

LEGAL AND FINANCIAL INFORMATION STATEMENTS

CONTENTS

CONSOLIDATED FINANCIAL STATEMENTS	60
CONSOLIDATED INCOME STATEMENT	60
CONSOLIDATED BALANCE SHEET	61
CONSOLIDATED CASH FLOW STATEMENT	62
NOTES	63
FIVE YEAR SUMMARY OF GROUP FINANCIAL DATA	74
RATES OF EXCHANGE	74
COMPANIES INCLUDED IN THE CONSOLIDATION	75
STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS	81
LEGAL AND FINANCIAL INFORMATION	83
INFORMATION ON THE COMMON STOCK AND AUTHORIZATIONS RELATING TO FINANCIAL TRANSACTIONS	83
INFORMATION CONCERNING EMPLOYEE STOCKHOLDINGS AND STOCK SUBSCRIPTION AND PURCHASE OPTIONS	87
BOARD OF DIRECTORS, SENIOR EXECUTIVES	89
STATUTORY AUDITORS	96
ANNUAL GENERAL MEETING	97
PRESENTATION OF RESOLUTIONS	97
PROPOSED RESOLUTIONS	99
STOCKHOLDER INFORMATION	103
COMPANY INFORMATION	103
SPECIFIC PROVISIONS OF THE BYLAWS	103
STOCK EXCHANGE INFORMATION CONCERNING LAFARGE STOCK	105
STOCKHOLDERS RELATIONS	107

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 1998

(in millions of French francs unless indicated otherwise)

	Notes	1998	1997	1996
SALES	2	64,294	42,066	35,262
Cost of sales		(42,192)	(27,902)	(23,478)
Selling and administrative expenses		(9,191)	(6,036)	(5,562)
GROSS OPERATING INCOME		12,911	8,128	6,222
Depreciation and amortization		(4,113)	(2,571)	(2,153)
Share of earnings of equity affiliates	3	366	73	100
GROSS OPERATING INCOME ON ORDINARY ACTIVITIES		9,164	5,630	4,169
Gains (losses) on disposals		455	351	116
Other revenues (expenses)		(315)	(460)	(238)
OPERATING INCOME		9,304	5,521	4,047
Net financial expenses	4	(1,890)	(604)	(522)
INCOME BEFORE TAX		7,414	4,917	3,525
Income tax	5	(2,106)	(1,253)	(825)
NET INCOME OF CONSOLIDATED COMPANIES		5,308	3,664	2,700
Minority interests		(1,549)	(962)	(662)
Amortization of goodwill		(700)	(270)	(192)
NET INCOME, GROUP SHARE		3,059	2,432	1,846
NET INCOME PER SHARE (IN FRENCH FRANCS)		32.3	27.2	20.5
Average number of shares outstanding		94,587	89,524	90,287

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1998

(after appropriation, in millions of French francs)

	Notes	1998	1997	1996
Intangible assets	6	5,185	4,479	3,872
Goodwill	7	17,510	13,432	4,611
Property, plant and equipment	9	43,420	43,636	23,526
FIXED ASSETS, NET		66,115	61,547	32,009
Investments in equity affiliates	10	2,074	1,865	756
Other investments	10	5,907	3,039	4,129
Long term loans and receivables		2,456	2,575	1,513
OTHER LONG TERM ASSETS		10,437	7,479	6,398
Inventories and work-in-progress	11	6,969	6,758	4,088
Accounts and notes receivable, trade		10,265	9,968	6,897
Other receivables		4,536	4,104	1,843
Accounts and notes payable, trade		(5,985)	(5,480)	(3,542)
Other Payables		(10,087)	(10,645)	(5,138)
WORKING CAPITAL REQUIREMENTS		5,698	4,705	4,148
TOTAL ASSETS		82,250	73,731	42,555
Common stock	12	2,570	2,366	2,360
Additional paid-in capital		15,177	12,130	12,069
Reserves	13	14,686	12,855	11,666
Translation differences		(2,912)	(1,230)	(1,935)
STOCKHOLDERS' EQUITY GROUP SHARE	14	29,521	26,121	24,160
Minority interests		9,668	8,776	5,305
Other equity		883	169	148
TOTAL EQUITY		40,072	35,066	29,613
PROVISIONS	15	7,274	6,391	3,625
Long- and medium-term debt		27,150	33,012	10,637
Current portion of long- and medium-term debt		1,673	3,020	1,805
Short-term bank borrowings		12,444	1,920	169
Cash and cash equivalents		(6,364)	(5,678)	(3,294)
NET INDEBTEDNESS	16	34,904	32,274	9,317
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		82,250	73,731	42,555

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 1998

(in millions of French francs)

	Notes	1998	1997	1996
CASH FLOW FROM OPERATING ACTIVITIES		8,862	6,126	4,774
Changes in working capital requirements		61	280	(433)
NET CASH FROM OPERATING ACTIVITIES		8,923	6,406	4,341
Purchase of property, plant and equipment		(6 940)	(3 985)	(3 064)
Investment in consolidated companies (1)	7	(5 461)	(23 917)	(2 250)
Investment in non-consolidated companies		(4 224)	(1 333)	(1 695)
Movements in treasury stock		(218)	(158)	(661)
Net book value of assets sold (2)		2 728	1 544	603
Net increase in loans and other long-term receivables		(51)	(327)	(152)
NET CASH USED IN INVESTING ACTIVITIES		(14 166)	(28 176)	(7 219)
Proceeds from issuance of common stock		3,966	555	659
Increase (decrease) in other equity		38	19	(2,813)
Dividends paid		(1,483)	(1,223)	(1,092)
NET CASH USED IN FINANCING ACTIVITIES		2,521	(649)	(3,246)
DECREASE (INCREASE) IN NET INDEBTEDNESS		(2,722)	(22,419)	(6,124)
Decrease (increase) in gross debt		(3,860)	(25,113)	(5,011)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		1,138	2,694	(1,113)
Cash and cash equivalents at beginning of the year		5,678	3,294	4,366
Effect of exchange rate changes		(452)	(310)	41
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		6,364	5,678	3,294
(1) Including net indebtedness of companies acquired		(539)	(4,075)	(639)
Including cash balances of companies acquired		1	1 582	2
(2) Including net indebtedness of companies disposed of		362	12	(13)
Including cash balances of companies disposed of		(253)	-	(18)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(ALL FIGURES ARE IN MILLIONS OF FRENCH FRANCS UNLESS INDICATED OTHERWISE)

1 - ACCOUNTING POLICIES

The consolidated financial statements have been drawn-up in accordance with the provisions of French accounting legislation (law of January 3, 1985 relating to consolidated financial statements and decree of February 17, 1986).

They are prepared in accordance with International Accounting Standards, with the exception, from January 1, 1995, of the standard which defines the maximum amortization period for goodwill (see note 1-a), and, from January 1, 1998, of the standards n°12 revised relating to income taxes (see note 1.l) and n°33 relating to earnings per share. Although the IASC has actively pursued its work, a certain number of issues still pending, in particular the standard relating to financial instruments, prevent from applying consistently the full core standards. Thus, in order to keep a proper financial communication, the group is willing to ensure the continuity of the accounting policies and wait until the IAS program is stabilized to consider its implementation.

a) Consolidation policy

CRITERIA FOR CONSOLIDATION AND CONSOLIDATION METHODS

Companies over which Lafarge has exclusive control are fully consolidated.

Companies over which Lafarge has significant influence are accounted for by the equity method.

Companies over which control is exercised jointly with another group are consolidated on a proportional basis.

BASIS OF CONSOLIDATION

The accounting period for the financial statements of all companies included in the consolidation ends on December 31. The individual companies' financial statements are adjusted, where necessary, to comply with Group accounting policies.

FOREIGN COMPANIES

The financial statements of foreign companies are translated using the closing rate of exchange method:

translation of all assets and liabilities in the balance sheet at the year-end rate of exchange, and of all income statement items at the average annual rate of exchange. Translation gains and losses are shown separately under stockholders' equity.

For companies in countries with high inflation, as an exception to the above, fixed assets, investments, inventories and the corresponding income statement items are not revalued and the original values are translated at historical rates of exchange. Translation gains and losses are included on the relevant line in the income statement.

GOODWILL

The difference between the cost of investments (including related acquisition costs) in consolidated companies and the corresponding share of the fair value of net assets at the date of acquisition is accounted for as goodwill. Goodwill includes intangibles which cannot be valued with sufficient accuracy or which are difficult to monitor. Negative goodwill is recorded within provisions.

- The excess of fair value over book value is assigned to the relevant balance sheet classification and subsequently subjected to the corresponding accounting treatment. It can include particular non-amortizable intangibles such as market shares and trademarks, to the extent that they can be valued using a sufficiently accurate and objective method based on average profitability. Changes in the value of such intangibles in future periods are monitored using the same criterion and where necessary a diminution in the value of such assets provided. Minority interests are credited with their share of the revaluation of recorded assets in acquired companies.

- The Group continues to amortize its goodwill balances over periods not exceeding 40 years. IAS 22, which came into force on January 1, 1995 laid down a maximum amortization period of 20 years, and the

revised standard becomes operative for annual financial statements covering periods beginning on or after July 1, 1999. The latter allows in particular for the adoption of longer periods of amortization subject to performance of an annual impairment test.

Negative goodwill is released to the income statement on a systematic basis, in accordance with a schedule which takes into account the objectives and the acquired company's prospects at the time of acquisition.

Lafarge allows one year before finalizing its analysis of the allocation of the differences between cost of acquisition and net assets acquired.

These accounting policies have been applied to acquisitions which have taken place since January 1, 1989. Before this date the value of market shares, trademarks and positive and negative goodwill were not capitalized but written off against reserves.

EFFECTIVE DATE OF ACQUISITIONS AND DISPOSALS

Only post-acquisition results of companies consolidated for the first time during the year are included in consolidated income.

Similarly, only the share of results realized prior to the sale of investments disposed of during the year is included in consolidated income.

b) Sales

Consolidated sales represent the value, net of tax, of goods and services sold by Group companies in the normal course of operations, after intercompany eliminations.

c) Other revenues (expenses)

Other revenues (expenses) result from operations and include in particular net reorganization expenses and provisions against investments in non-consolidated companies and for disputes.

d) Financial instruments

Derivative products (interest rate and foreign exchange) are used solely to limit exposure to risk.

- Foreign exchange:

Foreign exchange derivative instruments used to hedge commercial and financial transactions recorded in

the balance sheet or representing firm commitments are not revalued at the year end. Hedged transactions are recorded in the financial statements using the hedging rate.

- Interest rate:

Income and expenses on interest rate swaps entered into to modify the interest rate terms and conditions of financial assets and liabilities are taken to the income statement on a time-apportioned basis. Income and expenses on derivative instruments are taken to the income statement in line with the income and expenses on the underlying hedged instrument.

e) Property, plant and equipment

The gross value of property, plant and equipment is calculated in each country using the historical cost method except in the case of non-depreciable land owned by French companies which was revalued in 1976. The corresponding revaluation adjustment is included in the Revaluation reserve.

Long-term capital leases are capitalized.

Interest on borrowings directly related to the financing of major construction projects and incurred during the construction phase is included within the acquisition cost.

Depreciation is calculated as follows:

- land on which quarries are located is depreciated on a depletion basis; other land is not depreciated,
- buildings are depreciated using the straight-line method over estimated useful lives varying from twenty years for industrial buildings to fifty years for offices or residential properties,
- cement works plant and equipment are depreciated using the straight-line method over international industry-recognized useful lives,
- other plant, equipment and installations are depreciated using the straight-line method over their estimated useful lives.

f) Intangible assets

Intangibles include amortizable assets (such as patents, licenses, leaseholds) which are amortized using the straight-line method over periods not exceeding their estimated useful lives, and non-amortizable assets (such as market shares and

trademarks) which meet the criteria described in the above goodwill note. Stock issue costs are deducted from additional paid-in capital.

g) Other investments (non-consolidated)

Investments are valued at cost after provision for impairment, where necessary, on the basis of the Group's share of net worth, future prospects and stock market prices where meaningful.

h) Inventories

Raw materials and supplies are valued at the lower of weighted average cost and net realizable value. Work in progress and finished products are valued at the lower of cost and net realizable value.

i) Discounted notes receivable not yet matured

Discounted notes not yet matured are included in both sides of the balance sheet under "Accounts and notes receivable, trade and "Net indebtedness".

j) Pension commitments

Provision is made for commitments relating to retirement termination payments and supplementary pensions. Such provisions are calculated on the basis of length of service, life expectancy and turnover, taking into account actuarial assumptions.

Differences resulting from changes in actuarial assumptions are spread over the residual life of the commitment.

Lafarge and several French subsidiaries have made arrangements with an external organization to fund retirement termination payment and supplementary pension commitments. The year-end provision includes the excess of commitments over the current value of the funds' assets, if any. Foreign companies, which as a general rule operate defined benefit pension plans, pay contributions to pension funds. Provision is made only for the portion of commitments which exceeds the value of the funds' net assets.

k) Provision for sites restoration

Where the Group is legally or contractually required to restore a quarry site, a provision is recorded over the operating life of the quarry to cover such costs. The provision is recorded on a site by site basis at the discounted present value of future work to be performed, estimated on the basis of current known costs and the planned work schedule.

l) Income tax

Deferred tax is recorded under the liability method in order to allocate to each year the charge to tax relating to that year, taking into account timing differences between the inclusion of expenses in accounting and tax profits (and in particular differences relating to accounting and tax depreciation). In accordance with the partial provision method, deferred taxes are accounted for to the extent that it is probable that the liability or asset will crystallize.

As mentioned in note 1, the Group suspends, from January 1, 1998, the implementation of the IAS n°12 (revised) under which deferred taxes are recorded by application of the liability method to all temporary differences arising between the tax base of assets and liabilities, and their carrying amount in the balance sheet (full provision method). Goodwill, together with market shares inseparable from the companies concerned and allocated as fair value adjustments, would be excluded from the deferred tax calculation base.

