cement profitability, even at low levels of activity such as we experienced during 1983.

In addition, cyclical changes in the Canadian business environment tend to lag behind movements in the U.S. economy by six to 18 months. Thus, during cyclical upturns the momentum for improvement begins in the United States and continues to grow as recovery extends to Canada. And, conversely, the adverse impact of a cyclical downturn in the United States is somewhat retarded by sustained good performance in Canadian markets. The net result for Lafarge Corporation is a general leveling of cyclical ups and downs in an industry that is acutely sensitive to changes in business conditions.

While 1983 was disappointing in that the Company suffered its second consecutive annual loss, we believe that significant progress was made in the high-priority areas where we have a measure of control. And, we are enthusiastic concerning the opportunities that lie ahead as the present upward cycle continues to develop. In 1984, we anticipate that the current recovery in the U.S. will gain momentum and that there will be a gradual improvement in the Canadian economy. With increasing construction activity, cement consumption and pricing should continue to improve and produce accelerated earnings recovery and growth.

We believe that Lafarge Corporation is solidly positioned to benefit from the economic upturn that is currently unfolding. We have blended a skilled, experienced management team from the valuable human resources of both General Portland and Canada Cement Lafarge. Our production facilities are efficient, technologically competitive and capable of expanded utilization to meet the expected increases in demand. Our markets are diverse and include the fastest growing areas in North America. And, our focus and effort to reduce and control costs will remain the Company's number one goal.

In brief, all of the elements that influence business success are in place as Lafarge Corporation prepares for the challenges and opportunities of the future. With the goodwill and support of our shareholders, the continued dedication to excellence of our employees and the trust and confidence of our customers and suppliers, we are determined to successfully meet those challenges and opportunities.

Because the Lafarge Corporation name and our present organization is relatively new, we have chosen to tell our corporate story in the following section of this report. I hope you take the time to review this more detailed description of our Company and its prospects.

John D. Redfern President and Chief Executive Officer February 20, 1984

The Lafarge Corporation Story

afarge Corporation is North America's newest and largest cement manufacturer, but traces its roots to the 150-year-old tradition of quality and excellence begun by Lafarge Coppée of Paris, France, in 1833.

□ Lafarge Corporation was established in 1983 on the foundations of General Portland Inc. of Dallas and Canada Cement Lafarge Ltd. of Montreal, two companies with long-standing reputations for technological, manufacturing and marketing leadership in the cement industry.

Lafarge Corporation has set for itself the longterm goal of being successful as a growing, low-cost producer of quality cement, concrete, aggregates and associated materials. To accomplish this goal, the Company will concentrate on the production of mass volume products, strive to maximize the efficiency and productivity of manufacturing facilities, grow on a selected basis through expansion and acquisition and continue to emphasize the control of costs and the generation of cash flow while operating within a conservative financial framework.

□ Today, the building materials industry is experiencing the beginning of a new, upward cycle in construction activity. Cement consumption for new housing and commercial construction, road building and the other uses that generate demand for this basic building product is expected to increase by 10 percent in the United States and six percent in Canada in 1984.

□ Lafarge Corporation — with its major presence throughout Canadian markets and strength in the vigorous Sunbelt region of the United States, with technologically advanced and efficient production facilities, with the combined professional expertise from within the General Portland, Canada Cement Lafarge and Lafarge Coppée organizations, and with a solid financial base — is well positioned for industry leadership as demand for cement grows in 1984 and beyond.



The enduring Pantheon in Rome was built in 138 A.D. with an early form of



Laying the cornerstone of the New York Stock Exchange building in 1903; white cement produced by Lafarge Coppée was used for its construction.

Canada Housing Starts (In millions)

82 🛕 🛕 🗋 .13

83* 📗 👜 .16

*1983 estimated Source: Portland Cement Association of Canada.

United States Housing Starts (In millions)

*1983 estimated Source: U.S. Portland Cement Association



Shares of Lafarge Corporation began trading on the New York Stock Exchange on November 23, 1983.



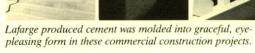
Cement produced by Lafarge Coppée was used in the construction of the Suez Canal in 1859-69.

150 years of excellence: From Lafarge Coppée to Canada Cement Lafarge Ltd., General Portland Inc. and Lafarge Corporation.



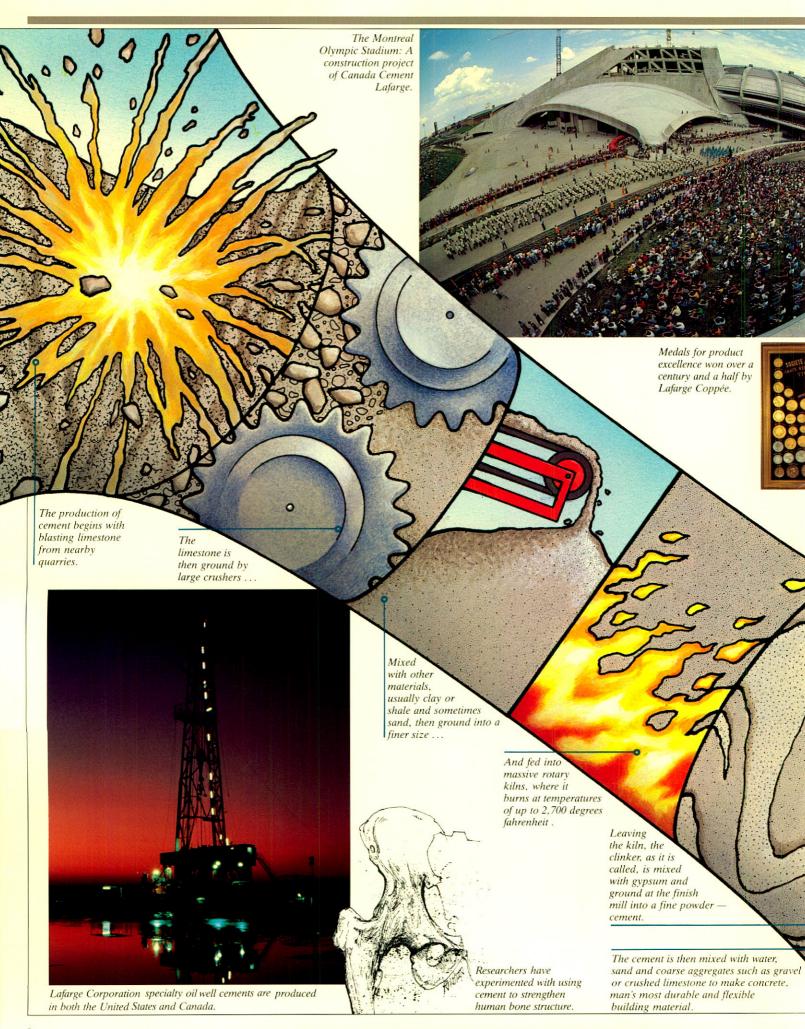












Highway construction is a major use of cement, and expected to increase even more in the 1980s.

General Portland cement was used in the construction of the Dallas/Fort Worth Regional airport, the world's second largest.

Products

oncrete is the most versatile, efficient and durable building material known to man. Singularly lacking glamour in its basic form, it is the substance of which the world's most spectacular structures have been built.

☐ The permanence of concrete gives it a lasting competitive edge over less durable construction products, such as wood. The ability to shape, mold and form concrete makes it architecturally more flexible than steel. And as energy costs have soared since the middle 1970s, concrete as a paving material has become more cost-efficient than asphalt and other oil-based compounds.

☐ Concrete is truly North America's "local" building material. Everywhere throughout the continent it is supplied to-order from a local plant utilizing local raw materials, manpower and transportation.

□ Cement products are used in a variety of basic ways. Masonry cement is important to residential construction. Normal portland cement, as the basic ingredient of concrete, is a fundamental building material for residential and commercial construction, roads and highways and other components of the infrastructure that supports modern civilization. Specialty cement products are manufactured for other uses, such as the energy industry's need for special cements in drilling oil and gas wells.

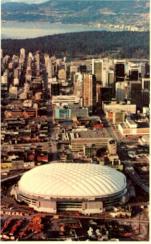
☐ The Company's basic philosophy is to manufacture top quality products and work with our customers and within the Portland Cement Association in developing new applications for concrete while expanding current uses.

Construction activity in the vigorously growing Sunbelt region of the United States.





Cement produced by Canada Cement Lafarge was used in building of the British Columbia Place sports arena, and numerous other construction projects in Vancouver.



United States Cement Consumption (In millions of tons)



Source: U.S. Portland Cement Association

Forecasted United States Cement Consumption (In millions of tons)



Source: U.S. Portland Cement Association



| 79 | 9.7 |
|----|-----|
| 80 | 9.2 |
| 81 | 9.4 |
| 82 | 7.0 |
| 83 | 6.9 |

Source: Statistics Canada

Projected Construction Expenditures in Canada (Projected percentage year-to-year change of expenditures measured in constant Canadian dollars)



Source: Royal Bank of Canada



Cement consumption is directly related to population growth.

Markets

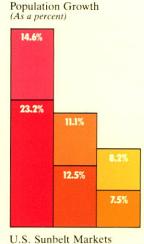
afarge Corporation's markets are both geographically broad and strategically situated in areas that are expected to experience the greatest increases in population growth in the 1980s. Population growth is important, because cement consumption is directly related to the number of people in a market.

□ The Company's Sunbelt markets — which contain approximately 73 percent of Lafarge Corporation's U.S. production capacity — are expected to experience a 14.6 percent growth in population between 1980 and 1990, according to the National Planning Association of Washington, D.C. This compares very favorably with a projected population increase of 8.2 percent for the remainder of the U.S., and follows an increase of 23.2 percent in the Sunbelt population between 1970 and 1980.

☐ The Company's Canadian markets are projected to experience a population increase of approximately 11 percent in the 1980s, according to data provided by Statistics Canada of Ottawa, Ontario.

☐ In Canada, marketing operations are assisted by more extensive vertical integration into concrete and related products, and these operations contribute significantly to the Company's profitability and share of market in Canada.

Overall, the outlook for Lafarge Corporation's markets appears to be bright. The Company's distribution system is very flexible and includes cost-effective water-borne transportation facilities which link plants on the East Coast of Canada with terminals on the Gulf Coast of the United States and inland plants with markets along the St. Lawrence River and the Great Lakes. This combination of markets and facilities will enable it to take maximum advantage of the increased demand for cement.



Actual Projected
Canadian Markets
Actual Projected
All other U.S. Markets
Actual Projected

Sources: National Planning Association, Washington, D.C. Statistics Canada





Lafarge Corporation's transportation system is allinclusive, from trucks to rails to an important water-borne network.





The Bath Cement Plant in Ontario and Exshaw Cement Plant in Alberta both employ the costefficient pre-heater dry manufacturing process.



Bath



Exshaw



Combining
Canada Cement
Lafarge and
General Portland,
coupled with the
resources
provided by
Lafarge Coppée,
created a pool of
professional and
technical expertise
unparalled in
the cement
manufacturing
industry.





The first rotary kiln installed at General Portland's Dallas Plant in 1907.



afarge Corporation's network of 19 cement manufacturing facilities with a rated annual capacity of 13 million tons in the U.S. and Canada makes the Company the largest cement manufacturer on the North American continent.

☐ Lafarge Corporation's production facilities are technologically advanced, competitively efficient, and do not require any major capital spending.

☐ Six of the nine plants in Canada utilize the dry process, and two of these have the technology to pre-heat materials before they are fed into the kilns, which further increases production and fuel efficiency.

□ Four of the U.S. plants employ the dry manufacturing process, and three of these facilities utilize the advanced pre-heater technology. Also, three of the U.S. plants have developed systems that permit the burning of low-cost industrial waste materials as an alternative energy source to supplement the more expensive fossil fuels.

□ Lafarge Corporation's professional, technical and executive personnel constitute an underlying strength in support of production efficiency and quality control. The combination of Canada Cement Lafarge and General Portland created a pool of human resources with a breadth and depth of knowledge unparalleled in the North American cement manufacturing industry. The result is a high degree of production efficiency and a high level of competitive strength.



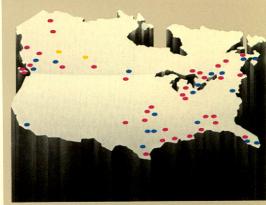
Lafarge
Corporation's
water
transportation
network
enhances the
Company's
competitive
advantage in
both controlling

transportation costs and in being able to fulfill market demand throughout North America.





Cement Plants and Terminals



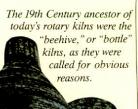
- Cement Plant
 Grinding Plant
 Bulk Cement Distribution Terminal

Lafarge Corporation Cement Manufacturing Facilities

| Location | Process (I | Capacity n short tons) |
|-----------------------|------------|------------------------|
| United States Plants: | | |
| New Braunfels, Texas | Dry* | 1,000,000 |
| Fort Worth, Texas | Wet | 731,000 |
| Dallas, Texas | Wet | 475,000 |
| Tampa, Florida | Semi-Dry | 650,000 |
| Miami, Florida | Wet | 610,000 |
| Whitehall, | | |
| Pennsylvania | Dry* | 800,000 |
| Demopolis, Alabama | Dry* | 750,000 |
| Lebec, California | Dry | 610,000 |
| Paulding, Ohio | Wet | 554,000 |
| Fredonia, Kansas | Wet | 407,000 |
| U.S. cement capacity | | 6,587,000 |
| Canadian Plants: | | |
| Brookfield, | | |
| Nova Scotia | Dry | 535,000 |
| Havelock, | | |
| New Brunswick | Dry | 347,000 |
| St. Constant, Quebec | Dry | 1,053,000 |
| Bath, Ontario | Dry* | 1,103,000 |
| Woodstock, Ontario | Wet | 590,000 |
| Fort Whyte, | | |
| Manitoba | Wet | 623,000 |
| Exshaw, Alberta | Dry* | 1,356,000 |
| Kamloops, British | | |
| Columbia | Dry | 209,000 |
| Richmond, British | | |
| Columbia | Wet | 612,000 |
| Canadian cement cap | acity | 6,428,000 |
| Total Capacity | | 13,015,000 |
| *D 1 | | |

*Pre-heater process plants.

The Balcones
Cement Plant in
Central Texas is a
state-of-the-art
pre-heater dry process
facility with an
annual production
capacity of one
million tons.



Operations Review

Overview of Corporate Management

uality of management is critical to the success of any new business venture. Lafarge Corporation began operations in 1983 with a skilled, experienced senior management team assembled from within the Canada Cement Lafarge Ltd., General Portland Inc. and Lafarge Coppée organizations. A review of the executive appointments made by the Company during 1983 follows.

Olivier Lecerf, Chairman and Chief Executive Officer of Lafarge Coppée, has been appointed Chairman of the Board of Directors of Lafarge Corporation.

John D. Redfern, President and Chief Executive Officer of Canada Cement Lafarge since 1977, was named President and Chief Executive Officer of the new corporation. He also serves as Chief Executive Officer of the two operating subsidiaries, Canada Cement Lafarge and General Portland.

Robert W. Murdoch, previously Executive Vice President of Canada Cement Lafarge, was named



With an annual production capacity of one million tons, the St. Constant Plant in Quebec serves the growing urban markets in and around Montreal, and also produces specialty oil well cements marketed in Western Canada and the energy-rich Gulf Coast region of the United States.

