LAFARGE

2002 ANNUAL REPORT

CONTENTS

CEMENT

SALES: € 6,948 MILLION

37,521 employees

Lines of cements, hydraulic binders and lime for construction, renovation and public projects.

INTERNATIONAL PRESENCE

Sales by geographic area

North America: 22.7%
Western Europe: 32.7%
Asia Pacific: 14.1%
Rest of the world: 30.5%

GYPSUM

SALES: € 1,146 MILLION

5,319 employees

Plasterboard systems, gypsum blocks and sprayable plaster for construction finishing work, new buildings and renovation.

INTERNATIONAL PRESENCE

Sales by geographic area

North America: 21.4%
Western Europe: 52.7%
Rest of the world: 25.9%

Photos | Cement: Spain, Sagrada Familia in Barcelona | Roofing
Aggregates and Concrete : Canada, building on Sherwoodtown bl

ROOFING

SALES: € 1,538 MILLION

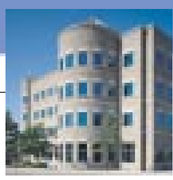
12,106 employees

Lines of roof tiles in concrete, clay and metal, roof components and accessories, and chimney systems for building and renovation work.

INTERNATIONAL PRESENCE

Sales by geographic area

North America: 7.9%
Western Europe: 75.6%
Asia Pacific: 5.9%
Rest of the world: 10.6%



AGGREGATES AND CONCRETE

SALES: € 4,768 MILLION

21,069 employees

Aggregates, ready-mix concrete, prefabricated concrete and bituminous surfacing for builders of engineering structures, roads and buildings.

INTERNATIONAL PRESENCE

Sales by geographic area

North America: 50.4 %
Western Europe: 38.9 %
Rest of the world:10.7 %

1833: BIRTH OF LAFARGE

SALES OF € 14.6 BILLION IN 2002

77,000 EMPLOYEES IN 75 COUNTRIES, IN 2002

247,000 SHAREHOLDERS IN 2002

: Hotel in Rabbà, Northern Italy |
d, Mississauga, Ontario | Gypsum : France, the Quinson Museum of Prehistory.

PROFILE

WORLD LEADER IN BUILDING MATERIALS

Lafarge holds top-ranking positions in each of its four divisions: n°1 in Cement and Roofing, n°2 in Aggregates and Concrete, and n°3 in Gypsum.

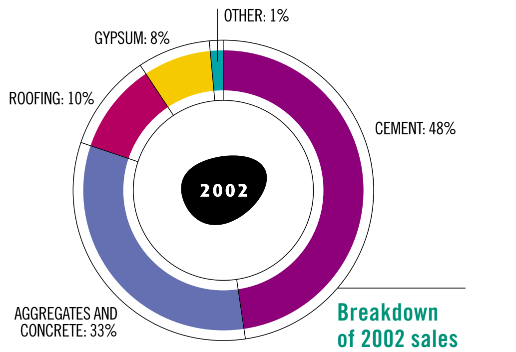
The Lafarge Group is listed on Paris, London, Frankfurt and New York stock exchanges.

With a workforce of 77,000 people, the Lafarge Group is present in 75 countries. Its sales for 2002 amounted to € 14.6 billion.

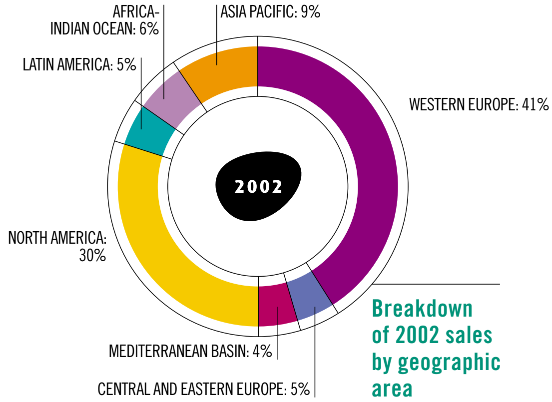
Its growth is founded on sustainable development policy. Group know-how encompasses industrial efficiency, value creation, protection of the environment, respect for people and cultures, and preservation of natural resources and energy.

To improve building materials, Lafarge places the customer at the heart of its preoccupations. It offers the construction industry and the general public innovative solutions bringing greater safety, comfort and quality to their everyday surroundings.