2 - SALES ANALYSIS BY DIVISION AND GEOGRAPHIC AREA

Analysis by division	1998	1997	1996
Cement	21,564	19,487	16,005
Aggregates and Concrete	20,448	12,022	10,187
Gypsum	4,395	4,235	3,356
Roofing	10,291	-	-
Speciality Products	7,365	6,310	5,708
Other	231	12	6
TOTAL	64,294	42,066	35,262

Analysis by geographic area	1998	1997	1996
Western Europe	34,828	19,756	18,423
<i>of which France</i>	<i>14,433</i>	<i>11,511</i>	<i>11,224</i>
Eastern Europe	2,618	1,832	1,090
North America	16,267	11,444	9,049
Latin America, Central America, Caribbean	4,353	3,418	2,114
Africa, Turkey			
Middle East	5,185	4,427	3,798
Asia Pacific, Indian Ocean	1,043	1,189	788
TOTAL	64,294	42,066	35,262

3 - SHARE OF EARNINGS OF EQUITY AFFILIATES

	1998	1997	1996
Operating income	366	73	100
Gains (losses) on disposals	-	(1)	21
Other revenues (expenses)	(17)	(64)	2
Income tax	(89)	(11)	(33)
NET INCOME AFTER TAX	260	(3)	90

4 - ANALYSIS OF NET FINANCIAL EXPENSES

	1998	1997	1996
Interest and similar expenses	2,414	1,142	1,016
Interest income from loans and investments	(524)	(538)	(494)
TOTAL	1,890	604	522

Interest expense on long-term debt is reported net of capitalized interest costs for major construction projects of FRF 27 million in 1998 (FRF 8 million in 1997, FRF 6 million in 1996).

5 - INCOME TAX

The current income tax is equal to the amount paid or payable in the short term to the tax authorities in respect of the financial year, in accordance with

currently applicable tax rules and rates in the various countries, taking into account the taxation regime described below.

The company benefits from tax assessment on a world-wide consolidated basis. The approval covers the years 1998, 1999 and 2000. The tax charge is calculated on the fiscal consolidated net income of French and foreign subsidiaries in which the Group holds an interest in excess of 50%, with deduction of any tax already paid by the subsidiaries. The income tax charge breaks down as follows:

	1998	1997	1996
Current income tax	2,000	1,334	876
Deferred taxes	106	(81)	(51)
TOTAL	2,106	1,253	825

6 - INTANGIBLE ASSETS

	1998	1997	1996
Gross value	5,974*	4,835*	4,160*
Amortization	(789)	(356)	(288)
TOTAL	5,185	4,479	3,872

* Including FRF 4,205 million in 1998, (FRF 3,721 million in 1997 and FRF 3,214 million in 1996) reflecting the value of market shares and trademarks acquired.

7 - IMPACT ON THE BALANCE SHEET OF ACQUISITION OF CONSOLIDATED COMPANIES

	1998	1997	of which Redland	1996
Long-term assets	3,358	20,093	17,975	1,136
Long-term liabilities	(501)	(3,596)	(3,481)	(734)
Working capital	214	(6,576)	(4,826)	125
NET ASSETS OF COMPANIES ACQUIRED	3,071	9,921	9,668	527
Lafarge share in net assets acquired	1,945	9,921	9,668	516
Minority interests acquired	1,013	574	-	69
Investments in equity affiliates	479	727	-	150
Market shares and trademarks	232	510	-	-
Unallocated Redland goodwill	-	7,857	7,857	-
Residual goodwill	2,338	1,406	-	1,048
Negative goodwill	(11)	-	-	(41)
COST OF INVESTMENTS	5,996	20,995	17,525	1,742
COST OF INVESTMENTS ACQUIRED IN PREVIOUS YEARS	(1,074)	(993)	-	(131)
COST OF INVESTMENTS ACQUIRED DURING THE YEAR	4,922	20,002	17,525	1,611
NET INDEBTEDNESS OF ACQUIRED COMPANIES	539	4,075	3,935	639
TOTAL	5,461	24,077	21,460	2,250

8 - IMPACT OF REDLAND ON THE INCOME STATEMENT

	1998				1997	
	Lafarge (excluding Redland)	Redland	Acquisition impacts	Total Lafarge	Lafarge (excluding Redland)	Lafarge + Redland
Sales	45,281	19,013	-	64,294	42,066	61,507
Gross operating income	6,741	2,423	-	9,164	5,630	7,822
Net financial expenses	(844)	(78)	(968)	(1,890)	(604)	(1,852)
Income tax	(1,685)	(696)	275	(2,106)	(1,253)	(1,654)
Net income of consolidated companies	4,331	1,670	(693)	5,308	3,664	4,296
Amortization of goodwill	(439)	-	(261)	(700)	(270)	(466)
Minority interests	(1,183)	(462)	96	(1,549)	(962)	(1,277)
Net income group share	2,709	1,208	(858)	3,059	2,432	2,553
Redland Relation			350			

For 1998 net financial expenses on the debt contracted to acquire Redland as well as amortization of goodwill are shown in the column "acquisition impact".

The above 1997 pro-forma income statement highlights the impact on the year profit of the acquisition of Redland Plc and its subsidiaries (excluding exceptional items). It includes a first estimate of the impact of the allocation of the goodwill, as this has not been finalized yet.

A number of adjustments have also been booked to bring the financial statements into line with Lafarge Group accounting policies and incorporate notional interest expenses on the full acquisition liability.

This pro-forma income statement has been subject to a limited review by the statutory auditors of the Group.

9 - PROPERTY, PLANT AND EQUIPMENT

ANALYSIS BY NATURE OF ASSET

	1998			1997	1996
	Gross	Deprec.	Net	Net	Net
Land	9,293	926	8,367	11,742	3,417
Buildings	12,496	5,567	6,929	6,431	4,153
Machinery, equipment, fixtures and fittings	53,251	28,662	24,589	23,543	14,679
Tangible assets in progress	3,538	4	3,534	1,920	1,277
TOTAL	78,578	35,159	43,419	43,636	23,526

ANALYSIS BY DIVISION

	1998			1997	1996
	Gross	Deprec.	Net	Net	Net
Cement	38,213	17,869	20,344	17,016	14,754
Aggregates and Concrete	18,443	8,187	10,256	14,461	4,383
Gypsum	5,083	1,645	3,438	2,926	2,480
Roofing	12,304	5,524	6,780	7,029	-
Speciality Products	3,441	1,748	1,693	1,496	1,296
Other	1,094	186	908	708	613
TOTAL	78,578	35,159	43,419	43,636	23,526

ANALYSIS BY GEOGRAPHIC AREA

	1998			1997	1996
	Gross	Deprec.	Net	Net	Net
Western Europe	45,889	22,032	23,857	25,134	13,217
<i>of which France</i>	<i>16,836</i>	<i>8,619</i>	<i>8,217</i>	<i>8,786</i>	<i>5,737</i>
North America	15,304	6,789	8,515	10,507	4,678
Other	17,385	6,338	11,047	7,995	5,631
TOTAL	78,578	35,159	43,419	43,636	23,526

CAPITAL LEASES

The gross value of property, plant and equipment includes FRF 382 million of assets acquired under capital leases and the remaining debt on such assets totals FRF 178 million (1997: gross assets - FRF 423 million, residual debt - FRF 160 million; 1996: gross value - FRF 572 million, residual debt - FRF 198 million).

10 - INVESTMENTS

a) Equity affiliates

ANALYSIS BY GEOGRAPHIC AREA

	1998	1997	1996
Western Europe	873	1,027	291
of which France	51	(12)	12
North America	468	55	38
Other	733	783	427
TOTAL	2,074	1,865	756

b) Other investments

	1998	1997	1996
Investments in non-consolidated companies	4,754	1,776	1,985
Long-term equity investments	1,153	1,263	2,144
TOTAL	5,907	3,039	4,129

INVESTMENTS IN NON-CONSOLIDATED COMPANIES

Investments in non-consolidated companies include various non-material interests and recent acquisitions which will be consolidated in 1999 (Cement in Philippines and Jordania, refractories in Germany).

LONG-TERM EQUITY INVESTMENTS

	Gross value	Net value	Estimated value
Opening balance	1,263	1,263	2,300
Net disposals during the period	(110)	(110)	
Movement in provisions			
Change in estimated value			(281)
CLOSING BALANCE	1,153	1,153	2,019

Long-term equity investments represent interests of between 0.5% and 3% in several listed companies. Their estimated value is determined using the companies' net equity as a reference.

As at December 31, 1998, the market value of the portfolio totaled FRF 2,322 million.

11 - INVENTORIES AND WORK IN PROGRESS

	1998	1997	1996
Raw materials and supplies	3,991	3,463	2,395
Work in progress and finished or semi-finished products	3,377	3,615	1,892
GROSS TOTAL	7,368	7,078	4,287
PROVISIONS	(399)	(320)	(199)
NET TOTAL	6,969	6,758	4,088

12 - COMMON STOCK

As at December 31, 1998, Lafarge common stock comprises 102,787,006 shares of FRF 25 each. Changes in common stock were as follows:

(Thousands of shares)	1998	1997	1996
Shares outstanding at beginning of year	94,663	94,403	92,251
Dividends reinvested			2,101
Capital increase	7,890		
Conversion of bonds and exercise of stock subscription warrant and options	234	260	51
SHARES OUTSTANDING AT END OF THE YEAR	102,787	94,663	94,403
Average number of shares outstanding for net income per share purposes, excluding treasury stock	94,587	89,524	90,287

13 - RESERVES

Consolidated reserves, after appropriation, may be analyzed as follows:

	1998	1997	1996
Reserves	16,800	14,786	13,423
Treasury stock*	(2,140)	(1,957)	(1,790)
Revaluation reserve	26	26	33
TOTAL	14,686	12,855	11,666

* Lafarge stock held by Group companies (treasury stock) is recorded at acquisition cost and deducted from reserves.

The distribution of certain reserves could result in an additional tax liability. Such reserves are considered as permanently invested and therefore no provision for taxation has been made.

14 - STOCKHOLDERS' EQUITY

	1998	1997	1996
OPENING STOCKHOLDERS'S EQUITY	26,121	24,160	23,204
Stock issues (net), dividends reinvested and options and warrants exercised	3,251	67	614
Net income Group share	3,059	2,432	1,846
Dividends proposed to Lafarge stockholders	(1,045)	(1,086)	(899)
Translation adjustment movement	(1,682)	706	76
Decrease (increase) in treasury stock	(183)	(158)	(681)
CLOSING STOCKHOLDERS' EQUITY (after appropriation)	29,521	26,121	24,160

Translation adjustments related to Euroland Currencies amounts to (Group share) FRF -1.345 million.

15 - PROVISIONS

a) Deferred tax

The deferred tax provision calculated in accordance with the partial allocation provision method amounts to FRF 124 million as at December 31, 1998 (FRF 42 million as at December 31, 1997 and FRF 107 million as at December 31, 1996). As detailed in Note 1.I (page 65), this provision represents the amounts likely to be paid in the medium term to local tax authorities in accordance with currently applicable tax rules and rates in the countries concerned. Movements in the deferred tax provision calculated on both a partial and full provision basis are as follows:

	PARTIAL ALLOCATION METHOD (PUBLISHED FIGURES)			FULL PROVISION METHOD		
	1998	1997	1996	1998	1997	1996
MOVEMENT DURING THE YEAR						
Provision as at January 1	42	107	162	3,310	2,775	1,070
Impact of IAS 12 (revised)	-	-	-	-	-	1,309
PROVISION AS AT JANUARY 1	42	107	162	3,310	2,775	2,379
Scope and exchange rate movements	(24)	16	(4)	703	110	79
Impact on net income	106	(81)	(51)	686	425	317
PROVISION AS AT DECEMBER 31	124	42	107	4,699	3,310	2,775

Application of IAS 12 (revised) as at January 1, 1996 would have generated an additional deferred tax liability of FRF 1,309 million compared to the published figures, mainly as a result of the application of the balance sheet approach of the liability method. Prior year calculations only took into account timing differences arising between the adjusted net accounting profit of consolidated subsidiaries and net taxable income. Application of the new method, which expressly forbids discounting to present value, leads to the reco-

gnition of deferred tax liabilities which are unlikely ever to crystallize. The majority of these liabilities relate to differences between accounting and tax depreciation on industrial assets.

Given the Group's capital expenditure program, any release of the reserve of excess taxation depreciation built up over accounting depreciation will not take place for a long time and as such the discounted present value of the corresponding tax liability is well below its nominal value.

b) Other provisions

	1998	1997	1996
	7,150	6,349	3,518

"Other provisions" includes provisions for retirement termination payments, supplementary pensions and health insurance covering commitments in relation to current and retired employees and totaling FRF 3,550 million as at December 31, 1998, compared with FRF 3,104 million as at December 31, 1997 and FRF 1,595 million as at December 31, 1996. All of the Group's retirement termination payment and supplementary pension commitments are either funded or provided for.

As at December 31, 1998, assets under management by external funds on behalf of Lafarge and a number of its French subsidiaries totaled FRF 234 million.

The value of assets held by the pension funds of certain foreign companies, in particular those of Lafarge Corporation and Redland PLC, is greater than their total commitments.

The balance of "Other provisions" mainly corresponds to provisions for restructuring, sites restoration and miscellaneous liabilities, as well as provisions against investments in non-consolidated companies.

16 - NET INDEBTEDNESS

a) Perpetual loan notes (EDIs)

In 1989 and 1990, Lafarge issued FRF 5,000 million of perpetual subordinated notes (TSDIs) bearing interest at an annual rate of 6 month Pibor plus 0.45% for an initial term of 15 years. The interest rate risk on these notes was hedged using interest rate swaps.

At the end of 1996, Lafarge exercised its buy-back option and replaced the perpetual subordinated notes with perpetual loan notes (EDIs) with the same nominal value and bearing interest at the same rate for a term equal to the residual duration of the original agreements. The cash flows in terms of amounts and due dates remain unchanged.

The original perpetual subordinated notes were recorded under equity equivalents at the net amount of the proceeds of the issue of FRF 3,702 million, to be effectively repaid over the primary period of 15 years. Following the replacement of these notes with the perpetual loan notes and the amendment of certain legal provisions, the new loan notes have been recorded under long- and medium-term debt.

In all other respects the accounting treatment in the conso-

lidated financial statements remains unchanged. It is based on constant annuities, which means that the semi-annual payments to investors are apportioned between an imputed finance cost (included in "Interest expense net") and effective repayment of the principal. The apportionment is reviewed annually to take into account interest actually paid. The gain realized on this debt repackaging operation is shown under Other gains (losses).

The net balance after effective repayment was FRF 2,187 million as at December 31, 1998 (FRF 2,431 million as at December 31, 1997 and FRF 2,653 million as at December 31, 1996). The perpetual loan notes will be fully and effectively repaid by the year 2005.

b) Gross indebtedness

MEDIUM- AND LONG-TERM DEBT

	1998	1997	1996
Repayable between one and five years	14,333	14,331	4,513
Repayable after more than five years	23,852	18,681	6,124
TOTAL	38,185	33,012	10,637

This heading includes FRF 8,395 million of draw-downs on short-term credit lines and issues of commercial paper attached to medium- and long-term credit lines.