Executive Vice President of Lafarge Corporation and President and Chief Operating Officer of Canada Cement Lafarge. William D. Jones, formerly Senior Vice President of General Portland was named Executive Vice President of Lafarge Corporation and President and Chief Operating Officer of General Portland. He succeeds James B. Lendrum, who remains as Chairman of General Portland and was appointed Vice Chairman of Lafarge Corporation.

Louis G. Munin, formerly Senior Vice President and Chief Financial Officer of General Portland, was promoted to the same responsibilities for the parent corporation. Frédéric G. Webel, Senior Vice President Finance with Lafarge Coppée, was appointed Senior Vice President of the Company.

Bruce S. Dryburgh, formerly Vice President and Treasurer of General Portland, was named to the same position with Lafarge Corporation. Jean-Pierre Cloiseau, previously Manager of Financial Planning for Lafarge Coppée, was appointed Vice President of Lafarge Corporation, and Philip A. Millington, previously Assistant Controller for General Portland, was appointed Controller.

The assembly of a complete senior management team from within existing operations reflects the breadth and depth of management strength of Lafarge Corporation. The joining of General Portland and Canada Cement Lafarge, backed by the association with Lafarge Coppée, has significantly expanded the pool of management talent and technical expertise available within the organization. It is anticipated that these important human resources will be an increasingly valuable asset in the future.

United States Operations

The following table summarizes the significant highlights of the U.S. operations (in millions, except number of employees).

| Years Ended December 31 | 1983 | 1982 | Percent Change |
|-------------------------------|---------|----------|-------------------|
| Net sales | \$385.4 | \$369.9 | +4 |
| Income (loss) from operations | \$ 4.6 | \$ (1.0) | |
| Assets employed | \$507.2 | \$529.4 | -4 |
| Number of employees | 2,100 | 2,250 | -7 |

Management and Personnel

rganization of the new parent company required some restructuring of management at the senior levels of General Portland. John D. Redfern became Chief Executive Officer, replacing James B. Lendrum, who retains the position of Chairman of the Board. William D. Jones, formerly a Senior Vice President, was elected President and Chief Operating Officer of General Portland. David S. Fields, formerly Controller, was appointed Vice President, Finance. James E. Fowler, Assistant Treasurer since 1978, was named Controller and Tom C.



William D. Jones President and Chief Operating Officer of General Portland

Hardy, Jr., Manager of Corporate Planning, was appointed Treasurer. In addition to these corporate promotions, several division management appointments were made during 1983. In May, John R. Beasley, who had previously served as General Sales Manager of the Trinity Metroplex Division, was elected Vice President and General Manager of that division.

In August, Leland D. Smith, Jr. became Vice President and General Manager for the Citadel Division after serving in that capacity for seven years in the Trinity South Division. John R. Moran, previously General Manager of the General Portland ready-mix concrete operations, was elected to fill the Trinity South position.

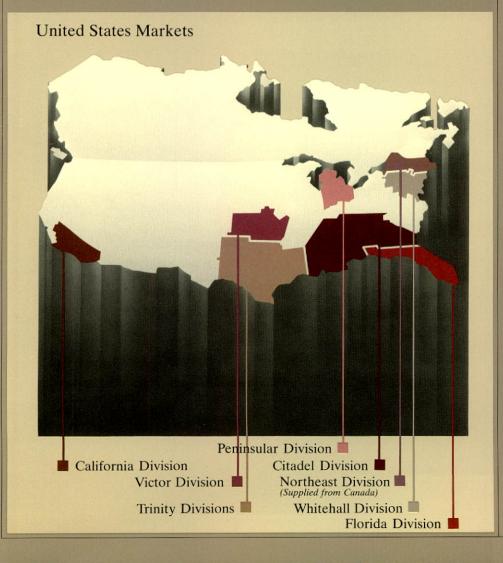
Also in August, Glenn L. White was elected Vice President and General Manager of the Whitehall Division. White joined General Portland after serving as Vice President of Operations and President of the Eastern Division of Martin Marietta Cement.

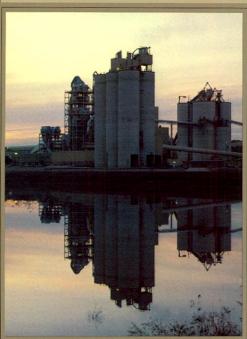
Cement Shipments

General Portland's cement shipments increased five percent in 1983 to 5.1 million tons from 4.9 million tons in 1982. Excluding shipments of the Chattanooga plant, which was sold in August 1982, cement shipments increased 10 percent, which approximates the increase in nationwide cement consumption. While General Portland's strong position on price increases cost it market share in some areas, overall Company market share in the United States remained approximately level with 1982.

Shipments of masonry cement, an important specialty product, increased by 39 percent, reflecting the strong housing construction market, as well as increased market penetration. On the other hand, shipments of specialty oil well cements declined by 39 percent as a result of the continued weakness in oil and gas drilling activity.

The Company's U.S. cement distribution capabilities were expanded during 1983 and further growth will be completed in early 1984. A distribution terminal was opened in Corpus Christi in order to better supply the growing South Texas





The Balcones Cement Plant in Central Texas near New Braunfels has a rated annual production capacity of one million tons.

market. Currently under construction, with completion scheduled in the near future, are distribution terminals in Columbus, Ohio, and Buffalo, New York. The Buffalo terminal will be supplied by Canada Cement Lafarge.

During 1983, General Portland successfully introduced Lafarge class H oil well cement into the Louisiana market. This cement is produced by Canada Cement Lafarge to General Portland's specifications and delivered from eastern Canada to the deepwater New Orleans terminal.

General Portland expects continued improvement in cement shipments in 1984 as commercial and highway construction increase and stimulate cement consumption.

Markets

Economic recovery for the U.S. construction industry finally began in 1983, after three consecutive years of severe recession. To date, the upturn has been limited primarily to housing construction, which responded

strongly to the decline in interest rates in late 1982. Housing starts increased 60 percent from a 36-year low of 1,062,200 in 1982 to 1,701,300 in 1983, resulting in a 10 percent increase in U.S. cement consumption to 72.3 million tons. Due to the depth of the recent recession, however, this still leaves the 1983 cement consumption substantially below the last peak of 87.3 million tons in 1978.

While all of General Portland's regional market areas experienced consumption growth during 1983, there were wide differences of degree among and within the markets. The eastern and northern industrial markets, which had been most severely depressed, demonstrated solid, steady gains throughout the year, while Florida and Southern California started slowly but picked up considerable strength as 1983 progressed.

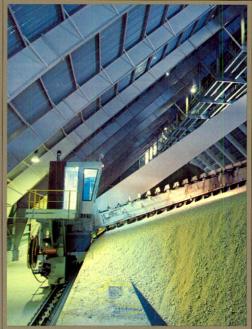
The North Texas market, which did not decline significantly during recent years, put in another strong showing. On the other hand, those areas which are heavily oriented toward energy exploration, such as Southeast Texas, Louisiana and Oklahoma, lost ground.

Cement consumption in the United States is projected to grow by 10 percent in 1984, assuming that interest rates do not rise significantly above current levels. Industrial and commercial construction, highway rehabilitation, and a modest turnaround in energy exploration are expected to take up the momentum as housing construction levels off.

General Portland, with 73 percent of its production capacity and a strong terminal network in the growing Sunbelt portion of the U.S., is well-positioned to benefit from continued economic recovery.

Cement Prices

Cement prices continued to decline through the first half of 1983; however, it is not unusual for pricing improvement to lag behind an upturn in cement consumption. After six months, General Portland's average



Crushed limestone at Balcones is prepared for introduction to the kiln.

selling price for cement was eight percent below the comparable period in 1982. However, at mid-year, General Portland was able to raise prices in several markets and as a result pricing in the second half of 1983 improved three percent over the first half of the year.

For the year as a whole, the Company's average selling price was four percent below 1982. Prices for specialty oil well cements were especially weak in 1983, falling 15 percent from 1982 versus a one percent drop for all other cement products.

The projected increase in cement consumption and in capacity utilization should result in reasonable price increases. With the cement industry incurring significant losses, price improvement is vitally necessary in order to offset the price deterioration and inflation of recent years. It is still too early in 1984 to clearly identify the strength of current pricing improvements, but early indications support our belief that 1984 will bring significant price increases. We will continue to place the highest priority on price improvement.

Cement Production

1983 was a year of significant achievement in General Portland's cement plants. In the present plants, cement production increased 11 percent compared with 1982, and capacity utilization increased to 78 percent from 70 percent.

At General Portland the average cost of production per ton of cement decreased five percent in 1983, reflecting the increased use of supplemental fuels, efficiency benefits from the first full year of the comprehensive plant improvement program, and higher production volume. Of the ten cement plants, seven recorded lower unit costs than in 1982, and the remaining three showed only modest increases.

Production volume and cost improvements at the Dallas and Fort Worth plants were especially noteworthy. The fine performance of the Demopolis, Alabama, plant played a major part in the significant profit improvement at the Citadel Division.

The Lebec, California, cement plant incurred significant maintenance costs during 1983, which have put the plant in excellent condition for the years ahead. The continued excellent performance of the Company's newest plant at New Braunfels, Texas, prompted an increase in the rating of that plant's capacity to one million tons per year.

General Portland plans to continue its ongoing comprehensive plant improvement program. Activities in 1984 will focus on fuel efficiency, which has improved in each of the past three years, and utilization of lower-cost fuels. The Company also expects to achieve increased productivity through the introduction of programs designed to enhance employee involvement in plant and company matters and through the elimination of restrictive work practices.



The control room at the Balcones Cement Plant symbolizes Lafarge Corporation's commitment to technological leadership in the cement manufacturing industry.

Energy

Fuel and power represent major expenses in the production of cement, and the Company places strong emphasis on controlling the cost of these items. During 1983, General Portland successfully reduced the cost of fuel per ton of cement manufactured.

Unit fuel cost declined 14 percent due to a one percent improvement in efficiency, the third consecutive annual improvement, and a 13 percent reduction in the price paid for purchased fuel. The fuel efficiency improvement is due in large part to the application of Lafarge technology in General Portland's plants. The purchase price improvement primarily reflects the benefits of General Portland's ability to change from one form of fuel to another in order to take advantage of favorable prices.

During 1983, the Company substantially increased its use of petroleum coke which, due to weakness in the general economy, had become available at a much better price than coal. In addition, the Company further expanded its use of low-cost industrial waste materials as a supplement to fossil fuels at three plants. The Paulding, Ohio, Lebec, California, and Fredonia, Kansas, plants utilized these waste fuels for an average of 16 percent of their total fuel requirements.

During 1984 General Portland will, through the comprehensive plant improvement program, seek further improvements in fuel efficiency. In addition, the Company will continue its efforts to utilize lower-cost alternatives to coal. The construction of a permanent supplemental waste fuel facility is planned at the Fredonia, Kansas, plant in 1984.

Concrete Products and Aggregates

General Portland withdrew from the ready-mix concrete business in September 1983 by selling its six North Texas ready-mix plants. This business was no longer of strategic importance. The Company will continue to supply cement to these ready-mix facilities.

Net sales and profits from construction aggregates improved substantially in 1983 compared with 1982, despite a decline in average selling prices. The improvement resulted from the strength of the North Texas economy and shipments for the expansion project at the Dallas/Fort Worth Airport. Prices and sales volume for fly ash were lower in 1983 due to heightened competition in the Texas market.

General Portland intends to significantly expand its aggregate and fly ash operations in 1984 with the addition of facilities at two new locations, and the acquisition of additional sand and gravel reserves. The Company is aggressively seeking further expansion opportunities in these strategic businesses.

Capital Expenditures

Capital expenditures in 1983 totaled \$12.9 million, down six percent from \$13.7 million in 1982. Capital expenditures were made primarily to support planned levels of operation and for the comprehensive plant improvement program. Despite the low level of capital expenditures, no significant opportunities were foregone.

Important projects completed during 1983 include the construction of a permanent supplemental fuel facility at the Lebec, California, plant and construction related to the consolidation of the Tampa plant's operations into a more efficient configuration.

General Portland plans capital expenditures of \$20 million in 1984. The budget again includes sustaining plant expenditures and further investment in the comprehensive plant improvement program, as well as

expansion of the Company's sand and gravel business in North Texas, and an additional permanent supplemental fuel facility at the Fredonia, Kansas, cement plant.

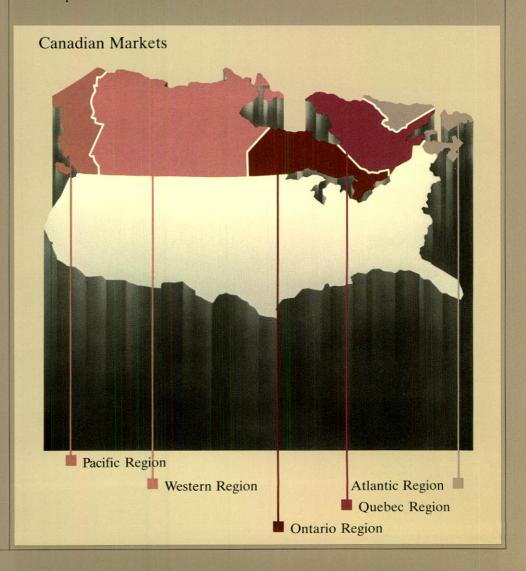
Plans for the construction of a new cement plant in North Texas are still being developed. Implementation of these plans would substantially increase capital expenditures in future years.

Real Estate

General Portland's planned with-drawal from real estate operations was profitably accelerated in 1983, with real estate sales totaling \$7.0 million during the year. This resulted in a contribution to pre-tax income of \$4.2 million and a total cash contribution of \$8.0 million. The high level of activity was due to the strong housing market in North Texas where General Portland's real estate operations are located.

General Portland's withdrawal from real estate operations will be completed in 1984. The cash

generated will be applied to further improvement and expansion of the Company's cement and aggregate businesses.



Canadian Operations

The following table summarizes the significant highlights of the Canadian operations (in millions of U.S. dollars, except number of employees).

| Years Ended December 31 | 1983 | 1982 | Percent Change |
|-------------------------|---------|---------|-------------------|
| Net sales | \$494.8 | \$541.3 | -9 |
| Income from operations | \$ 46.4 | \$ 42.2 | +10 |
| Assets employed | \$521.3 | \$597.8 | -13 |
| Number of employees | 4,000 | 3,950 | +1 |

Management and Personnel

ffective September 1, 1983, Robert W. Murdoch, formerly Executive Vice President, Operations, was appointed President and Chief Operating Officer of Canada Cement Lafarge, replacing John D. Redfern who became Vice Chairman and Chief Executive Officer.

Subsequent to Mr. Murdoch's appointment as President, several changes in the executive management occurred. The most notable changes were the appointment of J. Richard Maze, Vice President and General Manager of the Western Region, to the position of Senior Vice President for Western Canada, with responsibility for the Western and Pacific Regions; and the appointment of David F.G. Lovett, Vice President and General Manager of the Ontario Region, to the position of Senior Vice President for Eastern Canada, with responsibility for the Atlantic, Quebec and Ontario Regions.