Lafarge offers all construction industry sectors - from architect to tradesman, from distributor to end user - a comprehensive range of products and solutions for each stage of the building process.



Breakdown of 2002 sales by Division



Breakdown of 2002 sales by geographic area

CHAIRMAN'S MESSAGE

2002 has been a year of contrasts. Several of our markets, which withstood the economic slowdown in 2001 very well, showed a few signs of weakness in the second half of 2002, particularly in North America and in certain European countries. Growth continued in the emerging markets, particularly in Asia, while South America held up well under the effects of the financial crisis.

In this sluggish economic context, our sales and operating income were up with the full-year consolidation of Blue Circle, while our operating margin improved, our cash flow from operating activities was up significantly, and our debt was reduced by more than a billion and a half euros.

Despite this solid performance, our share price was impacted by the general market downturn, dropping by approximately 30% over the year, in line with the CAC 40 Index in the Paris stock market. Coming after a strong performance in 2001, this trend, which has continued in the first months of 2003, has led to a very significant under-valuation of the share. This should be corrected when the markets return to more realistic valuations.

Solid operating performance in an unfavorable environment

We have been pleased to see a greater increase in our operating income than in our sales, which reflects the ongoing improvement in our margins and the impact of the performance improvement programs deployed in all our Divisions.

The Cement Division benefited from the impact of the acquisition of Blue Circle over a full year and improved its operating margin in markets posting mixed performance with overall stable volumes.

The consolidation of Blue Circle within the Group was successfully completed, and the synergies resulting from this 2002 acquisition were slightly higher than the objective announced. However, the impact on results was partially affected by specific difficulties encountered

in 2002 in certain operations coming from Blue Circle. However, because of the success of this program, we can confirm the targeted synergies for 2003 and 2004, and the potential of this major acquisition for the Group.
The Aggregates and Concrete Division was affected by contrasting market conditions, posting good results in Europe with favorable price trends, but a decline in North America where public works contracts were down, primarily affecting our asphalt and paving activities.
The Gypsum Division significantly improved its results with higher prices in the United States, a stronger position in Europe, and continued growth in Asia.
The Roofing Division succeeded in improving its operating margin and stabilizing results at the cost of major restructuring work, despite the continued market deterioration in Germany.
On the financial level, we substantially reduced our debt as a result of a sharp increase in cash flows from operations (+17%), rigorous discipline in managing our capital expenditures, and the completion of a selective program to dispose of € 725 million in assets.
Thus, we are in line with our target to return by the end of 2003 to a financial structure comparable to our position before the acquisition of Blue Circle.

Net income affected by extraordinary provisions

Following a decision by the European Commission to fine us € 250 million for alleged wallboard price fixing in the United Kingdom and Germany, a decision that we dispute and have appealed, and a cement anti-trust inquiry in Germany, a provision of € 300 million was recognized to cover the underlying risks in these two cases.
This provision, which was taken as a prudent measure, significantly reduces the Group's net income and net earnings per share. However, the dividend has been maintained at the same as in 2001.

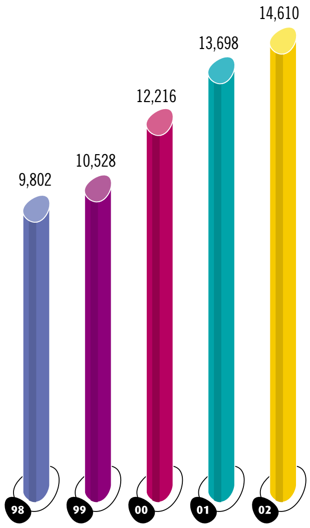
Outlook for 2003

The year 2003 began in a context of great uncertainty, both economic and geopolitical. Under the most probable assumptions, industrialized countries will record economic growth that is only slightly better than in 2002, which would mean mediocre volumes for building materials, but emerging markets are expected to continue to grow.
In this environment, we will focus on continuing to improve our performance in each of our businesses. In particular, we will continue to take advantage of the opportunities for growth offered by the acquisition of Blue Circle, and we will develop our performance-oriented culture within our "Leader for Tomorrow" project.
We will continue to strengthen our financial position, pursuing debt reduction from the combined impact of increased cash flows, controlled investments, and additional selective divestitures.