AVERAGE INTEREST RATE

The average gross interest rate for interest-bearing financial instruments, taking into account the reclassification of the perpetual loan notes, was 5.6% per annum for the year ended December 31, 1998 (6% in 1997 and 6.3% in 1996).

c) Net indebtedness

Net indebtedness, after inclusion of cash and cash equivalents, breaks down by currency as follows:

	1998	1997	1996
French franc (FRF)	18,683	14,468	7,338
Deutsch mark (DEM)	6,101	6,469	467
Spanish peseta (ESP)	181	202	33
Ecu (XEU)	3,279	-	-
Swiss franc (CHF)	37	(92)	795
Sterling (GBP)	2,614	3,549	-
US dollar (USD)	4,736	7,721	677
Canadian dollar (CAD)	(1,052)	(1,362)	(619)
Other currencies	325	1,319	626
TOTAL	34,904	32,274	9,317

17 - FINANCIAL INSTRUMENTS

a) Fair value of financial instruments

CASH AND CASH EQUIVALENTS, TRADE ACCOUNTS AND NOTES RECEIVABLE, SHORT-TERM BANK BORROWINGS AND TRADE ACCOUNTS AND NOTES PAYABLE

Given the short term nature of these balances, historical cost is considered to represent fair value.

MEDIUM- AND LONG-TERM DEBT

The fair value of these liabilities was estimated at FRF 35,730 million as at December 31, 1998 (FRF 33,278 million as at December 31, 1997 and FRF 10,799 million as at December 31, 1996) on the following bases:

- historical cost for floating-rate borrowings
- stock market value for borrowings listed on a sufficiently liquid market
- present value of future cash flows discounted using the market interest rate and taking into account specific characteristics for other fixed-rate borrowings.

DERIVATIVE INSTRUMENTS

The principal financial instruments used by the Group for debt management purposes are interest rate swaps to convert floating rates into fixed rates. The total nominal value of such contracts held by the Group as at December 31, 1998 amounted to FRF 12,312 million (FRF 11,382 million as at December 31, 1997 and FRF 6,115 million as at December 31, 1996).

The average fixed interest rate payable under these contracts, the majority of which were entered into at the beginning of the 1990s, is greater than the interest rate on the financial markets as at December 31, 1998. The discounted present value of the rate differential between the two periods applied over the residual life of the swap contracts is estimated at FRF 1,703 million as at December 31, 1998, (FRF 1,409 million as at December 31, 1997 and FRF 1,326 million as at December 31, 1996).

The above valuation approach is limited to derivative products with a residual duration of greater than one year as detailed in the above paragraph.

b) Counterparty risk management

The Group limits its exposure to counterparty risk by rigorously selecting the counterparties with which it trades over the counter, through applying, inter alia, regularly updated limits. The Group's exposure to credit risk is limited and there is no concentration of risk with any one counterparty.

c) Exposure to market risk

EXPOSURE TO FOREIGN EXCHANGE RISK

Group financial assets comprise loans and receivables together with transferable securities and cash and cash equivalents. Monetary liabilities comprise borrowings and trade and other payables.

Each Group company manages the foreign exchange positions arising as a result of commercial and financial transactions performed in currencies other than its national currency. On finalization of the transactions the Group company enters into a hedge to cover the foreign currency invoice. The majority of such hedges are performed with the banking subsidiary of the Group.

Group policy requires all liabilities of a company to be denominated in the same currency as the cash flow used to service and repay said liability. This general rule may be amended by the Group under special circumstances to take account of specific conditions in a particular country (high inflation, convertibility, liquidity, etc). Similarly all investments must be performed in the same currency as the company's cash flow.

Differences arising on the translation of the net assets of Group subsidiaries and participating interests are taken to translation differences within stockholders' equity (see Note 1 Accounting policies).

Some 35% of consolidated net income is contributed by subsidiaries which prepare their financial statements in US dollars. As such, a 10% change in the USD dollar exchange rate would have had an impact on consolidated net income of FRF 106 million, net of any other impacts which such a change could have had on the operating activities of the various Group subsidiaries.

EXPOSURE TO INTEREST RATE RISK

Interest rate exposure can be sub-divided into the following risks:

- a price risk for fixed-rate financial assets and liabili-

ties. By contracting a fixed-rate liability for example, the Group is exposed to an opportunity cost in the event of a fall in interest rates. Changes in interest rates impact the market value of fixed-rate assets and liabilities, leaving the associated financial income or expense unchanged and as such the future income or expense flows of the company up to the maturity of the asset or liability – a cash-flow risk for floating-rate assets and liabilities. Changes in interest rates have little impact on the market value of assets and liabilities, but directly influence the future income or expense flows of the company.

In accordance with general policy, the Group seeks to

arbitrage these two types of risk, using derivative instruments to hedge against the interest rate risk to which its financial assets and liabilities, and in particular its borrowings, are exposed. The nominal value of such derivative instruments as at December 31, 1997 is detailed in Note 17a).

Derivative instruments can be used for a number of purposes:

- to convert floating-rate borrowings to fixed-rate
- to convert fixed-rate borrowings to floating-rate
- to manage interest rates payable/receivable on investments/borrowings by exploiting opportunities arising in the market place.

Taking into account all hedging transactions and distinguishing between fixed-rate financial assets and liabilities exposed to price risk and floating-rate financial assets and liabilities exposed to cash-flow risk, Group interest-rate exposure can be broken down as follows:

	12/31/1998	12/31/1997	12/31/1996	Period to maturity as at 12/31/98		
				< 1 year	1 to 5 years	> 5 years
TSDIs/EDIs	2,121	2,358	2,573	263	1,360	498
Average interest rate	8.39%	8.39%	8.39%			
DEBENTURE LOANS	13,140	3,000	1,197	-	2,200	10,940
Average interest rate	6.39%	6.53%	4.76%			
NEGOTIABLE DEBT INSTRUMENTS	1,484	1,492	854	50	1,434	-
Average interest rate	6.35%	7.84%	9.38%			
OTHER BORROWINGS	5,877	3,853	1,272	875	1,070	3,932
Average interest rate	6.01%	6.74%	7.92%			
FIXED-RATE BORROWINGS	22,622	10,703	5,896	1,188	6,064	15,370
Average interest rate	6.48%	7.20%	7.70%			

A 1% change in the rate curve for all Group liabilities would have an estimated impact on the market value of fixed-rate financial liabilities of FRF 824 million.

	12/31/1998	12/31/1997	12/31/1996	Period to maturity as at 12/31/98		
				< 1 year	1 to 5 years	> 5 years
FLOATING-RATE FINANCIAL ASSETS	6,364	5,678	3,293			
Average interest rate	5.27%	4.90%	4.60%			
TSDIs/EDIs	66	73	80	8	43	15
Average interest rate	3.67%	3.99%	4.31%			
DEBENTURE LOANS	-	-	600	-	-	-
Average interest rate	-	-	3.85%			
NEGOTIABLE DEBT INSTRUMENTS	8,856	4,862	2,947	-	4 312	4 544
Average interest rate	3.52%	3.54%	3.58%			
OTHER BORROWINGS	9,724	22,312	3,087	1 887	3 914	3 923
Average interest rate	5.47%	5.94%	6.70%			
FLOATING-RATE BORROWINGS	18,646	27,247	6,714	1 895	8 269	8 482
Average interest rate	4.54%	5.50%	5.05%			

A 1% change in short-term interest rates would have an impact on consolidated pre-tax earnings of FRF 123 million.

18 - COMMITMENTS AND GUARANTEES

	1998	1997	1996
Securities and assets pledged	291	993	1,025
Mortgages	341	397	434
Guarantees given	1,146	907	423
Capital expenditure commitments	621	441	442
Non-capitalized lease commitments	651	408	397
Other commitments	771	538	728
TOTAL	3,821	3,684	3,449

19 - EMPLOYEES AS AT DECEMBER 31 AND EMPLOYEES COST

	1998	1997	1996
Management staff	7,768	4,864	4,617
Non-management staff	57,910	32,233	30,615
TOTAL EMPLOYEES	65,678	37,097	35,232
EMPLOYEES COST	12,102	7,962	7,190

20 - DIRECTORS' AND EXECUTIVE OFFICERS' REMUNERATION FOR SERVICES IN CONSOLIDATED COMPANIES

	1998	1997	1996
Board of Directors*	2	2	2
Senior management	40	26	22
TOTAL	42	28	24

* Directors' fees

21 - LITIGATION AND OTHER NON-RECURRING MATTERS

In accordance with the article 85 of the Rome Treaty, the European Commission has opened an inquiry on the gypsum industry in Europe. The company has still not been notified of any grievance yet. As at December 31, 1998 no provision has been booked in the Group accounts.

Certain subsidiaries have litigation and claims pending in the normal course of business. Management is of the opinion that these matters will be settled without

any significant impact on the Group's activity levels, assets, financial position or results.

The European Union Court of First Instance has not yet given its verdict on the sanction taken in 1994 by the European Commission against the leading European cement companies, including several group companies. The Group has been fined a total of 29 million euros which has been fully provided.

22 - FIVE YEAR SUMMARY OF GROUP FINANCIAL DATA

(in millions of French francs unless otherwise indicated)

	1998	1997	1996	1995	1994
FINANCIAL DATA AT YEAR END					
• Number of shares outstanding (thousands)(1)	102,787	94,663	94,403	92,251	89,910
• Total equity (2)	40,072	35,066	29,613	30,794	29,705
• Stockholders' equity Group share	29,521	26,121	24,160	23,204	21,643
• Stockholders' equity Group share per share (in FRF)	304.1	292.2	269.7	259.0	248.1
• Net indebtedness (3)	34,904	32,274	9,317	2,938	1,972
CONSOLIDATED INCOME					
• Sales	64,294	42,066	35,262	33,218	32,841
• Net income of consolidated companies	5,308	3,664	2,700	3,034	2,724
• Net income Group share	3,059	2,432	1,846	2,350	2,225
• Net cash from operating activities	8,862	6,126	4,774	4,796	5,227
PER SHARE DATA (IN FRF)					
• Attributable net income for the year	32.3	27.2	20.5	26.6	25.9
• Cash flow operating activities	93.7	68.4	52.9	54.3	60.9
EMPLOYEES					
Number of employees as at December 31	65,678	37,097	35,232	34,819	33,233

(1) The number of shares outstanding has been adjusted for the one-for-ten bonus issues of July 5, 1995.

(2) Including perpetual subordinated notes (TSDIs) of FRF 2,856 million in 1995, FRF 3,031 million in 1994

(3) Including perpetual loan notes (EDIs) of FRF 2,187 million in 1998, FRF 2,431 million in 1997 and of FRF 2,653 million in 1996.

23 - RATES OF EXCHANGE AS AT DECEMBER 31, 1998

	Year-end rate			Average rate		
	1998	1997	1996	1998	1997	1996
US DOLLAR (USD)	5.62	6.00	5.24	5.92	5.84	5.11
CANADIAN DOLLAR (CAD)	3.63	4.18	3.82	3.99	4.22	3.75
DEUTSCH MARK (DEM)	3.35	3.35	3.37	3.35	3.37	3.40
PESETA (ESP)	0.0394	0.040	0.040	0.0395	0.040	0.040
POUND STERLING (GBP)	9.30	9.92	8.90	9.80	9.56	7.99

COMPANIES INCLUDED IN THE CONSOLIDATION

Countries Companies	Divisions					Consolidation method and percentages		
	Cement	Aggregates & Concrete	Roofing	Gypsum	Speciality Products	Method	% control	% interest
Argentina • Durlock SA					■	Proportionate	40,00	40,00
Australia • Pioneer Plasterboard • Lafarge Svenska Hoganas PTY				■	Monolithics	Equity Full	40,00 100,00	40,00 100,00
Austria • Lafarge Perlmooser AG • Schiedel Kaminwerke GmbH • Bramac Dachsysteme International GmbH • Ziegelwerke Gleinstätten GmbH & Co KG	■	■	■		Lime	Full Full Proportionate Equity	100,00 100,00 50,00 25,00	98,00 56,25 28,13 14,06
Belgium • Lafarge Réfractaires Monolithiques Benelux					Monolithics	Full	100,00	100,00
Brazil • Companhia Nacional de Cimento Portland • Gipsita SA Mineração, Industria E commercio • Lafarge Aluminoso Do Brazil • Cimento Tupi SA	■	■		■	Aluminates	Full Proportionate Full Equity	99,75 60,00 100,00 20,00	99,75 60,00 100,00 19,95
Cameroon • CIMENCAM - Cimenteries du Cameroun	■					Full	55,31	55,31

Countries Companies	Divisions					Consolidation method and percentages		
	Cement	Aggregates & Concrete	Roofing	Gypsum	Speciality Products	Method	% control	% interest
Chile • Sociedad Industrial Romeral SA				■		Proportionate	40,00	40,00
China • Beijing Chinefarge Cement Limited Liability Company • Lafarge Onoda Gypsum in Shanghai	■		■			Full Full	51,00 57,20	51,00 57,20
Czech Republic • Cizkovicá Cementárna a.s.	■	■				Full	96,37	94,48
Denmark • Lafarge Braas Damsk Tag A/S			■			Full	100,00	56,25
Finland • Lafarge Braas Ormax Katot Oy AB			■			Full	100,00	56,25
France and Overseas • Lafarge Ciments • Société des Ciments Antillais • Lafarge Bétons • Lafarge Granulats • Lafarge Plâtres • Lafarge Matériaux de Spécialités • Chryso • Lafarge Aluminates • Lafarge Mortiers SA • Lafarge Peintures • SAR - Société d'Applications Routières • Lafarge Réfractaires Monolithiques • Lafarge Couverture SA	■ ■	■ ■		■	■	Full Full Full Full Full Full Full Full Full Full Full Full	100,00 68,82 100,00 100,00 100,00 100,00 100,00 100,00 100,00 100,00 100,00 100,00 100,00	100,00 68,82 100,00 100,00 100,00 100,00 100,00 100,00 100,00 100,00 100,00 100,00 56,25
Germany • Lafarge Zement GmbH • Lafarge Gips GmbH • Lafarge Aluminates GmbH • Lafarge Braas GmbH • Braas Dachsysteme GmbH & Co • Braas Flachdachsysteme GmbH & Co	■	■		■		Full Full Full Full Full Full	100,00 100,00 100,00 100,00 100,00 100,00	100,00 100,00 100,00 56,25 56,25 56,25