The other executives reporting to Mr. Murdoch, as a result of the reorganization, are: Patrick Baviere, Senior Vice President, Finance; Claude Rivoire, Senior Vice President, Technical Services; Douglas C. Hildebrand, Vice President, Corporate Development; and Marcel Blais, Vice President, Personnel.

The key change in the organization is the establishment of Senior Vice Presidents responsible for Eastern Canada and Western Canada. These two appointments will facilitate the development of strategies appropriate to these two distinctive parts of Canada and will permit the maximization of synergies within the various business units in these two geographic areas.



Robert W. Murdoch President and Chief Operating Officer of Canada Cement Lafarge

Cement Shipments

Overall, cement shipments decreased 12 percent from 1982 levels, due to a lack of growth in the construction sector of the Canadian economy, weakness in energy industry activities in Western Canada, a decline in market share in certain markets, increased imports from the U.S. border states and reduced exports.

Shipments increased slightly in the Quebec and Ontario Regions, where the construction economy was generally stronger than in other Canadian markets. Continued weakness in oil and gas drilling activity and an overbuilt commercial and residential sector resulted in a decrease in the Western Region. Shipments were reduced in the Pacific Region due to a decline in building and intensified competition. The cancellation of a major cement supply contract in the U.S. caused a reduction in the Atlantic Region's export shipments.

Cement shipments are expected to increase slightly in 1984. This expectation, however, must be qualified by the extent and timing of general recovery of the Canadian economy and construction industry.

Continued building activity in the metropolitan centers of Ontario and Quebec should stimulate additional cement consumption. In Western Canada, construction is expected to increase in British Columbia, but in Alberta, no increase is anticipated due to the overbuilt condition that exists. Exports to the border states are expected to improve because of the general upturn in the U.S. economy and the resultant increase in cement consumption in these markets.

Markets

In 1983, Canada experienced the first stages of economic recovery. The increase in economic activity was primarily driven by the purchase of consumer goods and housing. This resulted in significant variations between Provinces in the extent of the recovery and overall construction activity remained at low levels.

Housing starts increased by 29 percent during the year to 163,000 units, due, in large part, to government incentives. The increase in housing starts, which occurred primarily in Eastern Canada, was offset by a significant decrease in nonresidential construction which resulted from a lack of major projects and by the serious overbuilt condition that exists in the Alberta commercial and residential sectors. Consequently, total Canadian cement consumption of approximately 6.9 million tons was comparable to 1982, when it reached the lowest level recorded in 19 years.

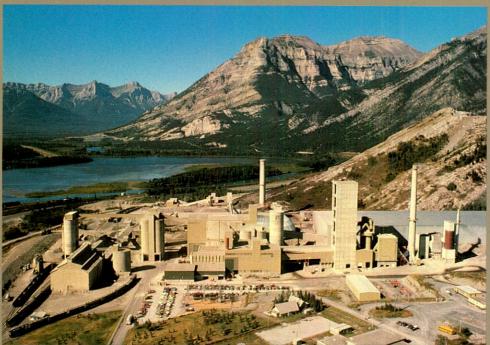
Cement consumption in Canada is expected to increase moderately in 1984. In addition, demand in the export markets along the U.S./Canadian border is forecast to increase by 10 percent. Although these increases

will improve capacity utilization in Canada, domestic cement consumption will still be approximately 30 percent below the peak experienced in the 1970s.

As in 1983, much of the improvement in 1984 is expected to occur in the metropolitan Ontario and Quebec markets and activity in Western Canada is expected to remain relatively flat due to the lack of activity in the price competition is expected to remain strong until construction activity and overall demand for cement develop a stronger growth pattern than was evident in 1983.

Cement Production

In spite of a decline in cement production levels of nine percent compared with 1982, cement unit produc-



The Exshaw Plant in Alberta is a pre-heater, dry process plant with an annual production capacity of 1.4 million tons.

energy related industries, particularly in the Alberta market.

Cement Prices

Average domestic cement sales prices in Canada remained relatively stable in 1983. The overall average selling price for Canada Cement Lafarge increased four percent during the year, due to a decline in lower-priced export sales.

For the year, generally lower prices in Western Canada and Canada Cement Lafarge's Northeastern U.S. markets were offset by increased domestic prices in Central and Eastern Canada. The inability to realize substantial price increases was a result of increased competition in a generally soft business environment.

Every effort will be made to improve prices during 1984. However,

tion costs decreased three percent as a result of intensive efforts to control all production-related expenses and to realize productivity improvements. Improvement in cement unit production cost was notable at Exshaw, Alberta, reflecting the continuing improvement in the operation of the four-stage precalciner kiln which came on stream in 1981.

During 1983, the objective has been to operate the most efficient production facilities at as high a rate of utilization as possible. Consequently, some of the higher-cost plants have been producing on a limited basis. The cement grinding plant at Floral, Saskatchewan, was converted into a distribution terminal and production of clinker at the Fort Whyte and Havelock cement plants was significantly reduced.

Cement production during 1984 is expected to increase slightly above 1983 levels as the general economy stabilizes and cement demand improves. Although overall costs are expected to increase in 1984, continued emphasis on cost reduction programs and productivity improvements, with particular emphasis on power and fuel consumption, is expected to minimize this increase.

Energy

A principal operating strength of Canada Cement Lafarge is its production efficiency and ability to manufacture quality cement products at competitive costs. This is especially evident in the control of fuel expenses, which represent about 22 percent of the total plant cost for Canada Cement Lafarge. During the past two years, fuel efficiency has improved by six percent. This progress has been achieved in part by increasing the capacity utilization of the newer, more efficient production facilities in Canada, while temporarily closing certain of the older plants.

Lower fuel consumption and the efficiencies resulting from higher utilization of the more modern plants were major factors contributing to a 14 percent decrease in unit fuel cost in 1983. In addition, at the Bath, St. Constant and Richmond plants, fluid coke is being used to replace a portion of the more expensive fuels normally used, and at the Woodstock plant, the experimental usage of supplemental fuels has produced promising results.

Canada Cement Lafarge will continue to improve fuel efficiency in 1984 through increased use of fluid coke at Bath, St. Constant and Richmond, through the continued high utilization of the newer, most efficient facilities, and by expanding the use of industrial by-products as supplemental fuels. Projects which will increase fuel efficiency and reduce cost represent a major portion of the Company's planned capital spending in the coming year.

Concrete Products, Aggregate and Construction Operations

Concrete products, aggregate and construction operations represent a major factor in the vertically integrated business activity of Canada Cement Lafarge, which operates 82 ready-mix concrete plants, 45 aggregate sites, six precast and prestressed concrete plants, eight concrete block plants and seven concrete pipe plants.

A major objective of 1983 was an internal reorganization of certain of the concrete and construction units to provide sharper marketing focus and more streamlined, cost-effective operations. A part of this reorganization included the acquisition of the remaining minority interest in Standard Industries Ltd., which was purchased at year end.

Standard Industries, with operations concentrated primarily in Ontario, is a producer of basic construction materials - sand, gravel, crushed stone, slag, asphalt mixes and ready-mix concrete — and is a paving and road building contractor. The company manufactures a variety of concrete products — pipes, blocks, steel-lined pressure pipes, manholes, specialty products and bag dry mix materials for distribution to the do-itvourself market. It also manufactures "Roxul" insulation and produces concrete additives at three construction chemical plants.

Supercrete, a division of Canfarge, was awarded the contract to produce the prestressed concrete beams and structural members for the Vancouver Advanced Light Rapid Transit project. This project, which was begun in 1983 and is expected to be completed in late 1984, was a major factor in improved sales and earnings

performance in 1983.

In 1983, improved volumes and margins were achieved in Ontario, Manitoba and Saskatchewan, contributing to a significant increase in the earnings from the concrete products,



The Bath, Ontario, Plant employs the advanced pre-heater, dry-process technology and water transportation capabilities that have made Canada Cement Lafarge an industry

aggregate and construction operations. Overall, these operations contributed 34 percent of Canadian operating profits in 1983, up from 28 percent in 1982.

Canada Cement Lafarge will continue to aggressively manage its vertically integrated businesses which form an integral part of the Company's operating strategy in Canada. A key objective in 1984 will be to benefit from the ownership of all of Standard Industries through a better integration of operations in Ontario and utilization of a stronger management group due to the addition of the Standard Industries personnel. As in the outlook for cement shipments, the expectation of improved operating results from these businesses is, in large part, dependent on the extent and timing of the recovery in the Canadian construction economy.

Capital Expenditures

Capital expenditures in 1983 totaled \$11.2 million, down substantially from \$25.9 million in 1982. Tight control of capital has been one of the financial strategies to reduce the debt load incurred by the 1981 purchase of General Portland. As a result in 1983, only capital projects of a sustaining nature were considered.

The capital expenditures program for 1984 has been established at \$30 million. A significant portion, \$7 million, has been allocated to selected cement plants to construct alternate fuel burning facilities. In the concrete and construction business, emphasis will be concentrated on the replacement of older equipment and facilities.

In 1983, a three-year program was established to update and modernize the management information system of Canada Cement Lafarge. During 1984, the purchase of hardware and systems is expected to cost approximately \$1 million.



Canada Cement Lafarge is a major supplier for construction of Vancouver's advanced rapid transit system.

Financial Review



Louis G. Munin Senior Vice President and Chief Financial Officer

Significant Events

Formation of Lafarge Corporation

n March 8, 1983, the shareholders of Canada Cement Lafarge Ltd. ("CCL") approved a modification of the corporate structure of CCL which resulted in an overall reorganization (the "Reorganization") of the corporate and financial structure of CCL and its subsidiaries, whereby Lafarge Corporation (the "Company"), previously a wholly-owned subsidiary of CCL, became the parent company of CCL and General Portland Inc. ("GPI") effective April 28, 1983. This Reorganization was accomplished through modifications to the capital structure of both the Company and CCL.



The central control room at the Citadel Cement Plant in Demopolis, Ala.

The balance sheet of the consolidated group after the Reorganization remained virtually unchanged except for changes in the components of the Company's capitalization. This Reorganization was accomplished in order to improve the Company's access to the U.S. financial markets and on June 14, 1983 the Company's stock began public trading in the United States.

Equity Financing

On December 1, 1983, the Company sold 2,035,000 Common Shares and 1,100,000 Convertible Preferred Shares through an underwritten public offering. This equity financing generated net proceeds of \$44.2 million, which the Company used to repay long-term debt. Both of these securities have traded on the New York Stock Exchange since November 23, 1983.

Acquisition of Standard Industries Ltd. Minority Interest

On December 30, 1983, 2.4 million Exchangeable Preference Shares of CCL (the "CCL Exchangeable Shares") were issued to acquire the remaining 26 percent minority interest of Standard Industries Ltd. ("SIL"). This acquisition was accounted for as a purchase, and was accomplished through a share exchange whereby each minority interest common shareholder of SIL received 1.45 CCL Exchangeable Shares for each common share of SIL held.

SIL operates primarily in Ontario and is engaged in producing and marketing a variety of construction materials. If this acquisition had taken place on January 1, 1983, the Company's net income would have increased by \$2.5 million, or \$.10 per share, because of a reduction in related minority interest charges.

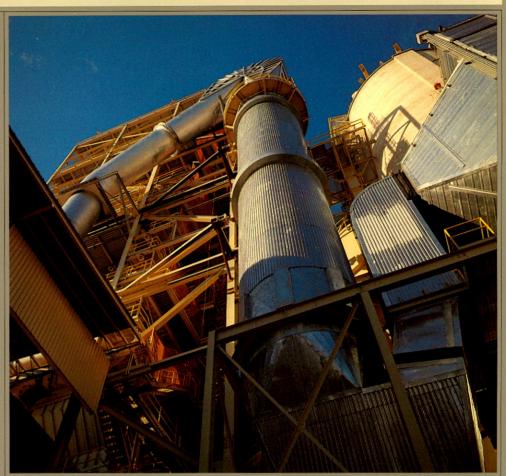
Results of Operations

Net Sales

he following table reflects the sources of net sales for the two years ended December 31, 1983, by product line (in millions).

| | 1983 | 1982 | Percent Change |
|----------------------------|---------|---------|-------------------|
| Cement | \$531.8 | \$547.5 | -3 |
| Concrete prod- ucts and | | | |
| aggregates | 307.7 | 314.2 | -2 |
| Construction | 85.8 | 105.8 | -19 |
| Real estate | 7.0 | 1.6 | +338 |
| Eliminations | (64.4) | (68.9) | -7 |
| Total Net Sales | \$867.9 | \$900.2 | -4 |

In 1983, net sales decreased \$32 million, or four percent, as a result of lower Canadian cement shipments, a decline in U.S. cement prices and reduced sales from the Canadian concrete, aggregate and construction operations. The negative impact of



The pre-heater technology employed at the Balcones Cement Plant is one of the most advanced in the industry.

these items was partially offset by an increase in U.S. cement shipments, higher Canadian cement prices and improved aggregate and real estate sales in North Texas.

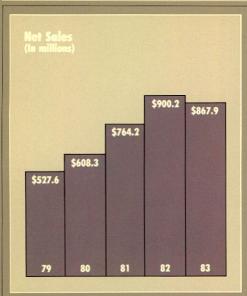
The following table summarizes the Company's cement shipments, in millions of tons by country, and the average cement selling price per ton for the two years ended December 31, 1983.

| | 1983 | 1982 | Percent Change |
|------------------------------|---------|---------|-------------------|
| Cement ship- ments from | | | |
| United States | 5.1 | 4.9 | +5 |
| Canada | 2.8 | 3.2 | -12 |
| Total cement shipments | 7.9 | 8.1 | -2 |
| Average cement selling price | | *** | |
| per ton | \$66.92 | \$67.77 | -1 |

Cement shipments from the U.S. increased five percent during 1983. Excluding sales volume from the Chattanooga, Tennessee cement plant,

which was sold in August 1982, U.S. cement shipments increased ten percent. This increase in cement consumption was stimulated by a 60 percent increase in U.S. housing starts in 1983. Due to strong competitive market pressures, the Company's average selling price of cement in the United States decreased four percent compared to 1982. As a result of mid-vear price increases in several markets, however, the Company's average cement prices in the U.S. improved three percent during the second half of the year and were higher at year end than at the beginning of 1983.

Total cement shipments from Canada declined 12 percent in 1983 due to a lack of growth in the Canadian construction economy, weak energy-related activity in Western Canada, a decline in market share in certain markets and reduced export shipments. Cement selling prices in 1983 increased four percent despite the generally soft business



environment, primarily as a result of the absence of lower priced export shipments included in 1982. Domestic selling prices remained stable in 1983.

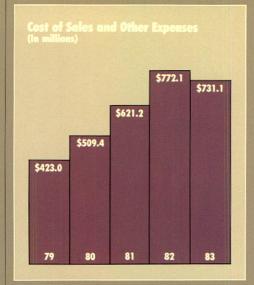
Net sales from the concrete products and aggregate operations in 1983 decreased as a result of lower volumes in Western Canada and price deterioration in certain Canadian metropolitan markets, partially offset by increased sales in Ontario and North Texas. Net sales from the Canadian construction operations decreased \$20 million reflecting the soft Canadian construction economy. GPI's real estate operations in North Texas recorded a \$5 million increase in net sales, reflecting that area's increase in residential housing demand.