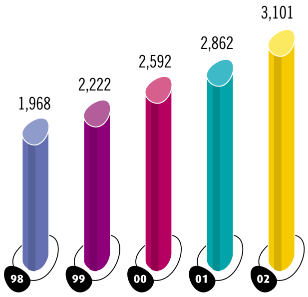
Top management changes

On my recommendation, the Board of Directors has decided to split the positions of Chairman and Chief Executive Officer that I have held jointly since 1989. The Board has decided that, as of the upcoming Shareholders' Meeting of May 20th, I will continue to serve as Chairman and Bernard Kasriel will be appointed Chief Executive Officer of the Group.
This change, which ensures continuity, demonstrates the strength and solidarity of the Group's teams. It will allow us to prepare for the future while providing for the present, and gives our Group the best guarantees of success.

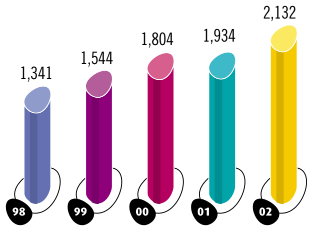
BERTRAND COLLOMB |
CHAIRMAN AND
CHIEF EXECUTIVE OFFICER



Sales
(in million euros)

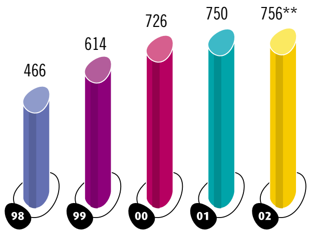


Gross operating income
(in million euros)

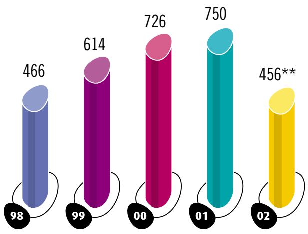


Operating income on ordinary activities*
(in million euros)

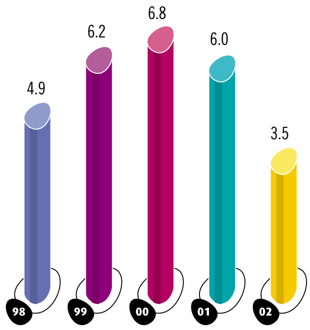
KEY FIGURES



Net income, Group share, before extraordinary provision
(in million euros)



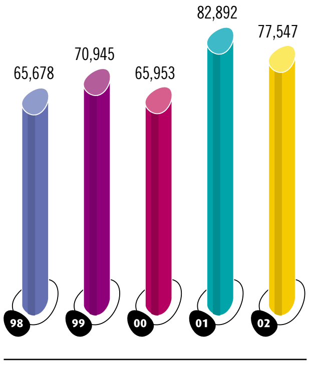
Net income, Group share
(in million euros)



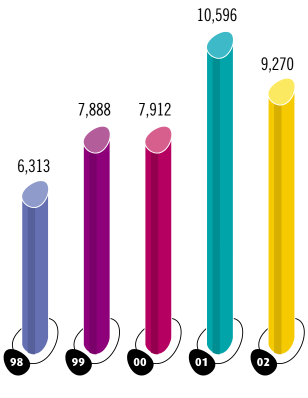
Net earnings per share
(in euros)

* *Revised for the change in presentation of equity affiliates.*
***As a measure of prudence, a provision of €300 million was taken to cover the underlying risks connected with the European Commission's decision on the plasterboard case, which Lafarge has appealed, and the current cement investigation in Germany by the Federal Antitrust Office.*

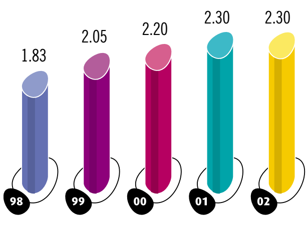
FOR LAFARGE, 2002 WAS A YEAR OF CONTRASTS. OUR RESULTS REFLECT, HOWEVER, THE GROWTH IN OUR NET OPERATING INCOME, WHICH WAS UP 10%, AS A RESULT OF THE FULL-YEAR IMPACT OF THE ACQUISITION OF BLUE CIRCLE AND THE IMPROVEMENT IN OUR MARGINS.