Countries Companies	Divisions					Consolidation method and percentages		
	Cement	Aggregates & Concrete	Roofing	Gypsum	Speciality Products	Method	% control	% interest
Germany								
• RBB Dasy Roofing Accessories								
• Production GmbH & Co			■			Full	100,00	56,25
• RuppKeramik GmbH			■			Full	100,00	56,25
• Schiedel GmbH & Co			■			Full	100,00	56,25
Great-Britain								
• Lafarge Redland Aggregates Limited		■			Lime	Full	100,00	99,56
• Lafarge Plasterboard Ltd				■		Full	100,00	100,00
• Lafarge Aluminates Ltd					Aluminates	Full	100,00	100,00
• Lafarge Monolithics					Monolithics	Full	100,00	100,00
• Redland Roofing Systems Ltd			■			Full	100,00	56,25
Greece								
• Hellamat			■			Full	100,00	100,00
Honduras								
• Industria Cementera Hondurena	■					Full	53,00	52,45
Indonesia								
• PT Semen Andalas Indonesia	■					Full	72,41	70,27
Ireland								
• Lafarge Plasterboard Ireland Ltd				■		Full	100,00	100,00
• Redland Tile & Brick Ltd			■			Full	100,00	56,25
Italy								
• Adriasebina Cementi Srl	■	■				Full	100,00	98,97
• Lafarge Gessi SpA				■		Full	100,00	100,00
• Chryso Italia SpA					Admixtures	Full	100,00	100,00
• Lafarge coatings Italia					Paints	Full	100,00	100,00
• Lafarge Refrattari Monolitici Italia SRL					Monolithics	Full	100,00	100,00
• Lafarge Braas Italia SpA			■			Full	100,00	56,25
Japan								
• Lafarge Svenska Höganäs KK					Monolithics	Full	100,00	100,00
Kenya								
• Bamburi Cement Ltd	■					Full	40,00	28,45

Countries Companies	Divisions					Consolidation method and percentages		
	Cement	Aggregates & Concrete	Roofing	Gypsum	Speciality Products	Method	% control	% interest
Korea • Lafarge Buycksan Gypsum				■		Full	100,00	100,00
Morocco • Lafarge Maroc	■	■				Full	50,00	51,11
Netherlands • Gyvlon BV • Lafarge Gips BV • Lafarge Dakproducten Holding BV • Lafarge Dakproducten BV				■ ■		Full Full Full Full	100,00 100,00 100,00 100,00	100,00 100,00 56,25 56,25
North America • Lafarge Canada • Lafarge Corporation • Lafarge Calcium Aluminates • Parex Incorporated • Carmeuse North America • Monier Inc	■ ■	■ ■				Full Full Full Full Equity Full	51,94 51,94 100,00 100,00 40,00 100,00	51,62 51,62 100,00 99,67 40,00 99,56
Norway • Zanda AS			■			Full	100,00	56,25
Poland • Lafarge Polska Spolka Akcyjna • Braas Polska Sp z.o.o • Rupp Ceramika Polska Sp z.o.o	■	■				Full Full Full	78,00 100,00 100,00	76,44 56,25 56,25
Rumania • Lafarge Romcim SA	■	■				Full	92,54	72,67
Russia • OOO BRAAS DSK 1			■			Equity	67,10	37,74
South Africa • Lafarge South Africa Limited • Lafarge Aluminates Southern Africa	■	■				Full Full	100,00 100,00	100,00 100,00

Countries Companies	Divisions					Consolidation method and percentages		
	Cement	Aggregates & Concrete	Roofing	Gypsum	Speciality Products	Method	% control	% interest
Spain								
• Asland SA	■	■				Full	99,65	98,97
• Texsa SA					Mortars	Full	100,00	100,00
• Yesos Ibericos				■		Equity	40,69	40,69
• Cementos Molins	■					Equity	39,35	38,94
• Redland Ibérica SA			■			Equity	47,00	26,44
Sweden								
• Orebrö Kartongbruck AB			■			Full	100,00	100,00
• Lafarge Höganäs Eldfast AB et ses filiales					Monolithics	Full	100,00	100,00
• Lafarge Braas Scandinavia AB		■				Full	100,00	56,25
Switzerland								
• Cementia Trading Ltd AG	■					Full	100,00	97,05
• Marine Cement Ltd	■					Full	50,00	48,53
• Braas Schweiz AG		■				Full	100,00	56,25
Taiwan								
• Lafarge Eastern Monolithic Refractories Co Ltd					Monolithics	Full	100,00	100,00
Thailand								
• Lafarge Prestia Co Ltd				■		Full	100,00	100,00
Turkey								
• Lafarge Aslan Cimento AS	■	■				Full	96,84	95,56
• Agretas Agregada Insaat San.ve Tic.A.S	■	■				Full	100,00	99,59
• Dalsan Alçy AS				■		Equity	50,00	50,00
• Lafarge Entegre Harç Sanayi ve Ticaret AS					Mortars/Lime	Full	50,00	49,80
• Braas Cati Sistemleri Ticaret AS			■			Full	100,00	56,25
Venezuela								
• Fabrica Nacional de Cementos	■					Full	61,14	60,56
• Cementos Catatumbo CA	■					Equity	23,32	23,32

STATUTORY AUDITORS' REPORT

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1998

In accordance with our appointment as auditors by your Annual General Meeting, we have audited the accompanying consolidated financial statements of Lafarge for the year ended December 31, 1998.

The consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements, based on our audit.

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.


In our opinion, the consolidated financial statements give a true and fair view of the financial position and the assets and liabilities of the Group as at December 31, 1998 and the results of its operations for the year then ended in accordance with accounting principles generally accepted in France. These accounting principles are in compliance with International Accounting Standards, except for the amortization of goodwill, income taxes and earnings per share as described in note 1 to the consolidated financial statements.

We have also performed the procedures required by law on the Group financial information given in the report of the Board of Directors. We have no comment to make as to the fair presentation of this information nor its consistency with the consolidated financial statements.

Neuilly-sur-Seine and Paris, March 9, 1999

DELOITTE TOUCHE TOHMATSU

Michel ROSSE



Jacques MANARDO



Jean-Paul PICARD



LEGAL AND FINANCIAL INFORMATION

INFORMATION ON THE COMMON STOCK AND AUTHORIZATIONS RELATING TO FINANCIAL TRANSACTIONS

1. Changes in common stock during fiscal 1998

The common stock as at January 1, 1998 amounted to FRF 2,366,581,250 divided into 94,663,250 shares of FRF 25 each.

During the year, the common stock was increased by 8,123,756 shares following:

- the issue on March 18, 1998, with preferential subscription rights, of 7,889,841 new shares, at a price of

FRF 410 per share and at a rate of 1 new share for 12 shares held

- the exercise of 233,915 stock subscription options
- These transactions are shown in the table of common stock movements during the last five years.

As at December 31, 1998, the common stock amounted to FRF 2,569,675,150, divided into 102,787,006 shares of FRF 25 each.

2. Stock subscriptions during fiscal 1998

	Number of shares created	Value of subscription (in FRF)		
		Common stock	Additional paid-in capital	Total
• Exercise of stock subscription options	233,915	5,847,875	58,100,088.54	63,947,963.54
• Common stock issue	7,889,841	197,246,025	3,037,588,785.00	3,234,834,810.00
TOTAL	8,123,756	203,093,900	3,095,688,873.54	3,298,782,773.54

3. Potential common stock as at December 31, 1998

Common stock as at December 31, 1998 could be increased by up to 2,189,327 new shares by the exercise of stock subscription options granted to Group employees.

There are no other securities in circulation granting direct or indirect access to the common stock of the Company.

4. Common stock ownership as at December 31, 1998

The common stock is held by three main categories of stockholder:

	1998	1997	1996
Private individuals	19%	23%	24%
Non-resident institutional investors	42%	38%	40%
Miscellaneous institutional investors	34%	34%	31%
Treasury stock (stripped of voting rights)	5%	5%	5%

According to the most recent information provided by the stock exchange operator, SICOVAM, the total number of stockholders as at December 31, 1998 was approximately 168,000 .

5. Notification of interests in excess of percentage limits

The Company was not advised during the year of the acquisition of any percentage interests which require notification under Article 356-3 of the Companies Act. To the best of the Board of Directors' knowledge, no one stockholder held more than 5% of the common stock or voting rights as at December 31, 1998, as defined by Article 356-3 of the Companies Act.

6. Voting rights

The most recent publication of the total number of voting rights in circulation, included in the BALO legal journal of January 6, 1999, referred to the existence of 107,579,254 voting rights as at December 23, 1998, following an increase of in excess of 5% since the previous published figure.

The 102,787,006 shares outstanding as at December 31, 1998 carried 110,818,852 voting rights.

Some 83.28% of voting rights are held by institutional investors, with the balance attributable to private investors.

7. Changes in Lafarge common stock during the last five years

	1998	1997	1996	1995	1994
OPENING COMMON STOCK (NUMBER OF SHARES)	94,663,250	94,403,002	92,251,318	81,736,704	74,764,841
STOCK ISSUED DURING THE YEAR	8,123,756	260,248	2,151,684	10,514,614	6,971,863
• payment of scrip dividends	-	-	2,101,168	1,649,775	902,450
• conversion of bonds	-	-	-	-	3,702,010
• exercise of stock subscription options	233,915	260,248	46,012	39,308	73,047
• exercise of stock subscription warrants	-	-	4,504	3,464	1,002
• capital contributions Cementia Holding AG	-	-	-	-	900,221
• bonus issue	-	-	-	8,339,485	-
• capital contributions Cemland Investment AG	-	-	-	-	1,102,564
• capital contributions Triangle Holdings Ltd	-	-	-	-	290,569
• stock issue reserved for employees	-	-	-	482,582	-
• common stock issue	7 889,841	-	-	-	-
MAXIMUM NUMBER OF FUTURE SHARES TO BE ISSUED:	2,189,327	2,271,538	2,236,508	6,238,107	4,842,070
• exercise of stock subscription options	2,189,327	2,271,538	2,236,508	2,211,120	1,177,755
• exercise of stock subscription warrants (*)	-	-	-	4,026,987	3,664,315
CLOSING COMMON STOCK					
• in FRF	2,569,675,150	2,366,581,250	2,360,075,050	2,306,282,950	2 043,417,600
• number of shares	102,787,006	94,663,250	94,403,002	92,251,318	81,736,704

* expired April 1, 1996

8. Utilization of authorizations relating to financial transactions

A) AUTHORIZATIONS TO ISSUE COMMON STOCK AND OTHER SECURITIES

1) - Utilization of existing authorizations

All necessary authorizations to issue stock, with or without preferential subscription rights, were granted to the Board of Directors for a period of 26 months expiring July 21, 1999.

As at March 11, 1999, these authorizations had been utilized as follows (in millions of French francs):

Securities authorized for issue	Date of authorizing stockholders' meeting	Par value			Maximum common stock increase under available authorizations as a percentage of common stock as at December 31, 1998
		Authorized amount	Used	Available as at December 31, 1998	
ISSUE OF ALL SECURITIES CONFERRING IMMEDIATE OR FUTURE ENTITLEMENT TO COMMON STOCK	EGM of May 21, 1997	1,200	197.2 March 1998	1 002.8	39 %
Including :					
• stock issues reserved for employees	EGM of May 21, 1997	90	-	90	3.50 %
• non-voting preferred stock	EGM of May 21, 1997	600	-	600	23.37 %
• investment certificates	EGM of May 21, 1997	600	-	600	23.37 %
• bonds with stock subscription warrants attached (OBSAs)	EGM of May 21, 1997	960	-	960	37.35 %
• stock subscription warrants (BSAs)	EGM of May 21, 1997	960	-	960	37.35 %
• issue of common stock as a result of the issue of OBSAs and composite securities by Group subsidiaries	EGM of May 21, 1997	960	-	960	37.35 %
CAPITALIZATION OF RESERVES, PROFITS AND ADDITIONAL PAID-IN CAPITAL	EGM of May 21, 1997	600	-	600	23.37 %
BOND ISSUES	EGM of May 21, 1997	15, 000	2,000 January 1998 3,300 (EUR 500 million) in June 1998	9,700	

2) - Authorizations requested for a period of 26 months, expiring July 27, 2001

	Maximum common stock increase under the requested authorizations
EXTRAORDINARY GENERAL MEETING OF MAY 27, 1999 ISSUE OF ALL SECURITIES GRANTING IMMEDIATE OR FUTURE ENTITLEMENT TO THE COMMON STOCK, WITH OR WITHOUT PREFERENTIAL SUBSCRIPTION RIGHTS Including: <ul style="list-style-type: none"> • stock issues reserved for employees • non-voting preferred stock • investment certificates • bonds with stock subscription warrants attached (OBSAs) • stock subscription warrants (BSAs) • issue of common stock as a result of the issue of OBSAs and composite securities by Group subsidiaries 	FRF 1.2 BILLION (EUR 183 MILLION) Including: FRF 90 million (EUR 14 million) FRF 600 million (EUR 91 million) FRF 600 million (EUR 91 million) FRF 960 million (EUR 146 million) FRF 960 million (EUR 146 million) FRF 960 million (EUR 146 million)
CAPITALIZATION OF RESERVES, PROFITS AND ADDITIONAL PAID-IN CAPITAL	FRF 600 million (EUR 91 million)
ANNUAL GENERAL MEETING OF MAY 27, 1999 BOND ISSUE	EUR 2.3 billion (FRF 15 billion)

B) TRADING IN THE COMPANY'S SHARES IN ORDER TO REGULATE THE MARKET

- 1998

During 1998, the Board used the authorizations granted by stockholders at the Annual General Meetings of May 21, 1997 and May 26, 1998 enabling it to trade in the Company's shares on the Paris Bourse, at a maximum purchase price of FRF 750 per share and a minimum selling price of FRF 125 per share, in order to regulate the market in accordance with French law.

451,346 shares were purchased during the year at an average price of FRF 490.51 per share. Total trading costs, net of VAT, amounted to FRF 720,475. 85,743 of these shares will be allotted to the recipients of the stock purchase options granted by the Board of Directors Meeting of December 10, 1998, in the event of exercise of said options.

As at December 31, 1998, the number of shares of treasury stock purchased and recorded in the balance sheet of Lafarge totaled 866,603, 0.84% of the common stock of the Company, for an aggregate value of FRF 377,908,588.

- Authorization request submitted to the Annual General Meeting of May 27, 1999 for a period of 18 months, expiring November 27, 2000.

The terms and conditions of use of this authorization by the Board of Directors are detailed in the

presentation of the eleventh resolution submitted to the Annual General Meeting for approval.

9. Stockholders' agreements

No stockholders' agreements have been transmitted to the stock exchange authorities for publication. To the Board of Directors' knowledge, there are no stockholders' agreements in existence.

10. Undertakings in relation to certain listed group companies

On July 31, 1990, an arrangement was made, aimed, in the event of a public offering presented to the stockholders of Lafarge, at extending its scope to stockholders of Group companies listed abroad*. This arrangement is justified by the importance of these companies to the Group's international development. It is consistent with standards applicable to French companies promulgated by the French financial markets advisory board (Conseil des Marchés Financiers).

Were Lafarge to be subject to a public offering, the offeror would be requested to extend the offer to the companies concerned. If the offeror did not do so, Lafarge would substitute itself for the offeror and make the stockholders of these companies a complementary offer, under similar price terms and subject to the success of the principal offer addressed to its stockholders.