Net sales increased 18 percent to \$900 million in 1982 primarily because of a \$162 million increase in cement sales resulting from the inclusion of GPI sales for all of 1982, compared to less than two months in 1981. This increase took place in a year when cement consumption in both Canada

and the United States was at the lowest level recorded in almost 20 years. If 1981 net sales were adjusted to include GPI sales for a full year, 1982 net sales would have decreased 14 percent, reflecting the dramatic decline in cement consumption.

In Canada, net sales from the cement and construction operations declined \$55 million, or 24 percent, and \$56 million, or 35 percent, respectively in 1982. Sales from the Canadian concrete products and aggregate operations were comparable to 1981, with price increases offsetting the effect of reduced sales volume. In the United States, the average price of cement declined in 1982 as a result of severe competitive market conditions, and total cement shipments (including GPI for a full year in 1981) decreased 6 percent.

Net sales of \$764 million in 1981 were 26 percent higher than in 1980. Cement sales increased by \$69 million, or 28 percent, because of a \$41 million improvement from U.S. operations, related to the acquisition of GPI in November 1981, and a \$28 million increase from Canadian cement operations, primarily due to higher prices. Sales of concrete products and aggregates increased \$78 million, or 37 percent, while sales from the construction operations increased by \$9 million, or 6 percent. The increase in both operations was attributable to volume and price improvements and to the inclusion in 1981 of full year operating results of SIL, which became a subsidiary in April 1980, and of partial year operating results of GPI and Supercrete Incorporated ("Supercrete"), which became subsidiaries in November 1981.



Cost of Sales and Other Expenses

The following table reflects the sources of cost of sales and other expenses for the two years ended December 31, 1983, by product line (in millions).

| | 1983 | 1982 | Percent Change |
|---------------------------------|---------|---------|-------------------|
| Cement | \$436.1 | \$451.0 | -3 |
| Concrete products and | | | |
| aggregates | 277.3 | 287.4 | -4 |
| Construction | 78.9 | 101.6 | -22 |
| Real estate | 3.2 | 1.0 | +220 |
| Eliminations | (64.4) | (68.9) | -7 |
| Total cost of sale and other | es | | |
| expenses | \$731.1 | \$772.1 | -5 |

Cost of sales and other expenses decreased \$41 million, or 5 percent, in 1983 due to the reduction in sales volume and the Company's successful efforts to control costs. In terms of cement costs, the Company recorded lower labor, fuel and maintenance

costs, partially offset by higher power, freight, purchased raw material costs and depreciation. The costs from the concrete, aggregate and construction operations were also lower than 1982 primarily because of lower sales volume and reduced overhead resulting from a streamlining of Canadian operations.

In 1982, cost of sales and other expenses increased \$151 million, or 24 percent, over 1981 because of the inclusion of GPI results for a full year and the continuing adverse effects of inflation. Partially offsetting these factors were cost savings resulting from production curtailments and reduced discretionary spending. Cost of sales and other expenses increased in 1981 compared to 1980 due to higher sales, inflation, a full year inclusion of SIL, which was consolidated in April 1980, and a partial year inclusion of GPI and Supercrete, which became subsidiaries in November 1981.

The following table summarizes several of the Company's key cement production statistics for the two years ended December 31, 1983.

| | | | Percent |
|---|--------|---------|---------|
| 1 | 983 | 1982 | Change |
| Cement production (millions of tons) | | | |
| United States | 5.1 | 4.8 | +6 |
| Canada | 2.9 | 3.2 | -9 |
| Total cement | | | |
| production | 8.0 | 8.0 | |
| Cement capacity utilization | | | |
| United States | 78% | 70% | +8 |
| Canada | 45 | 49 | -4 |
| Weighted average capacity | | | |
| utilization | 61% | 60% | +1 |
| Average cement manufacturing cost per ton | 539.43 | \$40.33 | -2 |



Hydraulic shovel loaded with limestone at the Paulding Cement Plant.



General Portland's Whitehall Cement Plant in Pennsylvania employs the cost-efficient pre-heater technology, which reduces kiln operating costs.

In the United States, the manufacturing cost per ton of cement produced by the Company's currently existing operations decreased five percent compared to 1982, reflecting the increased use of alternative fuels, efficiency benefits from the first

full year of a comprehensive plant improvement program and higher production volume. In spite of a nine percent decline in cement production in Canada, unit cement cost decreased three percent compared to last year. This reduction resulted primarily from the utilization of more efficient production facilities and the increased use of economical fluid coke.

Selling and Administrative Expense

In 1983, selling and administrative expenses decreased \$1.2 million to a level of \$85.7 million due to the Company's efforts to control discretionary expenses, including a freeze on salaries. Selling and administrative expenses increased \$23.3 million in 1982, primarily as a result of including GPI expenses for a full year and the continuing adverse effects of inflation. In 1981, selling and administrative expenses increased \$14.8 million, due to the full year inclusion of SIL, the partial year inclusion of GPI and Supercrete and inflation.

Interest Expense

Net interest expense in 1983 was \$47.1 million, a decrease of \$19.6 million from the prior year, which resulted from reduced levels of debt and lower interest rates. In 1982, net interest expense increased \$38.7 million due to higher debt levels resulting from the acquisition of GPI as well as the inclusion of GPI's own interest costs for a full year. Net interest expense in 1981 increased \$13.4 million due to the financing of the GPI acquisition, higher interest rates and the completion of the new kiln at Exshaw, for which interest had previously been capitalized. For further information refer to Interest Expense in the Notes to Consolidated Financial Statements on page 40.

Income Taxes

The following table summarizes the Company's income taxes by country for each of the three years ended December 31, 1983 (in millions, except percentages).

| | 1983 | 1982 | 1981 |
|---------------|----------|----------|---------|
| United States | | | 14 |
| Pre-tax | | | |
| income | | | |
| (loss) | \$(18.6) | \$(34.2) | \$(7.6) |
| Income | | | |
| taxes | | | |
| (benefit) | (1.2) | (6.5) | (1.1) |
| Effective | | | |
| tax rate | (6.4)% | (19.1)% | (13.9)% |
| Canada and | | | |
| other | | | |
| Pre-tax | | | |
| income | \$22.5 | \$8.7 | \$59.0 |
| Income | | | |
| taxes | | | |
| (benefit) | 9.5 | (1.2) | 24.4 |
| Effective | | | |
| tax rate | 42.2% | | 41.4% |
| Total Compan | y | | |
| Pre-tax | | | |
| income | | | |
| (loss) | \$3.9 | \$(25.5) | \$51.4 |
| Income | | | |
| taxes | | | |
| (benefit) | 8.3 | (7.7) | 23.3 |
| Effective | 210 20 | (20.2) | 45 404 |
| tax rate | 210.3% | (30.3)% | 45.4% |

The unusually high tax provision recorded for 1983 primarily results from the Company's inability to recognize, for reporting purposes, the tax benefits relating to the expenses incurred by the U.S. parent company, Lafarge Corporation. These unrecorded benefits will provide reduced tax provisions as the U.S. operations become more profitable. At December 31, 1983, the Company has U.S. tax net operating loss and investment tax credit carryforwards of \$80.0 million and \$10.5 million, respectively, which expire substantially from 1992 to 1998. For financial statement purposes, the Company has approximately \$60.0 million in U.S. net operating loss carryforwards and \$8.0 million in U.S. investment tax credit carryforwards for which the related tax benefits have not been recorded.

The effective tax rate for 1982 was lower than the statutory rate primarily because of U.S. losses that were not deductible in that year, partially offset by foreign subsidiary

income taxed at reduced rates. In 1981, the Company's effective tax rate was comparable to the statutory rate. For further information, refer to Income Taxes in the Notes to Consolidated Financial Statements on page 40.

Minority Interest Charges

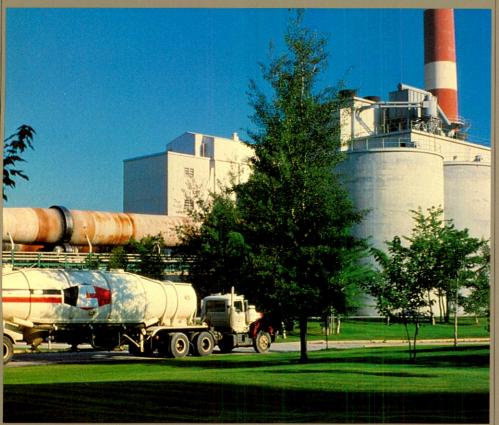
Minority interest charges primarily relate to dividends paid to holders of CCL's preference shares and the minority interest portion of earnings in subsidiaries that are not wholly-owned. The dividend payments on the CCL preference shares are at fixed rates and amount to approximately \$5.8 million annually. The increase in minority interest charges in 1983 was caused primarily by the higher earnings of SIL. With SIL becoming a wholly-owned subsidiary as of December 30, 1983, this caption will not include the elimination of SIL earnings in the future. For further information, refer to Minority Interest and Preference Shares of Subsidiary in the Notes to Consolidated financial Statements on page 37.

Net Income (Loss)

The following table summarizes the Company's operating results for each of the three years ended December 31, 1983 (in millions, except per share amounts).

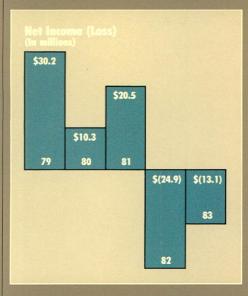
| | 1983 | 1982 | 1981 |
|-------------------|--------|---------|--------|
| Income from | | S. MAST | |
| operations | \$51.0 | \$41.2 | \$79.4 |
| Net income (loss) | (13.1) | (24.9) | 20.5 |
| Net income (loss) | | | |
| per share | (.41) | (.79) | .92 |

The net loss for 1983 is \$11.8 million, or \$.38 per share, lower than the net loss recorded in 1982. This improvement was caused by lower interest expense, higher non-cement profits at CCL and GPI and decreased expenses. The net loss for 1982 was \$45.4 million, or \$1.71 per share, worse than the net income reported in 1981. The lower operating results were caused by higher interest expense and lower earnings from the cement and related operations. In



The Brookfield Cement Plant in Nova Scotia serves markets in Canada's Maritime Provinces.

1981, the Company earned \$20.5 million, which was \$10.2 million, or \$.37 per share, more than in 1980 because of higher profits from operations.



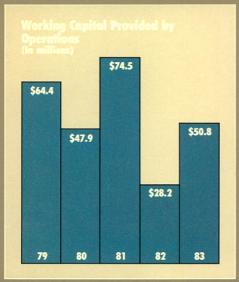
Financial Position

Liquidity

he following table summarizes the Company's cash flow for each of the three years ended December 31, 1983 (in millions).

| | | | The second second |
|------------------|----------|----------|-------------------|
| | 1983 | 1982 | 1981 |
| Working capital | | | |
| provided by | | | |
| operations | \$ 50.8 | \$ 28.2 | \$ 74.5 |
| Changes in work- | | | |
| ing capital | | | |
| items | 28.8 | (1.3) | (16.4) |
| Fixed asset | | | |
| dispositions | 17.5 | 22.4 | 15.7 |
| Sale of equity | | | |
| securities | 76.4 | 5.0 | 130.2 |
| Capital | | | |
| expenditures | (24.1) | (39.6) | (43.5) |
| Net additions | | | |
| (repayments) | | | |
| of debt | (144.8) | (13.9) | 235.3 |
| Funds used for | | | |
| acquisitions | (25.3) | (5.6) | (323.8) |
| Funds used for | | | |
| dividends | (5.8) | (7.7) | |
| Other | (2.9) | (10.6) | (6.1) |
| Increase | | | |
| (decrease) in | | | |
| cash and | | | |
| short-term | | | |
| investments | \$(29.4) | \$(23.1) | \$ 52.3 |

In 1981, the Company raised significant financing to acquire GPI. Because the majority of this acquisition price was funded by bank bor-



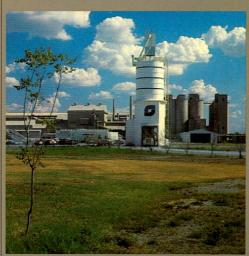
rowings, the Company's debt leverage increased substantially. Due to extremely depressed operating conditions, no real progress was made in reducing the Company's long-term debt during 1982. In 1983, however, a significant amount of debt was repaid with cash generated both from internal sources and equity financings.

Cash and short-term investments decreased \$29.4 million during 1983 to \$9.2 million at the end of the year. This decrease resulted primarily from the application of cash and short-term investments to the repayment of debt. In 1982, cash and short-term investments declined \$23.1 million primarily because of the use of cash deposits reserved for the purchase of GPI at December 31, 1981. The \$52.3 million increase in cash and short-term investments in 1981 primarily reflected the excess of borrowings and equity financing over the cost to acquire GPI.

Working Capital

Working capital decreased \$21.6 million in 1983 as a result of the decline in cash and short-term investments, receivables and inventories, partially offset by the reduction in short-term borrowings. The decrease in working capital in 1983 was partly attributable to the Company's successful efforts in limiting inventory and receivable balances.

The \$12.0 million decrease in working capital in 1982 was caused by a reduction in inventories, receivables and cash and short-term investments, partly offset by lower short-term borrowings and other liabilities. In 1981, working capital increased \$118.2 million, primarily as a result of the acquisition of GPI. The current ratio at December 31, 1983 was 2.5 to 1, compared with 2.4 to 1 at the end of 1982 and 2.0 to 1 at the end of 1981.



The use of industrial waste materials as a supplemental fuel was begun at the Fredonia, Kansas cement plant in 1983 and will be expanded in 1984.

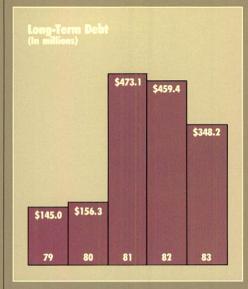
Property, Plant and Equipment

Capital expenditures during 1983 were \$24.1 million compared with \$39.6 million in 1982 and \$43.5 million in 1981. A more thorough discussion of capital expenditures is included in the Operations Review section of this report.

The provision for depreciation and depletion was \$58.2 million in 1983, \$52.6 million in 1982 and \$38.5 million in 1981. The increase in 1983 reflected higher capacity utilization in the U.S. and accelerated depreciation in Canada related to shortened lives on two cement plants. The significant increase in 1982 resulted primarily from the acquisition of GPI in November 1981. For further information, refer to Property, Plant and Equipment in the Notes to Consolidated Financial Statements on page 35.



The cement grinding plant at Floral, Saskatchewan, was converted in 1983 to a distribution terminal serving Canada's Prairie Provinces.



Long-term Debt

The following table summarizes the Company's long-term debt as a percentage of its total capitalization.

| December 31 | 1983 | 1982 | 1981 |
|------------------------|--------|--------|--------|
| Long-term debt | 37.9% | 46.5% | 45.1% |
| Deferred | | | |
| credits | 9.8 | 9.3 | 9.3 |
| Minority | | 1.3 | 1.7 |
| interest Preference | 100 | 1.5 | 1.7 |
| shares of | | | |
| subsidiary | 8.3 | 7.8 | 7.5 |
| Shareholders' | | | |
| equity | 44.0 | 35.1 | 36.4 |
| Total | | | |
| capitalization | 100.0% | 100.0% | 100.0% |

The decrease in long-term debt in 1983 primarily reflects the repayment of long-term debt from the proceeds of the Company's issuance of shares and from internal cash flow generated, primarily by the Canadian operations, in the current year. The higher percentages in 1982 and 1981 result from the long-term debt borrowed for the acquisition of GPI.