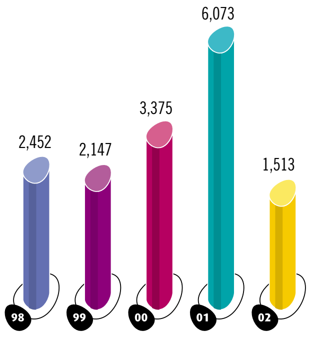
Group employees



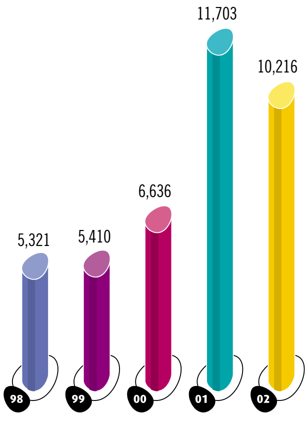
Shareholders' equity
(in million euros)



Net dividend per share
(in euros)



Investments
(in million euros)

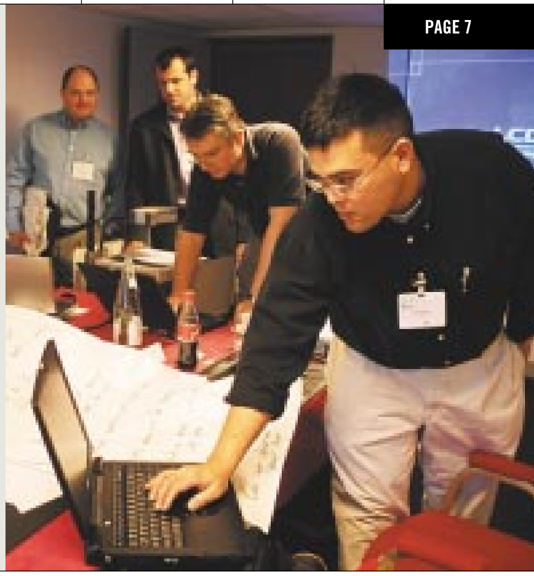


Net indebtedness
(in million euros)

A CULTURE OF PERFORMANCE

"EACH DIVISION HAS PROGRESSIVELY DEFINED ITS PERFORMANCE PROGRAMS. BUSINESS UNIT MANAGERS PLAY A KEY ROLE IN IMPLEMENTATION BECAUSE THEY MUST STRIVE FOR EXCELLENCE IN THEIR OWN LOCAL MARKET WITH THEIR OWN CUSTOMERS, CAPITALIZING ON GROUP RESOURCES AND EXPERIENCE.
THE COMBINATION OF THESE TWO DIMENSIONS - LOCAL AND GLOBAL - IS WHAT MAKES THE DIFFERENCE."

BRUNO LAFONT | EXECUTIVE VICE PRESIDENT, GYPSUM



Our priority has always been performance, moving progressively from continuing efforts to improve our processes to the implementation of a performance management model based on a global vision, shared experience, and common tools and programs.

PERFORMANCE ROOTED IN THE PRACTICE OF OUR OPERATIONS IN THE FIELD

A core management vector

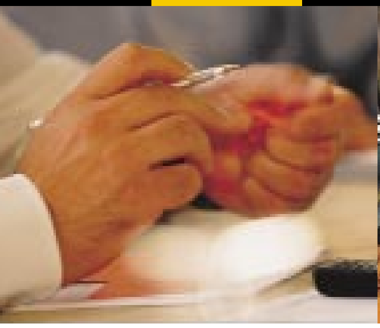
The first performance improvement programs were initiated more than ten years ago in the Cement Division, which turned them into a competitive advantage. However, the notion of performance is evolving: more than just a matter for experts, it has become a central management vector which is no longer limited to technical areas, but now extends to strategy, marketing, sales, purchasing, logistics, safety, the preservation of the environment, and relations with local communities.

The same standards everywhere

Present worldwide, we endeavor to apply the same standards of quality, technical, social and environmental performance in all the countries in which we operate. When we set up operations in a new country, we strive to set up the best processes in methods, management, human resources and technical facilities. As for environmental and social management, programs to set up systems that comply with international standards are currently being deployed throughout the world, taking into account differences in local development levels.