In order to establish the credibility of Lafarge's commitment and ensure the protection of its stockholders, the beneficiaries, the Group's investments in these companies are held by trusts governed by the law of the State of New York. Authorization has been extended to the trustees, in the event of a public offering for the common stock of Lafarge, to use the voting rights attached to these investments to vote in favor of the resolutions proposed by the companies' Boards of Directors. Were the controlling interest in the Group to change hands, should the complementary offers fall

through, these measures would apply until the fifth anniversary of the publication of the results of the French offering.

These arrangements have been made for a period of ten years, for as long as the Group's investments continue to exceed 20% of the voting rights making up the common stock of each of the companies concerned.

* The arrangements made on July 31, 1990 concern Cementia Holding AG (Switzerland), Lafarge Corporation (United States) and its Canadian subsidiary Lafarge Canada Inc. Cementia Holding AG is listed on the Zurich Stock Exchange, Lafarge Corporation on the New York, Toronto and Montreal Stock Exchanges and Lafarge Canada Inc. on the Toronto and Montreal Stock Exchanges.

INFORMATION CONCERNING EMPLOYEE STOCKHOLDINGS AND STOCK SUBSCRIPTION AND PURCHASE OPTIONS

Lafarge has, over a number of years, extended employee stock ownership through subscriptions to or purchase of stock, either directly or through mutual investment funds and the allotment of stock subscription and purchase options.

1. Employee stockholdings

The employee savings scheme enabled member employees to acquire close to 83,000 shares during 1998 through the "Lafarge 2000" mutual investment fund.

As at December 31, 1998, employees held, either directly or via mutual investment funds, a total interest of 1.30% in the common stock of the Company and 1.86 % of voting rights.

2. Stock subscription and purchase options

The following tables summarize the position as regards stock subscription and purchase options granted over the years and options exercised in 1998:

TO DATE

Date of allotment	Number of beneficiaries	Number of options originally allotted (not adjusted)		Total number of options exercised since allotment (adjusted for the date of exercise of the options**)
		Stock purchase options	Stock subscription options	
11/23/88	409	-	30,595	44,518
11/29/89	462	-	57,630	108,624
11/28/90	535	-	172,335	102,557
11/27/91	578	-	173,480	87,841
12/17/92	650	-	185,730	72,555
12/15/93	722	-	252,100	45,491
09/27/94	772	-	269,550	30,285
05/22/95	52	-	27,200	5,727
12/13/95	1 039	-	593,840	5,649
12/13/95 *	8 368	-	331,060	39,257
12/18/96	127	-	71,400	810
12/17/97	999	-	346,650	1,822
12/17/97	127	402,550	-	0
05/26/98	108	-	122,775	0
12/10/98	150	98,450	-	0
TOTAL	545,136			

* Allotted as part of the Group's corporate savings scheme "Lafarge en action".

** Adjustments made on the exercise of the options are to take account of the 1990 stock split and the bonus issues of 1993 and 1995 and the common stock issue with preferential subscription rights of March 18, 1998.

2) STOCK SUBSCRIPTION AND PURCHASE OPTIONS IN 1998

All stock subscription and purchase options are valid for a period of ten years. The exercise price and number of options was adjusted on March 18, 1998 to take account of the common stock issue performed on this date.

Date of allotment	Available for exercise with effect from **	Stock subscription or purchase price (in FRF, adjusted)	Number of remaining beneficiaries as of December 31, 1998	Options exercised in 1998	Options canceled since allotment*	Outstanding options as at December 31, 1998		
						Stock purchase options	Stock subscription options	Total outstanding as at December 31, 1998
11/23/88	-	226.05	10	16,166	2,948	-	0	0
11/29/89	-	233.21	65	24,263	2,545	-	63,066	63,066
11/28/90	-	246.29	120	35,135	2,871	-	42,618	42,618
11/27/91	-	238.93	162	31,022	2,095	-	63,413	63,413
12/17/92	-	229.93	243	46,713	1,210	-	86,123	86,123
12/15/93	-	361.44	571	27,418	11,231	-	223,085	223,085
09/27/94	-	366.33	649	11,772	9,141	-	260,450	260,450
05/22/95	-	333.03	40	2,447	1,540	-	22,936	22,936
12/13/95	12/13/99	324.75	1,006	4,149	10,680	-	583,987	583,987
12/13/95***	-	324.75	7,585	32,198	0	-	300,819	300,819
12/18/96	12/18/2000	320.79	125	810	0	-	71,426	71,426
12/17/97	12/17/2002	378.21	127	1,822	0	-	348,629	348,629
12/17/97	12/17/2002	378.21	993	0	0	406,702	-	406,702
05/26/98	05/26/2003	563.00	108	0	0	-	122,775	122,775
12/10/98	12/10/2003	551.00	150	0	0	98,450	-	98,450
TOTAL						505,152	2,189,327	2,694,479
% OF COMMON STOCK								2.62%

* Options canceled following resignation, death or dismissal for fault, or lapsed as not exercised within the ten-year period following attribution.

** Exercise authorized in the event of death, retirement, early retirement or redundancy during the period.

*** Group's corporate savings scheme "Lafarge en action"

BOARD OF DIRECTORS, SENIOR EXECUTIVES

1. Directors' terms of office

Pursuant to Article 14 of the Company's bylaws, directors must hold at least 1,200 Lafarge shares, throughout the entire duration of their term of office.

1.1. UNEXPIRED TERMS OF OFFICE AS OF THE ANNUAL GENERAL MEETING OF MAY 27, 1999

Honorary Chairman

Olivier Lecerf

Took office in 1971

Term of office ends in 1999

Director

Compagnie de Saint-Gobain
L'Oréal

Chairman and Chief Executive Officer

Bertrand Collomb

Took office in:

- *Director 1987*
- *Chief Executive Officer 1988*
- *Chairman and Chief Executive Officer 1989*

Term of office ends in 1999

Chairman of the Board

Lafarge Corporation

Director

Lafarge Ciments
Asland SA
Crédit Commercial de France
Elf Aquitaine
Sabelfi

Member of the Supervisory Board

Allianz

Director

Michel Bon

Took office in 1993

Term of office ends in 1999

Chairman and Chief Executive Officer

France Telecom
Les Editions du Cerf

Director

Société des Lecteurs du Monde
Bull
Grand Vision
Air Liquide

Member of the Supervisory Board

Sonepar Distribution

Director

Michael Blakenham

Took office in 1997

Term of office ends in 2003

Chairman of the Board

Royal Botanic Gardens Kew

Director or Member

Sotheby's Holdings Inc
International Advisory Group, Toshiba Corporation
UK - Japan 2000 Group

Director

Guilherme Frering

Took office in 1997

Term of office ends in 2003

Chairman of the Board

Caemi Mineração e Metalurgia S.A.
Cimento Mauà S.A.

Director

S.A. White Martins

Director

Bernard Isautier

Took office in 1989

Term of office ends in 2001

Chairman and Chief Executive Officer

Chauvco Ressources International

Chairman of the Board

Fracmaster

Director

Firan Corporation
Hurricane Hydrocarbons

Director

Alain Joly

Took office in 1993

Term of office ends in 1999

Chairman and Chief Executive Officer

Air Liquide S.A.
American Air Liquide Inc.
Air Liquide International

Chairman of the Board

Air Liquide International Corporation
Air Liquide Asia

Director

SAF (Soudure Autogène Française)
SMOA (Société Marocaine d'Oxygène et d'Acétylène)
SOAEO (Société d'Oxygène et d'Acétylène d'Extrême-Orient)
Air Liquide Espana, SA
Air Liquide Italia Srl.
Banque Nationale de Paris

Vice-Chairman and Chief Operating Officer

Bernard Kasriel

Took office in 1989

Term of office ends in 2001

Chairman of the Supervisory Board

Lafarge Zement GmbH
Lafarge Braas GmbH

Vice-Chairman

Lafarge Plâtres International

Director

Lafarge Ciments
Cie Coppée de Développement Industriel - CDI
Sabelfi
Elyo
Sonoco Products Company

Vice-Chairman and Executive Officer

Lafarge Corporation

Director

Jean Keller

Took office in 1998

Term of office ends in 2004

Director

Raphaël de Lafarge

Took office in 1982

Term of office ends in 2003

Director

Borgey SA

Vice-Chairman and Chief Operating Officer

Jacques Lefèvre

Took office in 1989

Term of office ends in 2001

Chairman and Chief Executive Officer

Lafarge Ciments
Sofimo

Chairman and Managing Director

Cie Coppée de Développement Industriel-CDI
Sabelfi

Director

Lafarge Corporation
Cementia Holdings AG
Asland SA
Lafarge Maroc
Compagnie de Fives Lille
Cementos Molins
Adriasebina SA

Member of the Supervisory Board

ABN-Amro France

Director

Patrice Le Hodey

Took office in 1987

Term of office ends in 1999

Chairman of the Board

Hyode
DNA SC
Financière de Lorraine SA
Caroloft SA
Godinghill SA
Derouck Cartographie SA
Derouck Holding SA
Multiroad SA

Vice-Chairman

Presse Belge
Société Anonyme d'Informations et de Productions
Multimédia (SAIPM)
Régie Générale de Publicité (RGP)
CNC/DH Cie Nouvelle de Communications
Société d'Imprimerie Commune SA (SODIMCO)
Belga

Director

RTL-TVI SA
Orsem
TSG SA
Audiopresse SA
RNA SA
Gestion et Entreprise SA

Director**Robert W. Murdoch***Took office in 1993**Term of office ends in 1999***Director**

Lafarge Corporation
 Lafarge Canada Inc.
 Power Corporation International Limited
 Sierra Systems Group Inc
 Usinor Sacilor

Director**Lindsay Owen-Jones***Took office in 1993**Term of office ends in 1999***Chairman and Chief Executive Officer**

L'Oréal

Chairman of the Board

Cosmair Inc. USA.
 L'Oréal UK Ltd

Director

Banque Nationale de Paris
 Air Liquide
 Marie-Claire Album
 Sofamo Monaco
 Biotherm (Monaco)
 Geral Inc USA
 Gesparal

Director**Michel Pébereau***Took office in 1991**Term of office ends in 2003***Chairman of the Board**

Banque Nationale de Paris
 Compagnie d'Investissement de Paris

Director

BNP UK Holdings Ltd
 Elf Aquitaine
 Financière BNP
 Société Anonyme des Galeries Lafayette
 Compagnie de Saint-Gobain

Member of the Supervisory Board

AXA - UAP

Permanent representative of Banque Nationale de Paris on the Board of

Renault

Permanent representative of Banque Nationale de Paris on the Supervisory Board of

Dresdner Bank AG
 Banque pour l'Expansion Industrielle (Banexi)

1.2. EXPIRY OF THE TERM OF OFFICE

The term of office of Mr. Olivier Lecerf, as well as his functions on the Organization and Management Committee of the Board of Directors, expires at the end of the Annual General Meeting of May 27, 1999, pursuant to the age limits laid down in the Company's bylaws.

1.3. PROPOSED NOMINATION OF A NEW DIRECTOR AND RENEWAL OF THE TERMS OF OFFICE OF SIX DIRECTORS

The Annual General Meeting of May 27, 1999 is requested to approve the appointment of Mrs. Hélène Ploix to the Board of Directors for a period of six years, expiring at the end of the Annual General Meeting held to adopt the 2004 financial statements and to renew, for the same period, the terms of office as director of Messrs. Bertrand Collomb, Michel Bon, Alain Joly, Patrice le Hodey, Robert W. Murdoch and Lindsay Owen-Jones, which expire at the end of the Annual General Meeting of May 27, 1999.

The directorships and management positions held by Mrs. Hélène Ploix during the last five years are presented below. The offices held during the same five year period by the other six directors, whose directorships stockholders are requested to renew, follow.

It is noted that directors have a period of three months starting from their appointment during which to comply with the provisions of the Company's bylaws concerning director share ownership.

Directorships and management positions (other than those indicated above) held during the last five years

Hélène Ploix

Number of shares held:-

Age: 55

Chairman and Chief Executive Officer

Pechel Industries
Banque Industrielle et Mobilière Privée (BIMP)

Chairman of the Board

CDC Participations
Caisse Autonome de Refinancement

Chairman of the Supervisory Board

CDC Gestion

Director

Accor
Société de Bourse Fauchier Magnan Durant des Aulnois
La Poste
Crédit Foncier de France
Théâtre des Champs-Élysées

Member of the Supervisory Board

Cencep
Cepme
Publicis

Permanent representative of Pechel Industries

Quinette Gallay
HMI
Histoire d'Or
IDM

Terms of office proposed to stockholders for renewal

Offices held during the last five years (excluding those detailed on page 89-91)

Bertrand Collomb

Number of shares held 2,353

Age: 56

Director

Crédit Local de France
Cie de Participations Biochimiques
CIRC
Cie Coppée de Développement Industriel - CDI
Canadian Imperial Bank of Commerce

Advisory Director

Unilever

Michel Bon

Number of shares held: 2,066

Age: 55

Director

CEP Communication
Orsid
Havas
Cogecom

Alain Joly

Number of shares held: 1,652

Age : 61

Chairman and Chief Executive Officer

Compagnie industrielle, Commerciale et Financière des Gaz (COFIGAZ)
La Oxigena SA

Chief Executive Officer

Air Liquide SA

Director

Teisan KK
Carba Holding
ALM
Altichem International
Chemoxal SA
La Carboxique Française
Société Martiniquaise de l'Air Liquide
Banque Indosuez
Air Liquide International
Air Liquide America Holdings, Inc.
Canadian Liquid Air Ltd/Air Liquide - Canada Ltée
SIO (Societa per l'Industria dell' Ossogeno e di Altri Gas)
SEO (Sociedad Espanola del Oxigeno)
Air Liquide Australia Ltd
Air Liquide PTY Ltd

Patrice le Hodey*Number of shares held: 2,750**Age: 54***Chairman of the Board**

Claude Lefranc Editeur

ADN SA

Editions 1884

Vice-Chairman

CGS FM

Director

Belga

TVB

Royal Boch

SND

Editeco

Régie Media Publicité

Managing Director

Helyode Editions

Robert W. Murdoch*Number of shares held: 1,536**Age: 57***Director**

Graymont Limited

Lindsay Owen-Jones*Number of shares held: 1,582**Age: 53***Chairman of the Board**

L'Oréal Japan Ltd

Director

Belcos Ltd Japan

Cosmelor Ltd Japan

Lancos Ltd Japan

Galderma Laboratories Inc.

Cird Galderma

CosmeFrance SA

Lorekos SA

Saipo Italie

Permanent representative of L'Oréal

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2. Activities of the board of directors

2.1. MEETINGS

The Board of Directors meets at least four times a year, in France or abroad, in accordance with the Company's bylaws.