Approximately 52.4 percent of the Company's total debt at December 31, 1983 was at various floating rates, compared to 67.0 percent at December 31, 1982. The following table indicates, by currency denomination, the fixed and floating rate total debt of the Company at December 31, 1983 (in millions of U.S. dollars) and the 1983 weighted average prime bank lending rates in Canada and the U.S.

| | Cdn. Dollar Denominated Debt | U.S. Dollar Denominated Debt |
|--|---------------------------------------|---------------------------------------|
| Fixed rate debt Floating rate debt | \$ 74.9 105.9 | \$ 95.3 81.1 |
| Total debt | \$180.8 | \$176.4 |
| 1983 weighted average prime lending rate | 11.2% | 10.8% |

For further information, refer to Long-term Debt in the Notes to Consolidated Financial Statements on page 36.

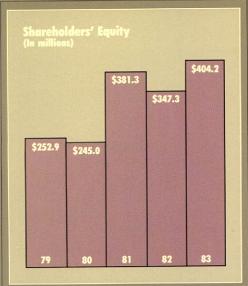
Common Equity Interests

The caption common equity interests on the Balance Sheet includes the Company's Common Shares and the CCL Exchangeable Shares, which have voting, dividend and liquidation rights which parallel those of the Company's Common Shares.

The Company's Common Shares were traded on the U.S. over-the-counter market from June 14, 1983 to November 23, 1983, and have been listed for trading on The Toronto Stock Exchange and the Montreal Exchange since June 17, 1983. On November 23, 1983, the Common Shares began trading on the New York Stock Exchange under the ticker symbol "LAF".

The CCL Exchangeable Shares are traded on the Montreal Exchange and The Toronto Stock Exchange.

The following table reflects the range of high and low selling prices by quarter for 1983 and 1982. The market price per Common Share prior to June 1983 is based on the price of



CCL common shares, as quoted on The Toronto Stock Exchange and the Montreal Exchange, and converted to U.S. dollars at the exchange rate at the end of the quarter.

| | High | Low |
|---------------|---------|---------|
| 1983 Quarters | | |
| First | \$13.65 | \$ 9.96 |
| Second | 14.88 | 10.11 |
| Third | 12.00 | 10.00 |
| Fourth | 11.50 | 8.94 |
| 1982 Ouarters | | |
| First | 9.80 | 6.90 |
| Second | 7.75 | 6.28 |
| Third | 8.29 | 6.37 |
| Fourth | 10.47 | 7.91 |

For further information, refer to Shareholders' Equity in the Notes to Consolidated Financial Statements on page 37.

Dividends

The following table summarizes the Company's common equity dividend payments and the related dividend reinvestment through the Company's optional stock dividend plan and the CCL stock dividend and dividend reinvestment plan for each of the three years ending December 31, 1983 (in thousands).

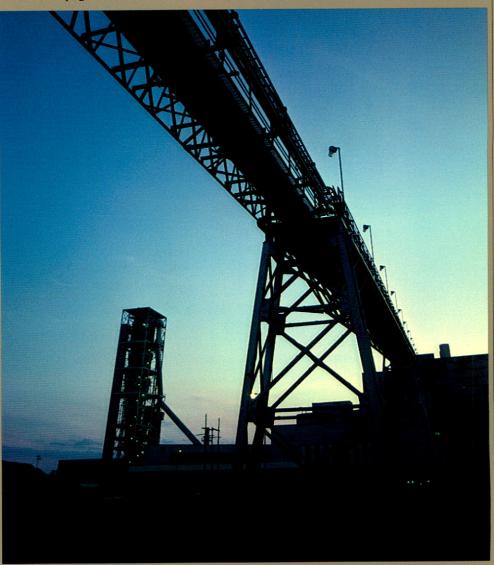
| | 1983 | 1982 | 1981 |
|--|---------|---------|----------|
| Common equity dividends Dividend | \$5,837 | \$7,666 | \$13,611 |
| reinvestments | 3,650 | 2,836 | _ |
| Total cash payments | \$2,187 | \$4,830 | \$13,611 |
| Dividends per share | \$.18 | \$.24 | \$.67 |

The quarterly dividend rate throughout 1981 was Cdn. \$.20 per share. In recognition of a significant downturn in the Company's operating results, this rate was first reduced to Cdn. \$.10 per share in the first and second quarters of 1982 and then to Cdn. \$.05 per share in the third and fourth quarters of 1982 and the first two quarterly dividends in 1983 have been paid at U.S. \$.05 per share.

For further information, refer to Optional Stock Dividend Plan in the Notes to Consolidated Financial Statements on page 39.

Capital Resources and Commitments

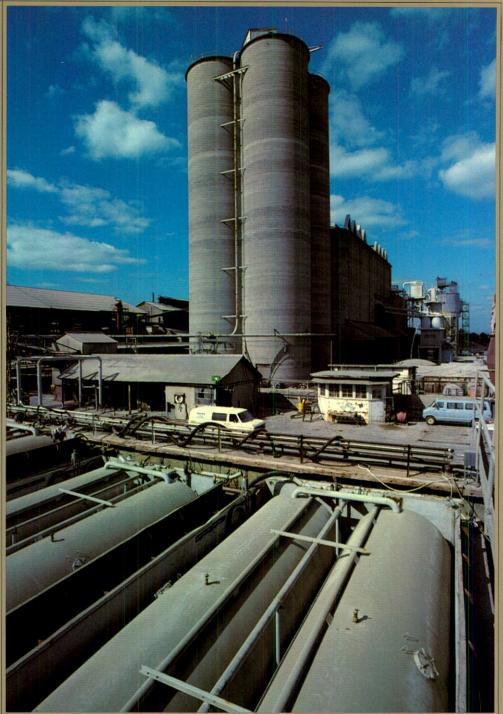
With the exception of the Company's acquisition of GPI in 1981 and the SIL minority interest acquisition in 1983, capital resources have generally been provided by operating cash flows. At December 31, 1983, there were no material capital commitments except for the leases described in Commitments and Contingencies in the Notes to Consolidated Financial Statements on page 42. The Company presently has no commitments for capital expenditures that would require external financing.



Conveyor system transporting additives from the storage area to the rawnill feed bins at Demopolis.

Impact of Inflation

he Company's costs and expenses have increased as a result of inflation, as have those of the cement industry in general. The Company continuously attempts to offset the effect of inflation on costs and expenses by improving operating efficiencies, especially in the areas of labor and energy costs. In addition, the Company attempts to recover increasing costs by obtaining higher prices for its products. The ability to do so varies with the level of activity in the construction industry. In the United States particularly, the selling prices of cement and concrete-related materials in each of the three years ended December 31, 1983 did not keep pace with increased costs. Profit margins decreased accordingly. For further information, refer to Accounting for Inflation (Unaudited) in the Notes to Consolidated Financial Statements on page 43.



The New Orleans cement handling and distribution terminal has significantly improved Lafarge Corporation's ability to serve markets throughout the Gulf Coast region.

Five-Year Selected Financial Data

| (In millions, except as indicated by an *) | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|
| Years Ended December 31 | 1983 | 1982 | 1981 | 1980 | 1979 |
| Operating Results | | | | | |
| Net sales | \$867.9 | \$900.2 | \$764.2 | \$608.3 | \$527.6 |
| Income from operations | 51.0 | 41.2 | 79.4 | 50.1 | 65.0 |
| Interest expense, net | 47.1 | 66.7 | 28.0 | 14.6 | 15.6 |
| Income taxes (benefit) | 8.3 | (7.7) | 23.3 | 19.0 | 21.0 |
| Minority interest | 8.7 | 7.1 | 7.6 | 6.2 | (1.8) |
| Net income (loss) | (13.1) | (24.9) | 20.5 | 10.3 | 30.2 |
| Depreciation and depletion Other items not affecting working capital | 58.2 5.7 | 52.6 .5 | 38.5 15.5 | 29.0 8.6 | 25.1 9.1 |
| | | | | | |
| Working capital provided by operations | \$ 50.8 | \$ 28.2 | \$ 74.5 | \$ 47.9 | \$ 64.4 |
| Financial Condition at Year End | | | | | |
| Working capital | \$170.1 | \$191.7 | \$203.7 | \$ 85.5 | \$ 77.4 |
| Property, plant and equipment, net | 679.1 | 726.4 | 777.7 | 464.8 | 371.0 |
| Other assets | 69.4 | 70.1 | 66.6 | 24.6 | 44.5 |
| Total net assets | \$918.6 | \$988.2 | \$1,048.0 | \$574.9 | \$492.9 |
| Long-term debt | \$348.2 | \$459.4 | \$473.1 | \$156.3 | \$145.0 |
| Deferred credits | 90.1 | 91.8 | 97.5 | 79.2 | 74.9 |
| Minority interest | 7(1 | 12.5 | 17.8 | 16.1 | 4.9 |
| Preference shares of subsidiary Shareholders' equity | 76.1 404.2 | 77.2 347.3 | 78.3 381.3 | 78.3 245.0 | 15.2 252.9 |
| | \$918.6 | \$988.2 | | \$574.9 | \$492.9 |
| Total capitalization | \$918.0 | \$900.2 | \$1,048.0 | \$374.9 | \$492.9 |
| Per Share Information* | | | | | |
| Net income (loss) | \$ (.41) | \$ (.79) | \$.92 | \$.55 | \$ 1.60 |
| Dividends | .18 | .24 | .67 | .68 | .60 |
| Book value at year end | 10.10 | 10.92 | 12.22 | 13.03 | 13.45 |
| Statistical Data | | | | | |
| Capital expenditures | \$ 24.1 | \$ 39.6 | \$ 43.5 | \$ 88.4 | \$ 63.8 |
| Net income (loss) as a percentage of net sales* | (1.5)% | (2.8)% | 2.7% | 1.7% | 5.7 |
| Return on average shareholders' equity* | (3.5)% | (6.8)% | 6.5% | 4.1% | 12.6 |
| Long-term debt as a percentage of total capitalization* | 37.9% | 46.5% | 45.1% | 27.2% | 29.4 |
| Average shares outstanding | 32.2 | 31.5 | 22.1 | 18.8 | 18.8 |
| Shares outstanding at year end Number of shareholders at year end* | 36.9 7,600 | 31.8 5,900 | 31.2 6,100 | 18.8 6,300 | 18.8 6,500 |
| Number of snareholders at year end* | 6,100 | 6,200 | 7,800 | 3,300 | 4,200 |

This financial data includes General Portland Inc.'s balances and results subsequent to November 1981, when it was acquired.

Financial Statements

| Years Ended December 31 | 1983 | 1982 | 1981 |
|--|----------------------------------|----------------------------------|--------------------------------|
| Consolidated Income (Loss) Net Sales | \$867,874 | \$900,186 | \$764,230 |
| Costs and expenses Cost of sales and other expenses Selling and administrative Interest expense, net | 731,138 85,738 47,051 | 772,112 86,896 66,666 | 621,241 63,632 27,952 |
| Total costs and expenses | 863,927 | 925,674 | 712,825 |
| Income (loss) before taxes and minority interest Income taxes (benefit) | 3,947 8,300 | (25,488) (7,730) | 51,405 23,340 |
| Income (loss) before minority interest Minority interest | (4,353) (8,727) | (17,758) (7,144) | 28,065 (7,607 |
| Net Income (Loss) | \$(13,080) | \$(24,902) | \$ 20,458 |
| Net Income (Loss) Per Share | \$ (.41) | \$ (.79) | \$.92 |
| Consolidated Retained Earnings Retained earnings at beginning of year Net income (loss) Dividends | \$140,899 (13,080) (5,837) | \$173,467 (24,902) (7,666) | \$166,620 20,458 (13,611 |
| Retained Earnings At End of Year | \$121,982 | \$140,899 | \$173,467 |

| December 31 | 1983 | 1982 |
|--|-------------|------------|
| Assets | | |
| Cash and short-term investments | \$ 9,170 | \$ 38,60 |
| Receivables, net | 121,810 | 135,14 |
| Inventories | 141,267 | 152,15 |
| Other current assets | 7,800 | 4,78 |
| Total current assets | 280,047 | 330,69 |
| Property, plant and equipment, net | 679,065 | 726,43 |
| Excess of cost over net assets of businesses acquired, net | 37,569 | 39,26 |
| Other assets | 31,850 | 30,79 |
| Total Assets | \$1,028,531 | \$1,127,19 |
| | | |
| Liabilities and Shareholders' Equity | | |
| Short-term borrowings | \$ — | \$ 35,62 |
| Accounts payable and accrued liabilities | 91,869 | 89,43 |
| Income taxes payable | 9,106 | 4,00 |
| Current portion of long-term debt | 8,968 | 9,90 |
| Total current liabilities | 109,943 | 138,96 |
| Long-term debt Deferred credits | 348,214 | 459,34 |
| | 90,087 | 91,82 |
| Total liabilities | 548,244 | 690,14 |
| Minority interest | — | 12,51 |
| Preference shares of subsidiary | 76,113 | 77,21 |
| Preferred stock | 6,603 | |
| Common equity interests | 84,875 | 73,85 |
| Capital in excess of par value | 196,140 | 136,24 |
| Retained earnings Cumulative translation adjustments | 121,982 | 140,89 |
| | (5,426) | (3,68 |
| Total shareholders' equity | 404,174 | 347,31 |
| Total Liabilities and Shareholders' Equity | \$1,028,531 | \$1,127,19 |

| Years Ended December 31 | 1983 | 1982 | 1981 |
|---|---------------------|----------------------|--------------------|
| Funds Generated from Operations | 2 (42 999) | #(24 002) | A 20 450 |
| Net income (loss) Items not affecting working capital | \$(13,080) | \$(24,902) | \$ 20,458 |
| Depreciation and depletion | 58,151 | 52,604 | 38,502 |
| Deferred income taxes | 969 | (2,582) | 13,619 |
| Other | 4,769 | 3,094 | 1,901 |
| Working capital provided by operations | 50,809 | 28,214 | 74,480 |
| Capital expenditures Property, plant and equipment dispositions, net | (24,095) 17,488 | (39,583) 22,386 | (43,524 15,662 |
| Changes in working capital items (see below) | 28,750 | (1,317) | (16,350 |
| Effect of exchange rate changes on working capital | (2,038) | (5,927) | 648 |
| Other | (806) | (4,666) | (6,709 |
| Funds generated (consumed) before financing transactions | 70,108 | (893) | 24,207 |
| Funds Obtained from Financing | 20.240 | 27. (00 | 260 511 |
| Additional long-term borrowing Reduction of long-term debt (includes current portion) | 30,240 (139,465) | 27,690 (31,362) | 269,513 (25,799 |
| Decrease in short-term borrowings | (35,623) | (10,252) | (8,360 |
| Sale of equity securities | 76,401 | 4,988 | 130,163 |
| Net funds obtained from (used in) financing | (68,447) | (8,936) | 365,51 |
| Funds Used for Acquisitions | | | |
| Increase in ownership of subsidiaries | (25,259) | (5,570) | (6,86) |
| Acquisition of General Portland Inc. | (25.250) | (F 570) | (316,914 |
| Total funds used for acquisitions | (25,259) | (5,570) | (323,78 |
| Funds Used for Dividends | (5,837) | (7,666) | (13,61) |
| Increase (Decrease) in Cash and Short-Term Investments | \$(29,435) | \$(23,065) | \$ 52,334 |
| Analysis of Changes in Working Capital Items | | | |
| Receivables, net | \$ 13,337 | \$ 46,037 | \$(32,21 |
| Inventories | 10,891 | 11,412 | (21,62 |
| Other current assets | (3,013) | (537) | (114 |
| Accounts payable and accrued liabilities | 2,438 5,097 | (45,434) (12,795) | 27,15 10,44 |
| Income taxes payable Changes in Working Capital Items | \$ 28,750 | \$ (1,317) | \$(16,35) |

Notes to Consolidated Financial Statements

Formation of Lafarge Corporation

Lafarge Corporation (the "Company"), a Maryland corporation, is the parent company of Canada Cement Lafarge Ltd. ("CCL") in Canada and General Portland Inc. ("GPI"), a Delaware corporation, in the United States. Lafarge Coppée, a French corporation, and certain of its affiliates (the "Lafarge Coppée Group") own a majority of the voting securities of the Company.