Systematic internal benchmarking

Our internal benchmarking approach enables each business unit to assess its performances and rank itself in relation to the other units in the same Division on the basis of common indicators. The systematic transfer of the "good practices" recorded enables us to solve problems rapidly using previously acquired experience. For this purpose, the Group promotes networking and implements all the systems and tools that promote this transformation towards greater shared knowledge.



PERFORMANCE IMPROVEMENT PROGRAMS SET UP BY THE DIVISIONS

Over recent years, each of our Divisions has set up performance improvement programs suited to its own specific profile and which contribute to the Group's overall performance. Starting with the local level, these programs have helped to identify the best solution to our customers' needs and to optimize our processes and methods.

CEMENT | "ADVANCE"

In the Cement Division, a series of performance plans focused primarily on industrial components have been implemented every three years since 1989. They have enabled us to make progress in energy consumption in our plants, site automation, product quality, and uniform industrial processes and maintenance. "Good practices" have systematically been recorded, assessed and implemented. They have been supplemented by the experience of ex-Blue Circle units in operational performance programs.

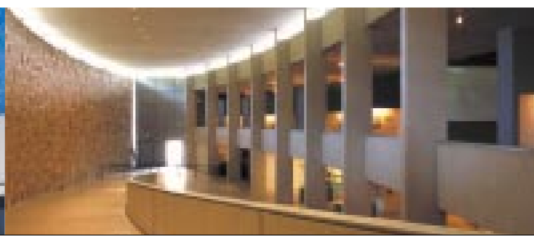
Today, market development, changing customer requirements, and new environmental challenges require a more dynamic approach.

Developing a leading edge in a constantly evolving world is the goal of our new performance program. Designed in 2002 with and for the operating units of the Cement Division worldwide, and launched at the beginning of 2003, the "Advance" program relies on exchanges of expertise and experience among the 47 operating units of the Cement Division. This cross-unit approach involves the entire Division and covers all its lines of business and sites.

In addition to industrial expertise, which remains a cornerstone of our trade, only a global approach will increase the creation of value and ensure our long-term development. To this effect, we have identified five key components of our activity - strategy, marketing and sales, manufacturing, sustainable development, and team mobilization – which are our principal growth vectors. "Advance" allows us to improve the Cement Division's global performance by capitalizing on our varied and extensive local experience, and demonstrates our determination to remain a real leader over the long term, and recognized as such by our customers and shareholders.

AGGREGATES AND CONCRETE | "Top", "Rock" and "Pave"

In the Aggregates and Concrete Division, a global approach has been the priority from the beginning. The three performance programs include local strategic analysis of our markets as well as good



commercial, industrial and logistic practices. We have analyzed and classified our best markets worldwide as well as the practices of the most profitable operators. Within our three programs - “TOP” for concrete, “ROCK” for aggregates and “PAVE” for asphalt and paving, we have thus identified a certain number of levers for success, and we have progressively implemented them. Better commercial coverage in concrete and aggregates, the diversification of our customer portfolio enabling us to “smooth out” the irregularities on major construction projects, the optimization of our mix formulas and transport subcontracting are all aspects that we have integrated in our performance programs. This integration produces good results on our price-quality ratios and the regularity of our supplies. These programs have included training initiatives. In recent years, more that 1,000 people have been trained in the North American units.

ROOFING | “SPiD” and “Booster”

The Roofing Division is running two performance programs, “SPiD” and “Booster”: The “SPiD” program *(Superior Performance in the Industrial Domain)* was started in 2001 and is focused on industrial performance and quality. “Booster” is mainly centered on sales and marketing performance and aims at increasing value for the customer.
“SPiD” is designed to transform production-oriented managers into process managers, whose primary concerns are work safety and the production of quality solutions in the shortest

PRODUCT INNOVATION, A CONSTANT TARGET

- **The use of fly ash from power plants and slag from the steel industry makes it possible to recycle the waste from other industries. Used as binders, they reduce CO_2 emissions, cut down on the use of non-renewable raw materials and solve industrial waste storage problems; they are perfectly adapted to our sustainable development objectives.**

- **The “concretes of the future” stem from the research of our laboratory, Laboratoire Central de l’Isle d’Abeau. The self-placing concretes in the Agilia® range are particularly easy to use. Their use reduces pollution on building sites and speeds up construction work. Ductal®, a ultra high strength fiber concrete, is characterized by its capacity to bend and its great durability, with a beautiful surface finish.**