2.2. BOARD OF DIRECTORS SUB-COMMITTEES

The three sub-committees of the Board of Directors have existed for several years. All committee members are Company directors.

The matters considered by these committees are decided by the Board of Directors. Their role is purely of a consultative nature and their deliberations are summarized in reports to the Board.

Directors' fees also cover their functions on the various sub-committees.

- Organization and Management Committee
Messrs. A. Joly, O. Lecerf, L. Owen-Jones, M. Pébereau and M. Blakenham sit on this committee, which is chaired by Mr. A. Joly.

The committee assists the Chairman and the Board of Directors with decisions concerning the composition of the Board and its remuneration, management remuneration policy, the allocation of stock subscription and purchase options and the organizational structure of Group management. The committee drafts Board resolutions concerning the remuneration of company officers.

The committee meets twice a year.

- Strategy and Investment Committee
Messrs. B. Collomb, M. Bon, P. le Hodey, B. Isautier, A. Joly, R.W. Murdoch and L. Owen-Jones sit on this committee which is chaired by Mr. B. Collomb.

The committee examines in detail important strategic issues and major investment and divestment projects.

The committee meets twice a year.

- Financial Committee
Messrs. M. Pébereau, M. Bon, P. le Hodey, J. Keller, B. Isautier, R. de Lafarge, R.W. Murdoch and G. Frering sit on this committee which is chaired by Mr. M. Pébereau.

The committee performs a preliminary review of the semi-annual and annual financial statements and holds

meetings with the statutory auditors and with general and financial management.

General management provides regular updates on the Group's financial position, the main thrust of current financial policy and advises the committee on the terms of major financial transactions prior to their performance. The committee also receives copies of all financial communications prior to their issue.

The statutory auditors report their findings to the committee, which can also request a meeting with internal audit management. Subject to the agreement of the Chairman of the Board of Directors, such briefings may be conducted in the absence of general management. More generally, the committee may be consulted by general management on any matters where its input is judged useful.

The committee meets at least twice a year.

3. Auditors' report on agreements involving directors of the company and agreements entered into during 1998 between directors and Lafarge

3.1. AUDITORS' REPORT ON TRANSACTIONS INVOLVING DIRECTORS OF THE COMPANY

In accordance with our appointment as statutory auditor of your Company, we hereby report on agreements involving directors of the Company.

Pursuant to Article 103 of the Companies Act of July 24, 1966, we hereby draw your attention to the following agreements which received prior approval from your Board of Directors.

The terms of our engagement do not require us to identify such agreements, but to communicate to you, based on information provided to us, the principal terms and conditions of those agreements brought to our attention, without issuing an opinion on the appropriateness or validity of such agreements. It is your responsibility, pursuant to Article 92 of the Decree of March 23, 1967, to assess the various interests involved in respect of the conclusion of these agreements for the purpose of approving them.

We conducted our procedures in accordance with professional standards applicable in France. Those standards require that we confirm the information presented to us with the relevant source documents.

Agreements entered into during 1998 and those previously approved

- Agreement for the sale to Lafarge Corporation of certain Redland assets located in North America for the purposes of which certain directors have full powers of negotiation and are authorized to sign in the name of the Company. Directors concerned: Messrs. B. Collomb, B. Kasriel, J. Lefèvre and R.W. Murdoch

Authorized by the Board meeting of March 11, 1998.

Pursuant to the above-mentioned agreement, the directors concerned will receive no remuneration.

- Service and assistance contract entered into with Mr. R.W. Murdoch (directly or with any company indicated by him) concerning the sale of certain Redland assets in Texas.

Director concerned: Mr. R.W. Murdoch

Authorized by the Board meeting of May 26, 1998.

Remuneration in 1998 : FRF 1,461,000

- Agreement for the sale by Lafarge of its interest in Lafarge Matériaux de Spécialités to Lafarge Financière.

Director concerned: Mr. O. Lecerf

Authorized by the Board meeting of May 26, 1998.

Pursuant to the above-mentioned agreement, the director concerned will receive no remuneration.

- Lafarge is authorized to guarantee, as necessary, the various undertakings initially granted by the Company on the acquisition of Blue Circle South Africa and subsequently transferred to Financière Lafarge.

Director concerned: Mr. O. Lecerf

Authorized by the Board meeting of September 24, 1998.

Furthermore, pursuant to the Decree of March 23, 1967, we were advised that the following agreement entered into and approved in previous years continued to be in effect.

Service and assistance contract awarded to Hyode, relating to the conclusion of an agreement for the sale of Hybrinova.

Director concerned: Mr. P. le Hodey

Authorized by the Board meetings of September 23, 1997 and May 26, 1998.

Remuneration in 1998: FRF 350,000

Neuilly-sur-Seine and Paris, March 9, 1999

The Auditors

Deloitte Touche Tohmatsu Michel Rosse
Jacques Manardo Jean-Paul Picard



4. REMUNERATION, COMMON STOCK INTERESTS AND VOTING RIGHTS AND STOCK SUBSCRIPTION AND PURCHASE OPTIONS HELD BY DIRECTORS AND SENIOR EXECUTIVES

	Directors	Senior Executives
<i>Remuneration (in FRF million)</i>		
Remuneration for duties performed in consolidated companies	-	40.2
Including remuneration for duties performed at the holding company	-	32.2
Directors' fees (in FRF million)	2.3	-
Common stock interest (%)		0.07 %
Voting rights (%)		0.12 %

Stock subscription and purchase options allotted to Senior Executives*

Date of allotment	Number of options exercised originally allotted		Options exercised in 1998		Options outstanding as at 12/31/98		Total options outstanding as at 12/31/98
	Stock subscription options before adjustment	Stock purchase options	Stock subscription options (adjusted***)	Stock purchase options	Stock subscription options (adjusted ***)	Stock purchase options	
11/23/1988	3,950	-	0	-	0	-	0
11/29/1989	23,680	-	5,200	-	43,697	0	43,697
11/28/1990	8,850	-	0	-	5,074	0	5,074
11/27/1991	9,350	-	0	-	5,257	0	5,257
12/17/1992	9,500	-	393	-	5,257	0	5,257
12/15/1993	36,550	-	2,556	-	34,837	0	34,837
09/27/1994	46,700	-	0	-	49,226	0	49,226
05/22/1995	2,000	-	0	-	2,224	0	2,224
12/13/1995	101,000	-	0	-	102,023	0	102,023
12/13/1995**	900	-	0	-	918	0	918
12/18/1996	3,000	-	0	-	3,032	0	3,032
12/17/1997	10,000	153,500	0	0	10,101	185,346	195,447
05/26/1998	6,000	-	0	-	6,000	-	6,000
12/10/1998	-	7,000	-	0	-	7,000	7,000
TOTAL			8,149	0	267,646	192,346	459,992

* Lafarge Group senior executives as at December 31, 1998

** Allotted as part of the Group savings scheme "Lafarge en action".

*** The number of options outstanding as of December 31, 1998 is not equal to the difference between the number of options initially allotted and the number of options exercised, due to adjustments performed to take account of the 1990 stock split, the bonus issues of 1993 and 1995 and the common stock issue of March 18, 1998.

Lafarge stock and stock subscription and purchase options held by Senior Executives

Stock subscription and purchase options held as at December 31, 1997	455,141**
Stock subscription options exercised during 1998	8,149
<i>of which:</i>	
• at FRF 233.21	5,200
• at FRF 229.93	393
• at FRF 361.44	2,556
Stock subscription and purchase options allotted in 1998	13,000
Stock subscription and purchase options held as at December 31, 1998	459,992
% of total options outstanding as at December 31, 1998	2.10%
% of common stock (stock subscription options only)	0.26%

* In office as at December 31, 1998

** Restated to take account of the common stock issue of March 18, 1998

Stock and stock subscription options held by Senior Executives* in Group subsidiaries

Common stock interests in listed Group subsidiaries as at December 31, 1998

• Lafarge Corporation	14,457
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Stock subscription options of subsidiaries as at December 31, 1998

• Lafarge Corporation	364,250
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Stock subscription options exercised during 1998

• Lafarge Corporation	103,750
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* In office as at December 31, 1998

STATUTORY AUDITORS

	Date of appointment	Expiry of term of office at the end of A.G.M.
MAIN STATUTORY AUDITORS		
Deloitte Touche Tohmatsu 185, avenue Charles de Gaulle 92 200 Neuilly-sur-Seine- France	1994	2000
Michel Rosse 125, rue de Montreuil 75 011 Paris- France	1994	2000
DEPUTY STATUTORY AUDITORS		
Jean Decup 82, boulevard des Batignolles 75 017 Paris- France	1994	2000
Deloitte Touche Tohmatsu - Audit 185, avenue Charles de Gaulle 92 200 Neuilly-sur-Seine- France	1994	2000

ANNUAL GENERAL MEETING

1. PRESENTATION OF RESOLUTIONS

Appropriation of earnings (1st and 2nd resolutions)

Net earnings of the last five years have been appropriated as follows:

(in millions of French francs)

	1998	1997	1996	1995	1994
SOURCE					
1. Retained earnings	2,149*	2,067*	1,966	1,730	1,464
2. Net income for the year	1,274	1,117	1,106	1,384	1,451
3. Transfer from reserves	-	-	-	-	-
TOTAL	3,423	3,184	3,072	3,114	2,915
APPROPRIATION					
4. To reserves:					
- legal reserve	20	0.6	5	26	17
- long-term net capital gains special reserve	-	-	25	32	-
- optional reserve	-	-	-	168	350
5. Dividends:					
- per the bylaws	128	118	118	115	102
- additional	1,105	923	826	807	715
- maximum 10% loyalty bonus	15	-	-	-	-
Total	1,248	1,041	944	923	817
6. Retained earnings	2,154	2,143	2,098	1,966	1,730
TOTAL	3,423	3,184	3,072	3,114	2,915

* After deduction of withholding taxes in respect of dividends distributed during 1997 (FRF-31,370,717) and recognition of the positive impact of dividends waived on treasury stock in 1997 and 1998 (FRF 1,402,790 and FRF 6,095,991 respectively).

Stockholders are requested to ratify the following appropriation of net income for the year of FRF 1,274,437,817.94:

SOURCE	
1. Retained earnings	2,148,637,943.27
2. Net income for the year	1,274,437,817.94
3. Transfer from reserves	0
TOTAL	3,423,075,761.21
APPROPRIATION	
4. To reserves	
- legal reserve	20,309,390.00
- optional reserve	0
5. Dividends	
- per the bylaws	128,483,757.50
- additional	1,104,960,314.50
- maximum 10% loyalty bonus	14,912,286.00
- total	1,248,356,358.00
6. Other allocations	0
7. Retained earnings	2,154,410,013.21
TOTAL	3,423,075,761.21

Stockholders are requested to approve a maximum dividend distribution of FRF 1,248,356,358.00, inclusive of the 10% loyalty dividend payable on registered shares and in excess of two years as at December 31, 1998 and still so held on the dividend ranking date of June 7, 1999. The increased dividend payable on qualifying shares transferred to bearer account between January 1, 1999 and June 7, 1999 shall be appropriated to retained earnings.

It is proposed, in addition, to offer stockholders the option of receiving payment of dividends in the form of shares (scrip), subscribed to at a price equal to 90% of the stock market value as permitted by law. Stockholders may exercise this option by informing the payment institutions between June 7, 1999, the date on which shares must be held to rank for dividends, and June 25, 1999 inclusive. Stockholders may pay an additional amount in order to receive the number of whole shares immediately above that to which the dividend grants entitlement.

For the purposes of the bylaws, shares issued as a result of payment of the dividend in scrip, and, where applicable, payment of any additional cash amounts, shall confer the same rights as the shares to which they relate and this from issue. The option provided by law, in the event of fractional shares, to round up to the nearest whole figure the number of scrip receivable by payment of a balancing amount may, however, only be exercised once.

If this proposal is accepted, stockholders shall receive a net ordinary dividend per share of FRF 12 (EUR 1.83), plus a tax credit, where applicable, of FRF 6 (EUR 0.91), giving a total gross dividend of FRF 18 (EUR 2.74) per share.

The loyalty dividend per share shall be FRF 13.20 (EUR 2.01), plus a tax credit, where applicable, of FRF 6.60 (EUR 1), giving a total gross dividend of FRF 19.80 (EUR 3.01) per share.

Pursuant to Article 41 of the 1999 Finance Act No. 98-1266, this 50% tax credit is reduced to 45% for corporate entities not subject to the tax regime detailed in section 2 of Article 146 of the General Tax Code.

The cash dividend will fall due for payment, in French francs, on July 7, 1999.

Agreements entered into with directors (3rd resolution)

Stockholders are requested to approve the terms of the Statutory Auditors' Special Report on transactions

involving directors of the company issued pursuant to Articles 101 et seq. of the Companies Act (see page 94).

Appointment of a new director and renewal of the terms of office of six directors (4th to 10th resolutions)

Stockholders are requested to take due note of the expiry of the term of office as director and of his functions on the Organization and Management Committee of Mr. Olivier Lecerf, pursuant to the provisions of the bylaws concerning age limits.

Stockholders are requested to approve the appointment of Mrs. H el ene Ploix to the Board of Directors for a period of six years, expiring at the end of the Annual General Meeting held to approve the 2004 financial statements and the renewal of the terms of office, for the same period, of Messrs. Bertrand Collomb, Michel Bon, Alain Joly, Patrice le Hodey, Robert W Murdoch and Lindsay Owen-Jones, which expire at the end of the meeting.

The offices held by the above individuals during the last five years are detailed on page 92 and 93.

Authorization granted to the Board of Directors to buy the Company's stock (11th resolution)

Stockholders are requested to authorize the Board of Directors to trade in the Company's stock, pursuant to Article 217-2 of the Companies Act as amended by the Law of July 2, 1998, up to a maximum limit of 10% of the common stock of the Company as of this day and subject to the following conditions detailed in the information memorandum approved by the Commission des Op erations de Bourse:

- maximum purchase price per share of EUR 114.33 and a minimum selling price per share of EUR 19.05, subject to adjustment in the event of transactions involving the Company's stock
- the acquisition, disposal and transfer of shares may be performed at any time decided by the Board of Directors and using any means, including where applicable, derivative financial instruments and warrants, subject to the conditions laid down by the market authorities
- stock purchases may be performed in accordance with the provisions detailed in the information memorandum

approved by the Commission des Opérations de Bourse and presented to stockholders, with a view to

- regulating the share price
- granting stock purchase options to employees and management of the Company and/or all or certain Group companies
- granting stock to employees under employee profit-sharing arrangements or corporate savings schemes
- holding, disposing of or generally transferring the shares, in particular by way of exchange or allotment, as part of external expansion transactions or on the issue of securities granting entitlement to the common stock as part of an asset and financial management policy
- canceling the stock in order to optimize earnings per share, subject to the adoption by the Extraordinary General Meeting, held following the close of the Annual General Meeting of the ninth resolution authorizing this cancellation.