On March 8, 1983, the shareholders of CCL approved an overall reorganization (the "Reorganization") of the corporate and financial structure of CCL and its subsidiaries, whereby the Company, previously a wholly-owned subsidiary of CCL, became the parent company of CCL and GPI effective April 28, 1983. The Reorganization was completed on July 1, 1983 and was accomplished through modifications to the capital structure of both the Company and CCL. Immediately following the Reorganization, the balance sheet of the consolidated group (the Company, CCL and GPI) remained virtually unchanged except for changes in the components of the Company's capitalization.

Basis of Presentation

Prior to the Reorganization, the consolidated group had issued financial statements expressed in Canadian dollars and in accordance with accounting principles generally accepted in Canada. All of the accompanying consolidated financial statements give effect to the Reorganization and are stated in U.S. dollars and were prepared in conformity with generally accepted U.S. accounting principles. The significant differences between operating results previously reported and as presented in the accompanying financial statements were the reversal of tax benefits not recognized in accordance with U.S. accounting principles and an adjustment resulting from the Reorganization to reflect dividends on CCL preference shares as minority interest charges.

Acquisition of Standard Industries Ltd. Minority Interest

On December 30, 1983, Standard Industries Ltd. ("SIL") became a wholly-owned subsidiary of the Company, through a share exchange whereby the minority interest common shareholders of SIL received 1.45 Exchangeable Preference Shares of CCL (the "CCL Exchangeable Shares") for each SIL common share held. This transaction, which was accounted for as a purchase,

resulted in the issuance of 2.4 million CCL Exchangeable Shares with a total value of \$25.3 million. The excess of the consideration given over the book value of the minority interest was allocated primarily to property, plant and equipment. Pro forma information has not been included for this acquisition since the outstanding minority interest was not material to the Company.

Acquisition of General Portland

In November 1981, CCL acquired a majority of the common shares of GPI. The acquisition was accounted for as a purchase with the assets and liabilities of GPI consolidated as if CCL owned 100 percent of the shares on December 31, 1981. At that date, CCL owned 93.5 percent of the shares, with the remainder being purchased on January 4, 1982. Details of the acquisition are as follows (in thousands):

| Working capital | \$ 50,884 |
|--|-----------|
| Property, plant and equipment | 294,034 |
| Other assets | 7,604 |
| Long-term debt | (59,786) |
| Other long-term liabilities | (2,573) |
| Fair value of net assets acquired Excess of cost over fair value of net assets | 290,163 |
| acquired | 39,529 |
| Total cash outlay | \$329,692 |
| | |

The inclusion of GPI's earnings from the purchase date did not have a material effect on the net income recorded by the Company for the year ended December 31, 1981. Assuming the purchase had taken place on January 1, 1981, at the same excess of cost over fair value of net assets acquired and financed by the same ratio of equity securities and bank borrowings at CCL's average effective interest rate for 1981 (19 percent), pro forma consolidated net income of the Company for the year ended December 31, 1981 would have been as follows (in thousands, except per share amount):

| Net Sales | \$1. | ,052,140 |
|-------------------------------------|------|----------|
| Cost of sales and other expenses | | 866,705 |
| Selling and administrative expenses | | 82,033 |
| Interest expense, net | | 67,320 |
| Income taxes | | 10,185 |
| Minority interest | | 7,607 |
| Net income | \$ | 18,290 |
| Net income per share | \$ | .59 |

Accounting Policies

The Company's accounting and reporting policies conform to generally accepted accounting principles and industry practices in the U.S. and are applied on a consistent basis between periods. The following is a summary of the Company's significant accounting policies.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all of its subsidiaries. Investments in affiliated companies of between 20% and 50% are accounted for on the equity basis. All material intercompany accounts and transactions have been eliminated.

Foreign Currency Translation

Assets and liabilities of foreign subsidiaries are translated at the exchange rate prevailing at the balance sheet date. Revenue and expense accounts are translated at the weighted average exchange rate during the period. Translation adjustments are shown as a separate item in shareholders' equity.

Revenue Recognition

Revenue from sales of cement, concrete and related products is recorded at the time the products are shipped. Revenue from highway and street construction contracts is recognized on the basis of units of work completed, while revenue from indivisible lump sum contracts is recognized on the percentage of completion method. Losses are fully provided as soon as they become evident.

Income Taxes

Deferred income taxes are provided for timing differences between revenues and expenses reported for financial accounting and income tax purposes. Deferred taxes are not provided on undistributed earnings of subsidiaries outside the U.S. because the Company plans to reinvest such earnings permanently. At December 31, 1983, cumulative undistributed earnings of foreign subsidiaries were \$187.5 million. Investment tax credits are accounted for using the flow-through method.

Pension Plans

The Company's subsidiaries have several pension plans covering substantially all employees. The Company amortizes unfunded past service costs over periods ranging from 15 to 30 years. Other than deferred pension costs relating to closed facilities, the Company's policy is to fund accrued pension costs.

Short-term Investments

Short-term investments consist of certificates of deposit and other marketable securities, which are stated at the lower of cost or market value. The carrying value of shortterm investments is substantially the same as market value.

Inventories

Inventories are valued at the lower of cost or market. Substantially all of the Company's U.S. inventories, other than maintenance and operating supplies, are stated at lastin, first-out ("LIFO") cost and all other inventories are valued at average cost.

Property, Plant and Equipment

Property, plant and equipment is stated at cost and depreciated over the estimated useful lives of the assets. Depreciation is provided for financial reporting purposes basically on the straight-line method, adjusted to reflect variations from normal utilization for cement plant and certain other assets. The estimated useful lives used in computing depreciation range from three years on light mobile equipment to 40 years on certain buildings. Management periodically reviews the remaining useful lives of the Company's assets and adjusts them as necessary. Land includes depletable raw material reserves on which depletion is recorded on a units of production basis.

Maintenance and repairs are charged to expense, while significant renewals and betterments are capitalized. Upon disposal of property, plant and equipment, the cost and accumulated depreciation applicable to such assets are removed from the accounts and any gain or loss on disposition is included in cost of sales and other expenses. The Company capitalizes interest as a component of the historical cost of constructing certain qualifying assets.

Excess of Cost over Net Assets of Businesses Acquired

The excess of the cost over the fair value of net assets of businesses acquired is amortized on a straight-line basis over periods not exceeding 40 years. The amortization for 1983, 1982 and 1981 was \$1,691,000, \$1,103,000 and \$264,000, respectively. Accumulated amortization at December 31, 1983, 1982 and 1981 was \$3,688,000, \$1,997,000 and \$894,000, respectively.

Net Income (Loss) Per Share

Net income (loss) per share is based on the weighted average number of Common Shares of the Company and CCL Exchangeable Shares outstanding in each period. The weighted average total number of such shares outstanding during 1983, 1982 and 1981 was 32,181,000, 31,474,000 and 22,132,000, respectively. The effect of including other potentially dilutive securities is antidilutive, so these items have been excluded.

Receivables

Receivables consist of the following (in thousands):

| December 31 | 1983 | 1982 |
|---|-------------------------------|-------------------------------|
| Trade receivables Retainage on long-term contracts Allowances | \$124,103 5,764 (8,057) | \$136,139 7,708 (8,700) |
| Total receivables, net | \$121,810 | \$135,147 |

Inventories

Inventories consist of the following (in thousands):

| December 31 | 1983 | 1982 |
|------------------------------------|-----------|-----------|
| Finished products | \$ 53,148 | \$ 55,503 |
| Work in process | 24,412 | 26,362 |
| Raw materials and fuel | 24,573 | 27,823 |
| Maintenance and operating supplies | 39,134 | 42,470 |
| Total inventories | \$141,267 | \$152,158 |

Inventories valued on the LIFO method are \$36.6 million and \$39.4 million at December 31, 1983 and 1982, respectively. On an average cost basis, such inventories would have been higher by \$3.5 million and \$5.6 million. Inventories purchased in the 1981 GPI acquisition were recorded at estimated fair value. Consequently, LIFO inventories for financial reporting purposes exceed the tax basis by approximately \$4.6 million at the end of both 1983 and 1982.

Property, Plant and Equipment

Property, plant and equipment consist of the following (in thousands):

| December 31 | 1983 | 1982 |
|---|------------|------------|
| Land and mineral deposits Buildings, machinery and | \$ 106,831 | \$ 95,755 |
| equipment | 909,333 | 912,185 |
| Construction in progress | 8,069 | 6,628 |
| Property, plant and equipment, at cost | 1,024,233 | 1,014,568 |
| Less accumulated depreciation and depletion | (345,168) | (288,133) |
| Property, plant and equipment, net | \$ 679,065 | \$ 726,435 |
| | | |

Other Assets

Other assets consist of the following (in thousands):

| December 31 | 1983 | 1982 |
|---|----------------|----------------|
| Long-term receivables Investments in unconsolidated | \$15,023 | \$18,424 |
| affiliated companies | 6,500 | 4,890 |
| Other | 1,482 8,845 | 1,680 5,797 |
| Total other assets | \$31,850 | \$30,791 |

Deferred charges represent costs incurred in issuing long-term debt and are being amortized over the term of the debt issues to which they relate.

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following (in thousands):

| December 31 | 1983 | 1982 |
|--|----------|----------|
| Trade accounts payable | \$41,314 | \$39,597 |
| Accrued payroll expense | 16,041 | 11,842 |
| Accrued interest expense | 6,594 | 6,761 |
| Other accrued expenses | 27,920 | 31,231 |
| Total accounts payable and accrued liabilities | \$91,869 | \$89,431 |

| December 31 | 1983 | 1982 |
|--|-----------|----------|
| | | |
| Lafarge Corporation | | |
| Term bank loans under revolving credit facilities totalling \$200 million repayable between 1985 and 1993, bearing interest at rates approximating prime | \$113,688 | \$ - |
| Term bank loans repayable between 1984 and 1987, bearing interest at rates from 10.25 percent to | \$115,000 | Φ |
| 16.5 percent | 40,305 | |
| Canada Cement Lafarge Ltd. | | |
| Sinking Fund Debentures | | |
| 6.25 percent, Series A, maturing in 1986 | 3,191 | 4,08 |
| 9.5 percent, Series B, maturing in 1990 | 10,964 | 11,47 |
| 8.75 percent, Series C, maturing in 1992 | 17,531 | 19,33 |
| 11.25 percent, Series D, maturing in 1995 | 8,472 | 9,57 |
| 9.75 percent, Series E, maturing in 1997 | 27,573 | 29,25 |
| 7.5 percent, Series F, maturing in 1988 Term bank loans under revolving credit facilities bearing interest up to a maximum of | 3,773 | 4,24 |
| Canadian prime | 25,721 | 43,46 |
| Term bank loans repayable between 1984 and 1990, bearing interest at varying rates up to .5 | 25,721 | 43,40 |
| percent over Canadian prime | 12,909 | 17,24 |
| Term bank loans under revolving credit facilities totalling \$51 million at December 31, 1983 and | 12,707 | 11,2 |
| \$244 million at December 31, 1982, repayable in 1993, bearing interest at varying rates up to | | |
| .375 percent over Canadian prime | 7,154 | 219,74 |
| Other debt (of which approximately \$6.4 million is secured by assets) | 8,048 | 28,75 |
| | | |
| General Portland Inc. | | |
| 2.125 percent notes maturing in equal annual installments of \$2 million through 1995 | 24,000 | 26,00 |
| 9.375 percent notes maturing in equal annual installments of \$1.9 million through 1995 | 22,500 | 24,37 |
| Secured industrial revenue bonds maturing in various amounts between 1998 and 2010, bearing | | |
| interest at varying rates up to a maximum of 9.875 percent, with annual sinking fund | | |
| requirements beginning in 1989 | 17,725 | 17,72 |
| 7.8 percent sinking fund debentures maturing in 1996 | 13,200 | 13,20 |
| Other debt | 428 | 70 |
| Subtotal | 357,182 | 469,2 |
| Less current portion | (8,968) | (9,90 |
| Total long-term debt | \$348,214 | \$459,34 |

At December 31, 1983, the Company and its subsidiaries had \$170 million of unused revolving credit available under various credit facilities. The Company and its subsidiaries are required to pay annual commitment fees of up to .5 percent of the unused portion of the funds available

for borrowing under these credit agreements.

In addition to the long-term credit facilities outlined above, the Company and its subsidiaries have operating lines of credit totalling \$65 million. At December 31, 1983, the unused portion of these lines of credit amounted to \$10 million.

Annual principal payment requirements on long-term debt for the five years ending December 31, 1988, after the exclusion of bank loans for which anticipated refinancing is available, are as follows (in thousands):

| | 1984 | 1985 | 1986 | 1987 | 1988 |
|------------|---------|----------|----------|----------|----------|
| Repayments | \$8,968 | \$10,946 | \$14,783 | \$26,196 | \$35,409 |

Under the terms of various long-term debt agreements, GPI must maintain a certain level of working capital and is restricted, among other things, as to payment of cash dividends. At December 31, 1983, under the most restrictive of the loan agreements, GPI working capital was approximately \$32 million in excess of the level required, and no restricted payments including dividends were allowable. The parent company and CCL have no such restrictions.

Deferred Credits

Deferred credits consist of the following (in thousands):

| December 31 | 1983 | 1982 |
|---|-------------------|-------------------|
| Federal income taxes Other, primarily pension costs | \$85,345 4,742 | \$86,880 4,946 |
| Total deferred credits | \$90,087 | \$91,826 |

Minority Interest

Minority interest charges to income, as shown in the following table (in thousands), consist of dividend payments to the holders of CCL's preference shares and the minority interest portion of earnings in subsidiaries that are not wholly-owned.

| Years Ended December 31 | 1983 | 1982 | 1981 |
|---|---------|---------|---------|
| Dividends on CCL Series A Shares | \$4,823 | \$4,735 | \$4,876 |
| Dividends on CCL First Preference Shares | 950 | 948 | 976 |
| Other, primarily minority interest of SIL | 2,954 | 1,461 | 1,755 |
| Total minority interest | \$8,727 | \$7,144 | \$7,607 |

Preference Shares of Subsidiary

There were 900,000 First Preference Shares of CCL authorized and outstanding in each of the three years ended December 31, 1983. These shares are entitled to an annual cumulative dividend of Cdn. \$1.30 per share and are redeemable at the option of CCL at Cdn. \$30.00 per share.