- **Complete-system roofing and plasterboard boast the most sophisticated combination of soundproofing and thermal insulation. The innovation also includes all the services for their installation.**

France, central research laboratory in l’Isle d’Abeau, near Lyons.

possible time frames, using effective and reliable processes. The principal features of the "SPiD" program include more efficient use of raw materials, waste disposal, greater flexibility in processes, systematic elimination of defects and variations, and increased visibility for problems and progress. This program is implemented by the managers of the operating units with the active involvement of the Division's management team. The will to expand the notion of performance led to the deployment of the "Booster" program in 2002, which focuses on commercial, marketing and sales performance. "Booster" covers methods, tools and best practices in areas as varied as the marketing plan, segmentation, price optimization, sales force monitoring, customer satisfaction and surveys, and the use of the Internet. It enables us to capitalize on the effects of our global presence on local markets.

GYPSUM | "Excellence is our commitment"

In 2002, this objective pursued by the Gypsum Division became the theme of its internal communications. After three years of strong expansion, the size of the Division more than doubled. We are going to persevere, amplify and accelerate the guiding principles of the strategy defined by the "Vision 2000" plan. Today, every resource is being mobilized to promote internal growth and profitability in order to return to positive value creation by 2004. The performance plans set up last year cover all fields of action: industrial, financial, commercial, human resources. They were developed in line with all other aspects of the management cycle (budget, strategic review). They are decentralized on the international level. Indeed, each country defines its own objectives, within the scope of general priorities and according to the situation defined through systematic benchmarking between countries. These performance plans focus on teamwork, motivation, enthusiasm and skills development through training initiatives that are progressively being extended to all managers. In 2002, 150 executives were trained and nearly 350 additional managers will receive training in 2003.

TOWARDS REAL PERFORMANCE MANAGEMENT

Indicators to measure performance...

In 2002, precise technical and financial indicators were defined in all Divisions and all business units. In the Roofing Division for example, the industrial performance indicators are based on the synthetic yield (taking into account product breakage and scrap rate). Self-assessment gives each cement unit the tools to rank itself in relation to criteria for excellence. In the Aggregates and Concrete Division, indicators measure performance improvements obtained for each lever of the Division's operating model.



Forest in Komi Republic, Northern Russia. Lafarge has a partnership with WWF on forest ecosystem restoration.

The increase in performance is also reflected in financial terms, in the Group's value creation indicator, EVA* ("Economic Value Added"), which takes into account the cost of capital employed in the analysis of the results.

... and vectors to spread performance throughout the Group

There can be no performance without change and a large part of the current processes consists of explaining, training, leading and mobilizing our teams around this culture of performance. In 2002, interactive tools such as Intranet portals

** At various levels of management within the Group, EVA is calculated by subtracting the weighted average cost of capital employed from operating income after taxes. Operating income is a very close notion to operating income on ordinary activities. The weighted average cost of capital is obtained by multiplying the average capital employed (in book value and in certain cases revalued) by the estimated cost of capital. The performance measurement employed for operating units is not based on the absolute value of EVA, but on its evolution in relation to an improvement objective.*

SUSTAINABLE DEVELOPMENT, AN INSEPARABLE ELEMENT OF OUR PERFORMANCE

For many years, Lafarge has integrated the three key aspects (economic, social and environmental) of sustainable development in its strategy and culture. We are convinced that our performance can only be sustained if it combines profitability, the ability to listen to our society and improve it and environmental quality.

ECONOMY

By optimizing the use of our raw material resources and using recycled materials and alternative fuels in a responsible way, we are able to reduce our use of non-renewable resources and our production costs. The same is true for the use of hydraulic binders such as fly ash and slag from the steel industry; because of their similar hydraulic properties, they can replace cement industry binders and also help to reduce our CO_2 emissions.

SOCIETY

Active dialogue with our employees, their representatives and other partners, NGOs, local populations and governments…, enables us to integrate our operations in the local economy in close collaboration with the communities near our production sites. Programs covering health and safety, housing, education, and local development accompany our sites, particularly in emerging countries, and make it possible to improve local living conditions.