- the authorization shall be granted for a period of 18 months as from its approval by stockholders.

If approved by stockholders this authorization shall supersede, with immediate effect, the authorization granted by the Annual General Meeting of May 26, 1998, authorizing the Board of Directors to trade in the Company's stock in order to regulate the share price.

The 866,603 shares purchased by the Company pursuant to authorizations granted previously by stockholders at Annual General Meetings with a view to regulating the share price, shall be deemed to have been purchased under the stock purchase program currently presented to stockholders and such shares shall be taken into account in the determination of the number of shares held by the Company for the purposes of this resolution and the number of shares which may be cancelled pursuant to application of the ninth resolution presented to the Extraordinary General Meeting.

Stock purchased pursuant to this resolution may not result in the Company holding in excess of 10% of the common stock.

Granting of powers to the Board of Directors to issue debenture loans up to a maximum amount of EUR 2.3 billion (12th resolution)

Stockholders are requested to authorize the Board of

Directors, for a period of 26 months, to issue debenture loans up to a maximum amount of EUR 2.3 billion. This ceiling is applicable jointly with the authorization to issue debt securities granting immediate or future entitlement to a share in the common stock of the Company, proposed to the Extraordinary General Meeting of May 27, 1999.

2. PROPOSED RESOLUTIONS

First resolution

APPROVAL OF THE FINANCIAL STATEMENTS AND TRANSACTIONS OF FISCAL 1998

Having heard the Directors' Report and the Statutory Auditors' Report, stockholders approve the 1998 financial statements and the transactions indicated therein.

They establish net income for the year at FRF 1,274,437,817.94.

Second resolution

APPROPRIATION OF EARNINGS AND SETTING OF THE DIVIDEND

Stockholders take due note of the increase in retained earnings from FRF 2,142,541,952.27 to FRF 2,148,637,943.27, following the positive impact of the waiver by the Company of dividends payable in respect of treasury stock in the amount of FRF 6,095,991.00.

Having heard the Directors' Report, stockholders note that after appropriation of FRF 20,309,390.00 to the legal reserve and taking into account prior year unappropriated retained earnings of FRF 2,148,637,943.27, net distributable earnings amount to FRF 3,423,075,761.21.

Stockholders approve the Board's proposed resolutions for the appropriation of distributable earnings.

The ordinary dividend per share is set at FRF 12 (EUR 1.83) and the loyalty dividend at FRF 13.20 (EUR 2.01), granting entitlement, pursuant to the terms and conditions laid down by law and detailed in the Directors' Report, to a 50% tax credit of FRF 6 (EUR 0.91) for the ordinary dividend and of FRF 6.60 (EUR 1) for the loyalty dividend, representing a gross ordinary dividend per share of FRF 18 (EUR 2.74) and a gross loyalty dividend per share of FRF 19.80 (EUR 3.01).

Retained earnings are set at FRF 2,154,410,013.21. This balance may be increased by the amount of loyalty dividends corresponding to bearer shares originally entitled to this bonus but which lost such entitlement pursuant to their transfer to a bearer account between January 1 and June 7, 1999.

Dividends paid in respect of prior years were as follows (in French francs and not restated to reflect the bonus issue of 1995):

Year	Number of shares	Dividend paid	Tax credit	Gross dividend
1995	92,251,318	10.00	5.00	15.00
1996	94,403,002	10.00	5.00	15.00
1997	94,663,250	11.00	5.50	16.50

Stockholders hereby resolve that:

- shares held on June 7, 1999 shall rank for dividends
- stockholders may choose to receive the dividend in cash or scrip, in the amount of FRF 12 (EUR 1.83) per share for the ordinary dividend and FRF 13.20 (EUR 2.01) per share for the loyalty dividend

To this end, stockholders may, during the period June 7, 1999 to June 25, 1999 inclusive, elect for payment of the dividend in scrip by so informing the payment institutions.

The cash dividend will be paid on July 7, 1999 following expiry of the option period.

Pursuant to applicable law, the price of shares received in lieu of dividend (scrip) shall be set at 90% of the average opening stock market price on the monthly settlement market for the 20 trading days preceding the date of the Annual General Meeting, less the net amount of the dividend.

Where the number of shares resulting from the exercise of the option is not a whole number of shares, the stockholder may receive the number of shares immediately above by paying the difference in cash on the day he exercises the option, or the number of shares immediately below, with receipt of the balancing cash amount.

Shares received in lieu of dividends shall rank for dividends with effect from January 1, 1999.

For the purposes of the provisions of the bylaws concerning loyalty dividends, shares received in lieu of dividends, plus where applicable any additional cash payments, shall be deemed to confer the same rights as the shares to which they relate

and this from issue.

Stockholders grant full powers to the Board of Directors to take all measures necessary for the application and implementation of this resolution, to note the resulting common stock increase and amend the bylaws of the Company accordingly.

Third resolution

AGREEMENTS INVOLVING DIRECTORS OF THE COMPANY FALLING WITHIN THE SCOPE OF ARTICLE 101 ET SEQ. OF THE COMPANIES ACT

Stockholders take due note of the impact of the agreements falling within the scope of Articles 101 et seq. of the Companies Act of July 24, 1966, authorized in advance by the Board of Directors and referred to in the Statutory Auditors' Special Report which they have duly examined.

Fourth resolution

APPOINTMENT OF A NEW DIRECTOR

Stockholders, on the recommendation of the Board of Directors, hereby appoint, in accordance with the conditions laid down in Article 14 of the bylaws, Mrs. H  l  ne Poix to the Board of Directors for a term of six years to expire at the end of the Annual General Meeting held to adopt the 2004 financial statements.

Fifth resolution

RENEWAL OF THE TERM OF OFFICE OF A DIRECTOR

Stockholders, on the recommendation of the Board of Directors, hereby renew, in accordance with the conditions laid down in Article 14 of the bylaws, the term of office as director of Mr. Bertrand Collomb.

Sixth resolution

RENEWAL OF THE TERM OF OFFICE OF A DIRECTOR

Stockholders, on the recommendation of the Board of Directors, hereby renew, in accordance with the conditions laid down in Article 14 of the bylaws, the term of office as director of Mr. Michel Bon.

Seventh resolution

RENEWAL OF THE TERM OF OFFICE OF A DIRECTOR

Stockholders, on the recommendation of the Board of Directors, hereby renew, in accordance with the conditions laid down in Article 14 of the bylaws, the term of office as director of Mr. Alain Joly.

Eighth resolution

RENEWAL OF THE TERM OF OFFICE OF A DIRECTOR

Stockholders, on the recommendation of the Board of Directors, hereby renew, in accordance with the conditions laid down in Article 14 of the bylaws, the term of office as director of Mr. Patrice le Hodey.

Ninth resolution

RENEWAL OF THE TERM OF OFFICE OF A DIRECTOR

Stockholders, on the recommendation of the Board of Directors, hereby renew, in accordance with the conditions laid down in Article 14 of the bylaws, the term of office as director of Mr. Robert W. Murdoch.

Tenth resolution

RENEWAL OF THE TERM OF OFFICE OF A DIRECTOR

Stockholders, on the recommendation of the Board of Directors, hereby renew, in accordance with the conditions laid down in Article 14 of the bylaws, the term of office as director of Mr. Lindsay Owen-Jones.

Eleventh resolution

AUTHORIZATION GRANTED TO THE BOARD OF DIRECTORS TO TRADE IN THE COMPANY'S STOCK

Stockholders, having taken note of the Directors' Report and the provisions detailed in the information memorandum approved by the Commission des Opérations de Bourse:

- cancel, with immediate effect, the authorization granted by the Annual General Meeting of May 26, 1998 by the adoption of the fifth resolution authorizing the Board of Directors to trade in the Company's stock in order to regulate the share price
- authorize the Board of Directors, pursuant to Article 217-2 of the Companies Act, to purchase shares in the Company up to a maximum holding of 10% of the common stock outstanding as of the date of this Annual General Meeting, subject to the following conditions:
 - the maximum purchase price per share is set at EUR 114.33 and the minimum selling price at EUR 19.05, subject to adjustment in the event of transactions involving the common stock of the Company
 - in the event of transactions involving the common stock of the Company, and in particular the capitalization of reserves and issue of bonus shares and increases and decreases in par value, the above indicated prices shall be adjusted accordingly
 - shares may be purchased, sold or transferred by any

means, including the use of derivative financial instruments and warrants, subject to the conditions laid down by the market authorities, and at any time decided by the Board of Directors

- stock purchases may be performed, in accordance with the provisions detailed in the aforementioned information memorandum, with a view to:
 - regulating the share price
 - granting stock purchase options to employees and management of the Company and/or all or certain Group companies
 - granting stock to employees under employee profit sharing arrangements or corporate savings schemes
 - holding, disposing of or generally transferring the shares, in particular by way of exchange or allotment, as part of external expansion transactions or on the issue of securities granting entitlement to the common stock as part of an asset and financial management policy
 - canceling the stock, subject to the adoption by the Extraordinary General Meeting convened on May 27, 1999 of the ninth resolution authorizing this cancellation.

This authorization is granted for a period of 18 months as from the date of this Annual General Meeting.

Stockholders grant full powers to the Board of Directors to submit all stock market orders, enter into all agreements, perform all formalities and generally do all that is necessary, or delegate such tasks.

Twelfth resolution

AUTHORIZATION OF THE BOARD OF DIRECTORS TO ISSUE DEBENTURE LOANS UP TO A MAXIMUM AMOUNT OF EUR 2.3 BILLION

Stockholders, having heard the Directors' Report,

- cancel, with immediate effect, the authorization granted by the Annual General Meeting of May 21, 1997 by the adoption of the ninth resolution
- delegate full powers to the Board of Directors to perform in France, abroad and/or on the international financial markets, where appropriate within the framework of the Euro Medium-Term Notes program (EMTN), at times and under the terms and conditions it judges appropriate and during a period of 26 months, one or more debenture loan issues in euro or any of its national sub-currencies, any other foreign currency or any monetary unit determined by reference to more

than one currency, up to a maximum of EUR 2.3 billion or FRF 15 billion.

The new debenture issue may, at the decision of the Board of Directors, take the form of perpetual or fixed-term subordinated securities, subordinated as to principal, interest or both. The debentures may be accompanied by all securities, in the form of warrants or otherwise, granting entitlement to other securities, subject to the condition that where such securities represent a share in the common stock of the Company, they may only be attached pursuant to the terms and conditions provided in the resolutions of the Extraordinary General Meeting having authorized the Board of Directors to perform such issues.

Thirteenth resolution

POWERS TO EXECUTE STOCKHOLDERS' DECISIONS

Stockholders give full powers to the holder of copies or extracts of the minutes of this meeting to file any necessary documents and comply with all registration, publication or other formalities.

STOCKHOLDER INFORMATION

1 - COMPANY INFORMATION

- Legal form: "Société anonyme" governed by the July 24, 1966 Companies Act
- Nationality: French
- Registered office: 61, rue des Belles Feuilles, 75116 Paris, France
- Reference number in the Paris Trade and Companies Register: B 542 105 572
- Principal activity (APE code): 741J
- Date of incorporation: 1884 (incorporation of J. et A. Pavin de Lafarge in Viviers, Ardèche, France)
- Date of expiration: December 31, 2066
- Corporate purpose: the acquisition and management in France and abroad of all industrial or financial investments relating in particular to its principal activities: cement, concrete and aggregates, roofing, gypsum and specialty products (Article 2 of the bylaws).
- Fiscal year: from January 1 to December 31.
- Common stock as at December 31, 1998: FRF 2,569,675,150 divided into 102,787,006 shares of FRF 25 each.
- Number of voting rights as at December 31, 1998: 110,818,852 (the most recent entry in the BALO legal journal, published following an increase, on December 23, 1998, of more than 5% in voting rights since the previous published figure, dates from January 6, 1999 and refers to the existence of 107,579,254 voting rights)
- Legal documents (bylaws, minutes of meetings, statutory auditors' reports, etc.) may be consulted in the Stockholder Relations Department ("Service des relations avec les actionnaires") at the registered office.

2 - SPECIFIC PROVISIONS OF THE BYLAWS

Directors

All members of the Board must be the beneficial owner of a minimum number of shares in the Company held in registered form for an aggregate par value of no less than FRF 30,000 (i.e., 1,200 shares). Directors have a period of three months from appointment to comply

with the requirements of the bylaws. (Article 14 of the bylaws)

Stockholders' meetings

All stockholders may attend the meetings, irrespective of the number of shares held.

They are convened directly by the Company if they hold registered shares. Holders of bearer shares are convened via their account holder. In both cases, they must prove their status of stockholder at the time of the meetings.

This proof is established:

- by holders of registered shares if their shares are registered at least five days prior to the meetings.
- by holders of bearer shares if a certificate drawn up by the account holder to the effect that their shares are unavailable is filed at the place indicated on the notice of meeting at least five days prior to the meetings.

The stockholders may meet at the registered office or at any other place indicated on the notice of meeting. (Article 27 of the bylaws)

Voting rights

A double voting right is conferred on registered shares held for at least two years by the same stockholder.

The period of time during which shares must be registered in order to confer a double voting right was reduced from five to two years by the Extraordinary Meeting of June 15, 1992.

The number of voting rights held by each stockholder is equal to the number of rights conferred on the shares owned, up to a limit of 1% of the rights conferred on all shares making up the common stock as of the date of the meeting. Beyond this limit, voting rights are calculated on the basis of the quorum present at the meeting,

The method used to calculate the number of voting rights subject to restriction is detailed in Exhibit 2 to the bylaws. For each stockholder, where applicable, direct and indirect voting rights are aggregated, as are voting rights held by third parties with whom the stockholder has formed a voting block as defined by law (Article 28-

1° of the bylaws).

These measures were adopted at the Annual General Meeting of June 20, 1989.

Exhibit 2 to the bylaws and an example calculation may be obtained from the Stockholder Relations Department ("Service des relations avec les actionnaires") at the registered office.

Voting rights are exercised by the beneficial owner (usufructuary) thereof at all stockholders' meetings unless the beneficial owner and the legal (bare) owner agree otherwise and jointly notify the Company at least five days prior to the meeting.

Appropriation of earnings

Net income for the year less losses recorded in previous years, if any, is appropriated in the following order:

- 5% to the legal reserve
- amounts transferred to other reserves as required by law
- first dividend equal to 5% of the par value of the interest held
- additional 10% dividend calculated on the first dividend and payable to holders of shares registered for a minimum of two years; this dividend will be payable for the first time in 1999 (see Loyalty bonus below)
- amounts transferred to optional reserves, if any, or carried forward as retained earnings
- any surplus is distributed in the form of a surplus dividend, increased by 10% for those shares which qualify for the 10% bonus on the first dividend (see Loyalty bonus below)

Stockholders participating in general meetings may vote to offer the option of payments of dividends in shares or cash.