After giving effect to the Reorganization, at the end of 1983, 1982 and 1981, there were authorized and outstanding 5,069,635, 5,162,486 and 5,245,590 shares of Series A \$1.17 Convertible Redeemable Second Preference Shares of CCL (the "CCL Series A Shares"), respectively. The CCL Series A Shares are entitled to a cumulative dividend of Cdn. \$1.17 per year and are convertible at the option of the holder into CCL Exchangeable Shares any time prior to August 31, 1990, on the basis of 1.01 shares for each CCL Series A Share, and thereafter on the basis of .91 of a share for each CCL Series A Share. The CCL Series A Shares are redeemable at the option of CCL at Cdn. \$15.75 per share after August 31, 1985, and thereafter at reducing amounts to Cdn. \$15.00 per share after August 31, 1990.

These two CCL preference share issues are reflected in the caption preference shares of subsidiary on the Company's Balance Sheet.

Shareholders' Equity

During the three years ended December 31, 1983, there were 2,000 shares of the Company's \$1.00 par value per share First Preferred Stock authorized and outstanding. A subsidiary holds 1,900 of these shares. The holders of the First Preferred Stock are entitled to one vote per share and to fixed cumulative annual dividends of \$60 per share. The First Preferred Stock ranks senior to all other classes of capital of the Company with respect to dividends and distributions in the event of liquidation. Such shares are not redeemable at the option of the Company, but subject to certain limitations, any holder of First Preferred Stock may require the Company to redeem such shares for \$1,000 per share plus accrued unpaid dividends. In the event of liquidation of the Company, the holders of First Preferred Stock will be entitled to receive \$1,000 per share plus accrued unpaid dividends to the date of such liquidation.

At December 31, 1983, there were 6,875 authorized and outstanding shares of the Company's Second Preferred Stock. All of these shares are held by a subsidiary.

At December 31, 1983, there were 9,000,000 shares of the Company's Third Preferred Stock authorized, of which 5,502,565 were outstanding. These shares are entitled to one vote per share and are held by and may be transferred only among members of the Lafarge Coppée Group. The shares have a par value of \$1.00 per share, are not entitled to any equity participation or dividends and have a redemption and liquidation value of \$.25 per share. The Third Preferred Stock may be redeemed, at the Company's option, 10 years after the date of original issue or at the holder's option at any time. 3,209,265 of these shares were issued at par value on December 1, 1983, and 2,293,300 shares were issued at par value on December 29, 1983.

At December 31, 1983, there were 1,100,000 of the Company's \$2.44 Convertible Preferred Shares authorized and outstanding. These shares, which were issued on December 1, 1983, have a par value of \$1.00 per share and are entitled to fixed cumulative annual dividends of \$2.44 per share. Each Convertible Preferred Share is convertible, subject to adjustment in certain events, into 2.35 Common Shares. These shares are redeemable at the option of the Company commencing November 30, 1985, or earlier if the closing price of the Common Shares exceeds 150 percent of the then effective conversion price for at least 20 consecutive trading days. The redemption price will initially be \$27.44 per share and thereafter decline to \$25 per share on and after November 30, 1993, plus in each case accrued and unpaid dividends.

Common equity interests consist of the following (in thousands):

| December 31 | 1983 | 1982 |
|--|--------------------|--------------------|
| CCL Exchangeable Shares Common Shares | \$58,668 26,207 | \$50,081 23,775 |
| Total common equity interests | \$84,875 | \$73,856 |

There were 50 million CCL Exchangeable Shares authorized with no par or stated value. These shares were created in connection with the Reorganization, when each common share of CCL was changed into 1.05 CCL

Exchangeable Shares. Holders of CCL Exchangeable Shares have voting, dividend and liquidation rights which parallel those of holders of the Company's Common Shares. The CCL Exchangeable Shares are exchangeable into the Company's Common Shares on a one-for-one basis. Dividends on the CCL Exchangeable Shares are cumulative and payable at the same time as, and in an amount equal to the Canadian dollar equivalent of, any dividends declared on the Company's Common Shares. Dividend payments and the exchange rate on the CCL Exchangeable Shares are subject to adjustment from time to time to take into account certain dilutive events.

Prior to paying dividends on the CCL Exchangeable Shares, any dividends in arrears on the CCL First Preference Shares and the CCL Series A Shares must be satisfied. The Company has agreed not to pay dividends on its Common Shares without causing CCL to declare an equivalent dividend in Canadian dollars on the CCL Exchangeable Shares.

The Company has agreed, for the benefit of the holders of CCL Exchangeable Shares, to provide CCL such funds as may be necessary to enable it to pay any dividends payable on the CCL Exchangeable Shares, and in the event of liquidation of CCL, to pay or otherwise satisfy the liquidation value to which the holders of such shares are entitled. At the option of the Company, and in lieu of providing funds to CCL, the Company may satisfy its obligation with respect to the payment of the liquidation value of the CCL Exchangeable Shares by issuing to each holder thereof the number of the Company's Common Shares for which such holder is then entitled upon exchange.

There were 49.9 million Common Shares authorized at December 31, 1983, and 60 million Common Shares authorized at both December 31, 1982 and 1981. These shares have a par value of \$1.00 per share and the holders are entitled to one vote per share. The Company has reserved for issuance approximately 15.2 million Common Shares to allow for the exchange of CCL Exchangeable Shares outstanding or reserved for issuance upon conversion of outstanding CCL Series A Shares. An additional 1.2 million common equity shares have been reserved to cover grants under the Company's stock option program.

After giving retroactive effect to the Reorganization, the changes in preferred stock, common equity interests and capital in excess of par value for each of the three years ended December 31, 1983, are as follows (in thousands):

| | Preferred Stock Common Equity Interests | | | s | | | |
|---|---|-----------------------------|-----------------------|-----------------|-----------------------|------------------|--------------------------------------|
| | Convertible Preferred Shares | Third Preferred Stock | Common | Shares | CCL Exch | | |
| | Par Value | Par Value | Shares Outstanding | Par Value | Shares Outstanding | Stated Amount | Capital in Excess of Par Value |
| Balance at December 31, 1980 Conversion of CCL Series B Second | \$ - | \$ — | 11,552 | \$11,552 | 7,293 | \$43,135 | \$ 20,263 |
| Preference Shares | | _ | 7,853 | 7,853 | - | | 79,410 |
| Issuance of CCL common shares | | _ | 3,824 | 3,824 | 685 | 6,511 | 32,521 |
| Conversion of CCL Series A Shares | _ | <u>-</u> | 1 | 1 | 3 | 33 | 10 |
| Balance at December 31, 1981 Issuance of CCL common shares under the stock dividend and dividend | _ | - | 23,230 | 23,230 | 7,981 | 49,679 | 132,204 |
| reinvestment plan Conversion of CCL Series A Shares | Ξ | E | 471 74 | 471 74 | 53 | 402 | 3,101 940 |
| Balance at December 31, 1982 Issuance of shares in public offering | 1,100 | 3,209 | 23,775 2,035 | 23,775 2,035 | 8,034 | 50,081 | 136,245 40,291 |
| Issuance of shares in SIL acquisition Issuance of shares under the Company's optional stock dividend plan and CCL's stock dividend and dividend | _ | 2,294 | - | - | 2,417 | 6,140 | 19,119 |
| reinvestment plan | | | 346 | 346 | 159 | 1,651 | 3,267 |
| Exchange of CCL Exchangeable Shares | | | 51 | 51 | (51) | (320) | 269 |
| Conversion of CCL Series A shares Reorganization costs | | Ξ | = | = | 94 | 1,116 | (3,051 |
| Balance at December 31, 1983 | \$1,100 | \$5,503 | 26,207 | \$26,207 | 10,653 | \$58,668 | \$196,140 |

The cumulative translation adjustments represent the effect of exchange rate changes upon the translation of the financial statements of foreign subsidiaries. The following table summarizes the effect of exchange rate changes (in thousands):

| Years Ended December 31 | 1983 | 1982 | 1981 |
|--|-----------|-----------|---------|
| Balance at beginning of year Effect of exchange rate changes on the translation of foreign subsidiary financial | \$(3,688) | \$ 2,708 | \$3,420 |
| statements | (1,738) | (6,396) | (712) |
| Balance at end of year | \$(5,426) | \$(3,688) | \$2,708 |

Optional Stock Dividend Plan

The Company has adopted an optional stock dividend plan which permits holders of record of Common Shares (and the holders of record effective February 20, 1984, of the Company's \$2.44 Convertible Preferred Shares) to elect to receive payment of cash dividends on such shares in the form of new Common Shares issued as stock dividends. The Common Shares issued under the plan are valued at 95 percent of the average market price. Prior to February 3, 1984 the holders of CCL Exchangeable Shares and the CCL Series A Shares could participate in a similar arrangement involving the issuance of CCL Exchangeable Shares through the CCL stock dividend and dividend reinvestment plan. The issuance of shares under this CCL plan has been suspended, pending modifications to the plan agreement.

Stock Option Program

Options to purchase the Company's Common Shares and CCL Exchangeable Shares were granted on August 5, 1983, to key employees of the Company and its subsidiaries at option prices based on the market price of the securities at the date of grant. One-fourth of the options granted are exercisable at the end of each of the following four years. The options expire 10 years from the date of grant. At December 31, 1983, options to purchase 111,400 of the Company's Common Shares had been granted at an option price of \$10.81 per share and options to purchase 55,900 CCL Exchangeable Shares had been granted at an option price of Cdn. \$13.63. None of these options were exercisable at December 31, 1983.

Interest Expense

Interest expense consists of the following (in thousands):

| Years Ended December 31 | 1983 | 1982 | 1981 |
|-------------------------|----------|----------|----------|
| Interest on obligations | \$49,047 | \$69,635 | \$37,782 |
| Less amount capitalized | — | | (4,465) |
| Interest expense | 49,047 | 69,635 | 33,317 |
| Less interest income | (1,996) | (2,969) | (5,365) |
| Interest expense, net | \$47,051 | \$66,666 | \$27,952 |

Income Taxes

Income (loss) before income taxes and minority interest are summarized by country below (in thousands):

| Years Ended December 31 | 1983 | 1982 | 1981 |
|---|----------------------|---------------------|---------------------|
| United States Canada and other | \$(18,538) 22,485 | \$(34,213) 8,725 | \$(7,550) 58,955 |
| Total income (loss) before income taxes and minority interest | \$ 3,947 | \$(25,488) | \$51,405 |

The provision for income taxes (benefit) includes the following components (in thousands):

| Years Ended December 31 | 1983 | 1982 | 1981 |
|------------------------------|----------|-----------|-----------|
| Current | | | |
| United States | \$ (117) | \$(5,964) | \$(1,202) |
| Canada and other | 7,448 | 816 | 10,923 |
| Total current | 7,331 | (5,148) | 9,721 |
| | | | |
| Deferred | | | |
| United States | (1,070) | (571) | 156 |
| Canada and other | 2,039 | (2,011) | 13,463 |
| Total deferred | 969 | (2,582) | 13,619 |
| Total income taxes (benefit) | \$ 8,300 | \$(7,730) | \$23,340 |

Deferred income taxes result from timing differences in the recognition of revenues and expenses for tax and financial reporting purposes. The sources of these differences and the tax effect of each are as follows (in thousands):

| Years Ended December 31 | 1983 | | 1982 | 1981 |
|--|------|-----|------------------|----------------|
| Tax depreciation greater (less) than book depreciation Canadian investment tax | \$ | 572 | \$(1,363) | \$ 9,158 |
| credits Other | | | (2,262) 1,043 | 2,660 1,801 |
| Total deferred provision | \$ | 969 | \$(2,582) | \$13,619 |

A reconciliation of taxes at the U.S. federal income tax rate to the Company's actual income taxes (benefit) is as follows (in millions):

| Years Ended December 31 | 1983 | 1982 | 1981 |
|------------------------------------|--------|----------|--------|
| Taxes at the U.S. federal income | | | |
| tax rate | \$ 1.8 | \$(11.7) | \$23.6 |
| Canadian tax incentives | (2.1) | .1 | (2.7) |
| State and Canadian provincial | | | |
| income taxes, net of federal | | | |
| benefit | .9 | (.1) | 2.2 |
| Foreign subsidiary income taxed at | | | |
| reduced rates | - | (7.5) | (1.9) |
| U.S. and Canadian investment | | | |
| tax credits | (1.3) | (.9) | (.6) |
| Tax effect of nondeductible items | | | |
| related to GPI acquisition | | • • | |
| adjustments | 3.4 | 2.9 | - |
| Non-recognition of tax benefits on | | 0.0 | 0.5 |
| certain U.S. operating losses | 5.1 | 9.0 | 2.5 |
| Other items | .5 | .5 | .2 |
| Actual income taxes (benefit) | \$ 8.3 | \$(7.7) | \$23.3 |
| | | | |

At December 31, 1983, the Company had U.S. tax net operating loss and investment tax credit carryforwards of \$80.0 million and \$10.5 million, respectively, substantially all of which expire between 1992 and 1998. In addition, the Company had Canadian tax net operating loss carryforwards of \$.7 million which expire between 1987 and 1990, and Canadian investment tax credit carryforwards of \$5.9 million which expire between 1985 and 1988.

At December 31, 1983, the Company had approximately \$60.0 million in U.S. net operating loss carryforwards and \$8.0 million in U.S. investment tax credit carryforwards for which the related tax benefits have not been recorded for financial statement purposes.

Pension Plans

Total pension expense for 1983, 1982 and 1981 was \$8,955,000, \$13,739,000 and \$7,132,000, respectively.

The significant reduction in pension expense during 1983 resulted from an updating of actuarial assumptions to reflect

improved investment performance of plan assets and a decrease in personnel. Accumulated plan benefits, as estimated by consulting actuaries at the beginning of each year, and plan assets are as follows (in thousands):

| | 1983 | 1982 |
|---|-----------|-----------|
| Actuarial present value of accumulated benefits | | |
| Vested | \$129,865 | \$131,461 |
| Non-vested | 11,257 | 12,817 |
| Total | \$141,122 | \$144,278 |
| Net assets available for benefits (at market value) | \$164,259 | \$142,760 |
| | | |

The weighted average assumed rate of return used in determining the actuarial present value of accumulated benefits was approximately eight percent for both 1983 and 1982.

Segment Information

During 1983, the Company combined the two business segments reported in prior periods to more appropriately reflect its interrelated activities in the cement, concrete products, aggregates and construction product lines. Prior years industry segment information has been omitted because of this consolidation of business units.

The Company's single business segment includes the manufacture and sale of cement, ready-mix concrete, precast and prestressed concrete components, concrete blocks and pipes, aggregates, asphalt and reinforcing steel. In addition, the Company is engaged in road building and other construction utilizing many of its own products.

Sales between the United States and Canada are accounted for at fair market value. Income from operations equals net sales less operating costs and expenses. Interest expense is excluded in computing income from operations.