ENVIRONMENT

Our commitments to reduce CO_2 emissions drive us to find innovative technical solutions for both processes and products. Similarly, successful quarry rehabilitation is our guarantee of obtaining new operating licenses. Other concrete actions enable us to reduce the impact of our activities on our environment, particularly the replacement of raw materials and the recycling of waste from other industries, the reduction of atmospheric emissions, water conservation and preservation, controlling our energy consumption and using alternative fuels, reducing the impacts of transport and systematic performance of environmental audits.

designed to broadcast performance within the company were developed at a rapid pace.
Previous performance programs made it possible to capitalize on skills related not only to our trades but to our strategy and marketing approach. This accumulation of experience is integrated into databanks accessible on the Group's various specialized portals. We are thus able to offer our employees throughout the world numerous examples of sites whose optimal practices constitute benchmarks. We have also developed "coaching" structures between sites to promote the transfer of human and technical know-how. Thus, for the construction of a new plant, all members of the team benefit from in-depth prior training on a similar site in another country.

PURCHASING POLICY, A MAJOR COST-CONTROL LEVER

In 2002, we continued to deploy and reinforce our purchasing policy which is primarily based on:

- the consolidation of the purchases of several entities belonging to the same Division, or to different Divisions, in order to capitalize on synergies on the supplier market; many categories of purchases are thus "coordinated" for several countries;
- an aggressive approach to supplier markets with strategic arbitrage between national and local markets;
- ongoing progress and a commitment to work with the lowest responsible bidders.

The former Blue Circle units have also adopted our approach: in addition to creating a database per category of products in 2001, they took part in and lead numerous initiatives bringing together business units from different Divisions, and were able to take advantage of company initiatives at Group level by 2002. The Group's other recently acquired business units are also taking part in these coordination processes.

A few examples

• Fuel

For our North American cement plants, functional specifications were defined for coal and petcoke on a plant by plant basis, thereby expanding technical specifications; thus, plant managers can select the coal with the best caloric value at the lowest cost as well as the mix (coal/other fuels) which is best suited to the production of their clinker.

• Electricity

In the United Kingdom, the analysis of market trends, the adoption of the solutions successfully developed in France and Central Europe and the optimization of consumption timetables resulted in savings of 15% on the electricity bill in 2002 and approximately 8% more in 2003.

SCIENTIFIC PARTNERSHIPS FOR RESEARCH AND DEVELOPMENT

- **Our Research and Development is rooted in fundamental scientific research linked to the chemical and physical properties of our materials. To capitalize on leading-edge expertise, we develop partnerships with universities and scientific institutions.**

- **For example, we have set up framework agreements in France with the École Polytechnique and the National Institutes of Applied Science (INSA) of Lyons and Toulouse. Elsewhere, we have partnerships with MIT, Princeton and Berkeley in the United States, the Universities of Laval and Sherbrooke in Canada, and the Ecole Polytechnique Fédérale de Lausanne in Switzerland.**

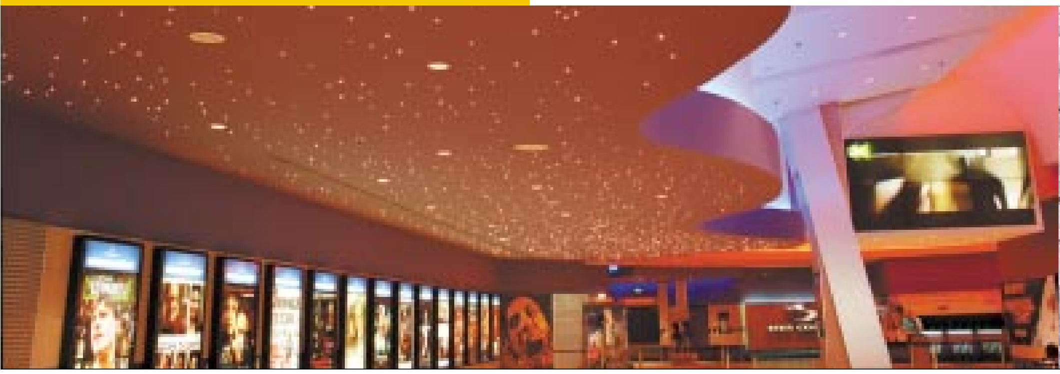
- **In 2002, we also signed a framework agreement with the CNRS. This agreement reinforces the 42 contracts signed over the past six years with various CNRS laboratories, particularly in the field of hydraulic binders.**

- **We have also developed new products such as reactive powders and Ductal® in partnership with industrial companies like Bouygues and Rhodia.**

• **Refractory brick**
In the United States, buying from alternative suppliers already approved by the Group has enabled us to reduce the pre-eminence of established suppliers and achieve savings that offset the price increases requested by the usual suppliers. This initiative, jointly carried out by technicians, site managers and purchasing managers, illustrates the complexity of the purchasing process which goes far beyond competitive bidding.