Dividends not claimed within a period of five years following the date of payment are barred by statute and are paid to the State in accordance with the law.

(Articles 32 and 33 of the bylaws)

The measures concerning the 10% bonus dividend were adopted at the Extraordinary General Meeting of May 21, 1996 (see Loyalty bonus below).

Loyalty bonus

Any stockholder who, at the year end, has held stock for a minimum of two years and still holds it at the date of payment of the dividend in respect of the year, shall receive in respect of such shares a bonus equal to 10% of the dividend voted, irrespective of whether the dividend is paid over in cash or shares (scrip).

The same conditions apply in the event of a bonus stock issue.

The amount of eligible stock held by any one stockholder cannot exceed 0.5% of total common stock at the year end under consideration.

In the event of a scrip dividend or bonus issue all additional stock shall rank *pari passu* with the stock previously held by the stockholder for the purposes of the loyalty bonus calculation or bonus stock issue.

These provisions shall come into affect for the first time on the payment in 1999 of the dividend in respect of fiscal 1998 (Article 32 of the bylaws).

These measures were adopted at the Extraordinary General Meeting of May 21, 1996.

Stockholding limits

LIMITS LAID DOWN BYLAWS

All stockholders are required to notify the Company should they come to own or control directly or indirectly, individually or jointly with other stockholders 1/20th, 1/10th, 1/5th, 1/3rd, 1/2 or 2/3rds of the voting rights conferred on the shares making up the common stock.

LIMITS LAID DOWN BY THE BY LAWS

The Company must also be notified when 1% of the common stock is exceeded or any multiple of this percentage without limit.

The notification procedure is set out in Article 8-4 of the bylaws.

These measures were adopted at the Extraordinary General Meetings of June 13, 1988 and June 20, 1989.

The extension of this reporting requirement to cover voting rights is proposed to the Extraordinary General Meeting of May 27, 1999.

Bearer securities

The Company may, at any time, ask SICOVAM to identify the holders of bearer securities (Article 8-5° of the bylaws).

This measure was adopted at the Annual General Meeting of June 17, 1987.

3 - STOCK EXCHANGE INFORMATION CONCERNING LAFARGE STOCK

• In France, the stock of the Company is listed on the monthly settlement market of the Paris Bourse. Shares are traded singly under the SICOVAM stock code 12053.

The introduction of a loyalty dividend required the implementation by SICOVAM of specific codes enabling the classification of registered shares according to the duration held in this form. The two-year period from registration is counted down each year with effect from January 1 of the year following registration.

THE GENERAL CODE 12053 indicates that:

- the stock is registered stock
- the stock was registered as at January 1, 1999 or will be registered until December 31, 1999. This stock will then be allocated specific codes (see below) with effect from January 1, 2000.

SPECIFIC CODE 6694 indicates, with effect from January 1, 1999, all stock recorded in custody only or administered registered accounts in 1996 or before. For such stock, the two-year period granting holders entitlement to a loyalty dividend runs from January 1, 1997. Holders will receive a loyalty dividend with effect from the dividend paid in 1999 in respect of

fiscal 1998.

SPECIFIC CODE 6194 indicates, with effect from January 1, 1998, all stock recorded in custody only or administered registered accounts in 1997. For such stock, the two-year period granting holders entitlement to a loyalty dividend runs from January 1, 1998. Holders will receive a loyalty dividend in 2000 in respect of fiscal 1999.

These specific codes are sub-categories of the general code 12053. The stock classified under these codes is not, therefore, a separate category of stock. Such stock remains listed on the stock market under the general code 12053.

• The Lafarge share is listed on the UK and German stock exchanges.

• The principal other listed Group companies are:

- Lafarge Corporation in the United States (New York Stock Exchange)
- Lafarge Corporation and the exchangeable preferred stock of Lafarge Canada Inc. in Canada (Toronto and Montreal)
- Lafarge Ciment in Morocco (Casablanca)
- Fabrica Nacional de Cimento Portland in Venezuela (Caracas)
- Cementia in Switzerland (Zurich)

Transactions over the last 18 months on the Paris Bourse*

Year	Month	Trading volumes (including after hours)		Share price (*)			
		No. of shares (thousands)	Value (in FRF billions)	high		low	
				FRF	EUR	FRF	EUR
1997**	September	5,377	2.33	445.7	67.94	386.8	58.97
	October	6,991	2.84	442.4	67.45	323.7	49.35
	November	5,485	1.98	382.6	58.33	330.6	50.40
	December	3,989	1.52	391.9	59.75	348.3	53.09
1998	January	7,371	2.82	404.2	61.62	352.2	53.69
	February	7,526	3.12	440.8	67.19	381.8	58.21
	March	8,964	4.43	554	84.46	441.5	67.31
	April	7,694	3.96	580	88.42	491.7	74.96
	May	6,610	3.87	630	96.04	552	84.15
	June	6,528	4.03	658	100.31	585	89.18
	July	5,414	3.32	655	99.85	554	84.46
	August	5,188	2.87	614	93.60	480.1	73.19
	September	7,284	3.51	522	79.58	448	68.30
	October	7,075	3.54	583	88.88	441.2	67.26
	November	6,261	3.56	598	91.16	535	81.56
	December	5,024	2.64	559	85.22	495	75.46
TOTAL 1998		80,939					
1999	January	6,426	3.31	-	88.0	-	70.1
	February	6,522	3.46	-	87.5	-	72.2

* In euro with effect from January 1999

** The share price has been adjusted to take account of the common stock increase of March 18, 1998.

Stock exchange data for the last 5 years

	1998	1997	1996	1995	1994
Daily average trading volumes on the Paris Bourse:					
• number of shares	326,369	289,694	261,838	230,449	185,790
• FRF millions	168.02	110.92	83.76	82.06	80.31
Market high and low in FRF:					
• high	658	454.3	358.7	395.8	491.9
• high (adjusted)*	658	445.7	351.9	388.3	438.7
• low	359	305	275.1	287.3	373.1
• low (adjusted)*	352.2	299.2	269.9	281.8	302.5
Closing price at the year end	531	394.9	311.3	315.5	380
Closing price at the year end (adjusted)*	531	387.4	305.4	309.5	338.9
Overall yield per share (%) **	4.26	4.82	4.75	3.95	2.89

* Adjusted to take account of the 1993 and 1995 bonus issues and the common stock issue with preferential subscription rights of March 18, 1998.

** Dividend distributed in the year in question (plus tax credit), over the last listed price for the previous year.

Monep

Lafarge stock was included in the first series of securities listed on the Paris options market on September 10, 1987.

SHORT-DATED OPTIONS

	12/31/98	12/31/97
Number of contracts traded	338,717	111,653
Average daily number of contracts traded	1,360	447
Open positions:		
• number of contracts	46,875	10,754
• number of securities	4,781,250	1,075,400

LONG-DATED OPTIONS

	12/31/98	12/31/97
Number of contracts traded	9,253	22,457
Average daily number of contracts traded	37	90
Open positions:		
• number of contracts	701	6,625
• number of securities	71,502	662,500

Activity on the London Stock Exchange

Trading volumes over the last 26 months
(in thousands of shares)

	1999	1998	1997
January	18,996	1,943	8,400
February	4,052	1,127	5,964
March		6,886	6,121
April		3,839	3,217
May		9,134	5,244
June		6,291	3,657
July		2,968	3,734
August		4,565	1,961
September		24,189	6,526
October		39,797	9,859
November		4,604	20,886
December		3,658	1,844

(Source: SEAQ)

4 - SHARE VALUE FOR FRENCH WEALTH TAX PURPOSES (ISF)

- Closing price as at December 31, 1998: FRF 531
- Average closing share price over the last thirty days of 1998: FRF 542.03

5 - STOCKHOLDER RELATIONS

Contacts

Any information or documents may be requested from the Stockholder Relations Department:

INSTITUTIONAL INVESTORS AND FINANCIAL ANALYSTS

SHOULD CONTACT:

Frank Bauduin : Tel.: 33-1-44-34-12-86

Fax: 33-1-44-34-12-37

Internet : frank.bauduin@lafarge-groupe.lafarge.com

PRIVATE STOCKHOLDERS SHOULD CONTACT:

Françoise Dauvergne : Tel.: 33-1-44-34-12-73

Toll free number (France only):

0 800 25 67 33

Fax : 33-1-44-34-12-37

Internet : francoise.dauvergne@lafarge-groupe.lafarge.com

The daily closing share price can be consulted in French and English on 33-1-44-34-19-00

Stockholders' Advisory Committee

The Stockholders' Advisory Committee was formed in March 1995 and re-appointed for the first time in 1997. It is made up of eight members who reflect the general age, sex and geographical origins of the private individual stockholder base. The current members are appointed by the Company for a term of three years and selected from applications submitted by stockholders. The term of office of the current Committee expires in March 2000.

The role of the Committee is to help improve communications between the Group and individual stockholders. It met and was consulted on several occasions during 1998:

- in March, on the launch of the common stock issue
- in April, for the presentation of the 1997 financial results and the preparation of the stockholders' meetings of May 26, 1998. The Committee was consulted in advance and participated in the preparation of the questionnaire sent with the meeting notices and analyzed the replies received.
- in October, for the preparation of the Stockholders Newsletter of October 1998 and the update of the stockholders' handbook.

- in November, through its participation at Salon Actionaria, a private stockholder exhibition organized by the SBF (Bourse de Paris) and at the Stockholders Roadshow in Nice. The Committee members attended the informal stockholders briefings held in Paris, where one of them reported on the work performed by the Committee.

Stockholder briefings

A meeting with Mr. Bertrand Collomb was organized in Nice, in November 1998, for stockholders living in the Provence Alpes Côte d'Azur region. Some 800 stockholders attended the meeting.

Over the last eight years, Lafarge has met with over 10,000 of its stockholders, primarily in Marseille, Lyon, Nantes, Lille, Bordeaux, Rennes, Strasbourg, Montpellier, Paris, and Nice.

Documentation

Besides the annual report in French and English, the following documents can be obtained by stockholders:

- summaries of this annual report
- the stockholders' handbook
- the semi-annual report as of June 30 of each year
- the Chairman's message to the stockholders : "Lettre aux actionnaires" (twice annually)
- general, economic and financial information on the Group using the French viewdata system ("Minitel" - code 36 15 or 36 16 CLIFF) and from the COB's bank of press releases
- at the Internet site: lafarge@lafarge-groupe.lafarge.com (French and English)

Registrar services - custody-only accounts

Registrar services are provided to Lafarge by Crédit Commercial de France ("CCF").

Lafarge has delegated powers to CCF to offer custody-only accounts to stockholders. All information in this respect may be requested directly from:

Crédit Commercial de France

avenue Robert Schumann, 51051 Reims Cedex, France

Fax: 33-3-26-48-36-87

SENIOR EXECUTIVES

Bertrand Collomb*

Chairman and Chief Executive Officer

Bernard Kasriel*

Vice Chairman and Chief Operating Officer

Jacques Lefèvre*

Vice Chairman and Chief Operating Officer

Michel Rose*

Senior Executive Vice President

Serge Feneuille

Adviser to the Chairman

Miguel del Campo*

Executive Vice President, Finance

Yves de Clerck*

Executive Vice President, Cement

N. Erich Gerlach*

Executive Vice President, Roofing

Christian Herrault*

Executive Vice President, Human Resources &
Organization

Bruno Lafont*

Executive Vice President, Gypsum

Olivier Legrain*

Executive Vice President, Specialty Products

Charles de Liedekerke*

Executive Vice President, Aggregates & Concrete

Patrick Nodé-Langlois

Executive Vice President, Environment &
Public Affairs

John Piecuch*

Executive Vice President, North America

Philippe Rollier

Executive Vice President, Central Europe

Jean-Marie Schmitz

Executive Vice President, Morocco

** Members of the Executive Committee.*

HONORARY CHAIRMEN

Jean Bailly

Jean François

Olivier Lecerf

AUDITORS

Statutory Auditors

Deloitte Touche Tohmatsu

Michel Rosse

Deputy Auditors

Jean Decup

Deloitte Touche Tohmatsu - Audit

BOARD OF DIRECTORS

Chairman and Chief Executive Officer

Bertrand Collomb*

Vice Chairmen and Chief Operating Officers

Bernard Kasriel

Jacques Lefèvre

Directors

Michael Blakenham

Michel Bon*

Guilherme Frering

Bernard Isautier

Alain Joly*

Jean Keller

Raphaël de Lafarge

Olivier Lecerf**

Patrice le Hodey*

Robert W. Murdoch*

Lindsay Owen-Jones*

Michel Pébereau

INTERNATIONAL ADVISORY BOARD

Bülent Eczacıbasi

Chairman of the Eczacıbasi Group (Turkey)

Juan Gallardo

Chairman of the Embotelladoras Unidas SA Group (Mexico)

Mohamed Kabbaj

Former Finance Minister of Morocco,
Chairman of Lafarge Maroc (Morocco)

David K.P. Li

Chairman and Chief Executive Officer of the Bank of East Asia Ltd. (Hong Kong)

Thierry de Montbrial

Founder and Director of the French Institute for International Relations (France)

David Morton

Former Chairman and Chief Executive Officer of Alcan Aluminium Ltd (Canada)

James E. Perrella

Chairman and Chief Executive Officer of Ingersoll-Rand Company (United States)

William K. Reilly

President and Chief Executive Officer of Aqua International Partners, L.P. and former Administrator, Environmental Protection Agency (United States)

Henning Schulte-Noelle

Chairman of the Board of Management Allianz Aktiengesellschaft (Germany)

Tadao Suzuki

President and Chief Executive Officer of Mercian Corporation (Japan)

Philippe de Woot

Professor (strategic management) at Louvain Catholic University (Belgium)

* *Renewal of term proposed at the Annual General Meeting of May 27, 1999.*

** *Until May 27, 1999.*

This report was produced by the Lafarge Corporate Communications Department.
Free translation of the original French text for information purpose only.

English text: Nouvel Angle, Deloitte Touche Tohmatsu.
Design & Production: Ecocom

Photos: Joël Balanche, Jack Clark, Pascal Cornier, Eric Dupont, Philippe Giraud - Terres du Sud,
Alain Gouillardon, Patrick Hamon, Guillaume Maucuit Lecomte, Myr Muratet, Olivia Savouré,
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STOCKHOLDERS' 1999 AGENDA

March 26	Stockholders' Advisory Committee meeting
May 27	Annual General Meeting
June 7	Dividend ranking date
July 7	Dividend payment date
September 30	Stockholders' Advisory Committee meeting
October 28	Stockholders' meeting held outside of Paris



S.A. with share capital of FRF 2,569,675,150

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