Financial information by country follows (in thousands):

| Years Ended December 31 | 19 | 983 | 1982 | | 1981 |
|---|--------|--------------------------------|--------------------------------|-----|--------------------------------|
| Net Sales Canada United States Inter-country eliminations | 38 | 94,750 \$ 85,350 12,226) | 541,286 369,872 (10,972) | \$ | 656,246 119,361 (11,377) |
| Total net sales | \$ 86 | \$ \$7,874 | 900,186 | \$ | 764,230 |
| Operating Results Canada United States | | 46,445 \$ 4,553 | 42,227 (1,049) | \$ | 77,477 1,880 |
| Income from operations Interest expense, net | | 50,998 47,051) | 41,178 (66,666) | | 79,357 (27,952) |
| Income (loss) before income taxes and minority interest | \$ | 3,947 \$ | (25,488) | \$ | 51,405 |
| Identifiable Assets at Year End Canada United States | | 21,316 \$ 07,215 | 597,754 529,436 | \$ | 650,118 604,775 |
| Total identifiable assets | \$1,02 | 28,531 \$1 | ,127,190 | \$1 | ,254,893 |

Commitments and Contingencies

The Company leases office space and certain equipment. Total rental expense for 1983, 1982 and 1981 was \$4,522,000, \$5,803,000 and \$4,229,000, respectively. There were no material noncapitalized financing leases.

Future minimum annual rental commitments for all noncancelable leases are as follows for each of the five years ended December 31 (in thousands):

| | 1984 | 1985 | 1986 | 1987 | 1988 |
|-------------|---------|---------|---------|---------|---------|
| Commitments | \$5,941 | \$4,669 | \$3,580 | \$1,970 | \$1,409 |

The Company is party to several antitrust suits in the U.S. In these suits, the plaintiffs allege that the Portland Cement Association and substantially all U.S. cement producers, including the Company and GPI conspired to fix, maintain and stabilize cement prices and seek unstated

amounts of treble damages and injunctive relief. The Company and GPI have denied all the allegations against them and intend to continue to vigorously defend these suits. It is the opinion of management that all such matters will be resolved without material effect on the consolidated financial statements of the Company.

On April 27, 1983, Canadian National Railways filed suit in the Quebec Superior Court, Montreal District, against a CCL subsidiary for damages arising out of alleged defects in railroad ties manufactured and sold by the subsidiary between 1974 and 1980. The damages claimed total approximately Cdn. \$34.4 million. The Company has denied the allegations and its insurance carriers have assumed the defense of the lawsuit. The Company believes that it will prevail in the suit. Management of the Company is of the opinion that, if the suit is adversely determined, its insurance coverage is adequate to protect the Company from any material loss.

Ouarterly Summary of Operations (Unaudited)

The following is a summary of quarterly operations (in millions, except per share amounts):

| | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | Total Year |
|-----------------------------|------------------|-------------------|------------------|-------------------|---------------|
| 1983 | | | | | |
| Net sales | \$142.8 | \$242.3 | \$283.4 | \$199.4 | \$867.9 |
| Gross profit (loss) | (4.9) | 44.3 | 59.6 | 37.7 | 136.7 |
| Net income (loss) | (25.4) | 3.0 | 8.7 | .6 | (13.1) |
| Net income (loss) per share | (.80) | .10 | .27 | .02 | (.41) |
| 1982 | | | | | |
| Net sales | 157.8 | 241.9 | 282.2 | 218.3 | 900.2 |
| Gross profit | 3.0 | 41.9 | 50.4 | 32.8 | 128.1 |
| Net income (loss) | (22.1) | (3.5) | 3.8 | (3.1) | (24.9) |
| Net income (loss) per share | (.71) | (.11) | .12 | (.10) | (.79) |

Related Party Transactions

The Company's operating subsidiaries sell and purchase various products from each other. These intercompany sales and purchases have been eliminated in consolidation. In addition, the Company's major shareholder, Lafarge Coppée, provided certain technical and research assistance to CCL and GPI. The expenses accrued for these services were \$3,373,000, \$2,059,000 and \$748,000 during 1983, 1982 and 1981, respectively.

Accounting for Inflation (Unaudited)

The Financial Accounting Standards Board ("FASB") requires that historical cost financial statements be supplemented by certain information in an attempt to reflect the impact of inflation. Selected historical cost accounting information adjusted for changes in specific prices (current cost accounting) is presented below.

Current cost accounting attempts to measure the impact of inflation by estimating the change in prices for the specific goods and services used by the Company. The current cost of property, plant and equipment utilizes extensive engineering reviews and specific price indexes. Current cost depreciation is based on the current cost of property, plant and equipment using the same methods and lives used for historical depreciation. The current cost of inventories and cost of goods sold is based on current production costs adjusted for the current cost of depreciation.

The Company measures a significant part of its operations in Canadian currency. For those operations, current cost amounts are measured in Canadian dollars and then translated into U.S. dollars. The effect of general inflation on these current cost amounts was measured before translation and was based on a Canadian general price level index.

The 1981 historical and current dollar amounts reflect the recognition of fair values for GPI assets and liabilities established in connection with the acquisition of GPI.

The FASB rules governing the presentation of inflation accounting prohibit adjusting income tax expense for the increase in costs reflected by the current cost computations.

The current cost method of accounting for inflation does not reflect the advantages of modern technology in the cement industry. Cement plants constructed today provide increased productivity with significantly less fuel and labor usage than older plants. The current cost method of accounting for inflation only attempts to determine today's cost of rebuilding existing facilities without reflecting the corresponding operational benefits from such reconstruction.

The supplemental accounting data for inflation, which has been compiled to comply with the disclosure requirements of the FASB, should be viewed with caution, as must any other analytical data. The current cost method of accounting for inflation has inherent limitations because of the use of various subjective judgments necessary to compute the data; thus, the resulting measurements should not be considered as precise indicators or as being fully comparable to similar data for other companies.

The following is a statement of income (loss) adjusted for changing prices for the year ended December 31, 1983 (in thousands):

| | Historical Dollars | Current Dollars |
|--|---|---|
| Net sales | \$867,874 | \$867,874 |
| Cost of sales and other expenses Depreciation and depletion Interest expense, net Minority interest Income taxes | 758,725 58,151 47,051 8,727 8,300 | 767,264 81,192 47,051 7,257 8,300 |
| Total costs and expenses | 880,954 | 911,064 |
| Net loss | \$(13,080) | \$(43,190) |

The current cost of inventory and net property, plant and equipment at December 31, 1983, are \$150.0 million and \$995.1 million, respectively.

Following is a comparison of selected supplementary financial data (in thousands, except index and per share amounts). The historical cost amounts reported in the primary financial statements have been adjusted to current cost. The current cost amounts for prior years have been adjusted by the average increase in the consumer price index to the general price level existing in 1983. The historical market price per common share prior to 1983 is based on the price of CCL common shares, as quoted on The Toronto Stock Exchange and the Montreal Exchange, converted to U.S. dollars at the year-end exchange rates.

| Years Ended December 31 | 1983 | 1982 | 1981 | 1980 | 1979 |
|---|------------|------------|------------|---------------|---------|
| Net sales | | | | | |
| Historical dollars (as reported) | \$ 867,874 | \$ 900,186 | \$ 764,230 | \$ 608,328 \$ | 527,557 |
| Income (loss) from continuing operations | | | | | |
| Historical dollars (as reported) | (13,080) | (24,902) | 20,458 | 10,290 | |
| Current dollars | (43,190) | (60,618) | (16,064) | (26,356) | |
| Net assets at year end | | | | | |
| Historical dollars (as reported) | 404,174 | 347,312 | 381,288 | 245,040 | |
| Current dollars | 737,900 | 693,200 | 760,338 | 638,059 | |
| Gain from decline in purchasing power of | | | | | |
| net amounts owed | 20,397 | 44,234 | 39,378 | 29,255 | |
| Increase in current cost of inventories and | | | | | |
| net property, plant and equipment | 41,701 | 76,157 | 106,623 | 102,608 | |
| Excess of increase in current cost of inventories | | | | | |
| and net property, plant and equipment over | | | | | |
| increase in general inflation | (10,961) | (16,088) | (2,638) | 2,795 | |
| Translation adjustments | (1,540) | 12,219 | 21,359 | (12,298) | |
| Market price per common share at year end | | | | | |
| Historical | 11.50 | 10.13 | 9.88 | 12.13 | 10.75 |
| Constant 1983 U.S. dollars | 11.50 | 10.45 | 10.83 | 14.70 | 14.70 |
| Dividends per share | | | | | |
| Historical | .18 | .24 | .67 | .68 | .60 |
| Constant 1983 U.S. dollars | .18 | .25 | .73 | .83 | .83 |
| Limestone mineral reserve information | | | | | |
| Tons of proven and probable reserves | | | | | |
| at year end | 2,976,343 | 2,963,258 | 3,147,289 | 2,335,067 | |
| Tons mined | 9,000 | 8,996 | 7,706 | 7,084 | |
| Tons acquired (sold) | 22,085 | (175,035) | 819,928 | | |
| Tons of cement produced | 7,997 | 7,998 | 5,611 | 4,681 | |
| Average consumer price index | | | | | |
| United States | 298.5 | 289.1 | 272.4 | 247.0 | 217.4 |
| Canada | 277.9 | 262.5 | 236.9 | 210.6 | 191.2 |

Auditors' Report

To the Shareholders and Directors of Lafarge Corporation

We have examined the consolidated balance sheet of Lafarge Corporation (a Maryland corporation) and subsidiaries as of December 31, 1983, and the related consolidated statements of income (loss) and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The consolidated financial statements of Lafarge Corporation and subsidiaries as of December 31, 1982, and for each of the two years in the period then ended were examined by other auditors whose report dated March 8, 1983, expressed an unqualified opinion on those statements.

In our opinion, the 1983 financial statements referred to above present fairly the financial position of Lafarge Corporation and subsidiaries as of December 31, 1983, and the results of their operations and changes in their financial position for the year then ended, in conformity with generally accepted

accounting principles applied on a basis consistent with that of the preceding year.

Arthur Andersen & Co.

Dallas, Texas

February 3, 1984

The management of the Company has prepared and is responsible for the consolidated financial statements and all other information contained in this annual report. This responsibility includes the selection of accounting procedures and practices which are in accordance with generally accepted accounting principles. The consolidated financial statements have been prepared in conformity with these procedures and practices applied on a consistent basis and reflect informed judgments and estimates which management believes to be reasonable in the determination of certain data used in the accounting and reporting process.

Management maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and that transactions are properly recorded and executed in accordance with appropriate authorization and the Company's applicable policies and procedures. The Company's internal audit function is an integral part of the internal control system. The internal audit staff coordinates its audit activities with the Company's independent public accountants to maximize audit effectiveness. Management is continually modifying and improving its system of internal accounting controls to correspond with changes in the Company's operations. Management considers the costs and benefits related to additional or alternative controls before modifying any procedures or internal controls. Management believes the Company's system of internal accounting controls operates effectively.

The consolidated financial statements of Lafarge Corporation and subsidiaries have been examined by the Company's independent public accountants. These examinations have been based on procedures believed to be sufficient to provide reasonable assurance that the financial statements present fairly the financial position of the Company and its subsidiaries as of December 31, 1983 and 1982, and the results of its operations and the changes in its financial position for each of the three years in the period ended December 31, 1983.

The board of directors, acting through its audit committee, monitors the accounting affairs of the Company and has approved the information contained in this annual report, including the financial statements. The audit committee, consisting primarily of outside directors, recommends to the board of directors the appointment of the independent public accountants, who have full and free access to the audit committee. The audit committee meets periodically with management and the independent public accountants to assure that each is carrying out its responsibilities.

Olivier Lecerf

Chairman of the Board

Louis G. Munin

Senior Vice President and

Chief Financial Officer

John D. Redfern

President and

Chief Executive Officer

February 3, 1984

Philip A. Millington

Controller

Directors and Officers

Board of Directors

Jean Francois
Vice-Chairman and Chief Operating Officer of
Lafarge Coppée
Paris, France

Samuel M. Kinney, Jr.
Counsel to Hannoch, Weisman, Stern, Besser,
Berkowitz and Kinney
Newark, New Jersey

Olivier Lecerf Chairman of the Company and Chairman and Chief Executive Officer of Lafarge Coppée Paris, France

Jacques Lefèvre
Executive Vice President and Chief Financial
Officer of Lafarge Coppée
Paris, France

James B. Lendrum
Vice-Chairman of the Company and Chairman
of the Board of General Portland Inc.
Downington, Pennsylvania

Peter M. McEntyre Chairman of the Board of Canada Cement Lafarge Ltd. Montreal, Quebec

John D. Redfern President and Chief Executive Officer of the Company Dallas, Texas

H. Richard Whittall
Vice-Chairman and Director of Richardson
Greenshields of Canada Limited
Vancouver, British Columbia

Committees of the Board

Jean François
Olivier Lecerf*
James B. Lendrum
Peter M. McEntyre
John D. Redfern

Audit Committee
Samuel M. Kinney, Jr. *
Jacques Lefèvre
Peter M. McEntyre
H. Richard Whittall

Finance Committee
Jacques Lefèvre*
Louis G. Munin
John D. Redfern
Frédéric G. Webel

Nominating Committee
Olivier Lecerf*
James B. Lendrum
John D. Redfern

Stock Option Committee
Samuel M. Kinney, Jr.
Peter M. McEntyre*
H. Richard Whittall

*Committee Chairman

Corporate Officers

John D. Redfern President and Chief Executive Officer

William D. Jones Executive Vice President

Robert W. Murdoch Executive Vice President

Louis G. Munin Senior Vice President and Chief Financial Officer

Frédéric G. Webel Senior Vice President

Bruce S. Dryburgh Vice President, Secretary and Treasurer

Jean-Pierre Cloiseau Vice President

Philip A. Millington Controller

Corporate Information

Corporate Headquarters

Lafarge Corporation 12700 Park Central Place Suite 1900 Dallas, Texas 75251 214-991-6800

Mailing Address

P.O. Box 361 Dallas, Texas 75221

Stock Trading Information

Lafarge Corporation Common Shares:
New York Stock Exchange
The Toronto Stock Exchange
Montreal Exchange
CCL Exchangeable Shares:
The Toronto Stock Exchange
Montreal Exchange
Lafarge Corporation \$2.44
Convertible Preferred Shares:
New York Stock Exchange

Optional Stock Dividend Plan

Holders of the Company's Common and Convertible Preferred Shares have a convenient opportunity for automatic reinvestment of cash dividends at a five percent discount from the market price through enrollment in the Lafarge Corporation Optional Stock Dividend Plan. For information write to the Company's mailing address.

Registrar and Transfer Agents RepublicBank Dallas, N.A. Montreal Trust Co.

Legal Counsel Thompson & Knight Dallas, Texas

Auditors

Arthur Andersen & Co. Dallas, Texas

Investor Relations

Inquiries may be directed to Louis G. Munin, Senior Vice President, at Corporate Headquarters.

Form 10-K

The Company's Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, is available without charge, upon written request.

Annual Shareholders' Meeting

The annual meeting of shareholders for Lafarge Corporation will be held in the Tennyson Room of the Sheraton Park Central Hotel in Dallas at 9:00 a.m. on May 2, 1984.

Lafarge Corporation 12700 Park Central Place Suite 1900 P.O. Box 361 Dallas, Texas 75221 (214) 991-6800