PERFORMANCE IN THE SERVICE OF CUSTOMERS: CRAFTSMEN, ARCHITECTS, SPECIFIERS, END-USERS AND DISTRIBUTORS

As a supplier of choice, we are increasingly positioning ourselves as our customers' partners, assisting them in their choices and the exercise of their businesses. This year, we developed our services worldwide. Thus, in Brazil, our "ProFuturo" program consists of assisting distributors in improving their knowledge of construction methods and sales techniques. Our training programs have already reached 18,000 people who have become real advisers to their customers.
In France, we launched a direct communication initiative with consumers called "Batirenover.com." This website supplements the existing network of websites and customer relations management tools in France. "Batissor.com" dedicated to tradesmen and contractors won the award for the best construction website organized by Batiactu in France.
In addition, we have created the first network of roofers in France; its mission is to guarantee that requirements are met in terms of housing comfort, safety, protection and aesthetics.
In Germany, the "Atectia" market place was launched for roofing products; it allows roofers to place orders with their supplier via the Internet.



BALANCED EXTERNAL GROWTH

OUR INTERNATIONAL GROWTH STRATEGY IS DESIGNED TO ENHANCE OUR POSITIONS IN MATURE MARKETS AND EXPAND IN COUNTRIES WITH HIGH GROWTH POTENTIAL. THUS, OUR BUSINESS IN EMERGING COUNTRIES NOW ACCOUNTS FOR ONE THIRD OF OUR ASSETS, ONE THIRD OF OUR SALES, AND ONE THIRD OF OUR OPERATING INCOME."

MICHEL ROSE | SENIOR EXECUTIVE VICE PRESIDENT

After a year 2001 marked by the acquisition of Blue Circle, 2002 was devoted primarily to consolidating the Blue Circle operating units and to more modest acquisitions, that strengthened the Gypsum Division and reinfored the Cement Division's manufacturing operations in Asia, especially in China. At the same time, the Group continued to grow, with the opening of new production plants that are both competitive and respectful of the environment.

CEMENT | Continued expansion in Asia and Central Europe

The amounts spent on acquisitions in 2002 were relatively modest, totaling only € 310 million. The focus was primarily on Asia, which has a rapidly growing building materials market. For instance, in China, we bought a 70% equity interest in the Chongqing cement plant in the province of Sichuan, which will be renovated to reach annual production of 1.2 million tons. In 2002, we also purchased a clinker plant in Shunfan, near Beijing. We consolidated our positions in South Korea, by forming a joint venture between Lafarge Halla Cement and Tong Yang Major Corporation, a Korean cement manufacturer. This joint-venture operates a cement plant with an 11 million tons capacity.

We also expanded our operations in Central Europe with acquisitions of € 100 million in Slovenia and investments in recent industrial privatizations in Serbia.

• A proven method for establishing new production centers

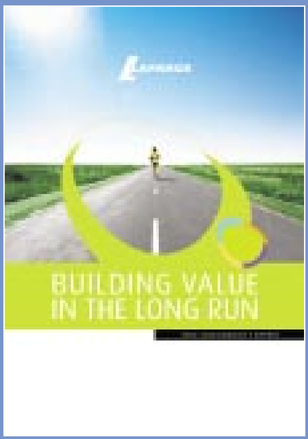
To establish a new plant in any part of the world, we rely on the Group's know-how and the exchange of best practices. The sponsorship system among plants with related operations helps to minimize start-up problems through mutual exchanges of staff and training programs. We also respect the interests of local communities in the areas in which we operate, seeking their input and working with them to design social and environmental programs.

• New cement plants in 2002

We opened several new cement plants around the world, notably in the United States, China and Africa.

The Sugar Creek II cement plant in Missouri was inaugurated in July 2002. The plant, which produces one million tons a year, is located near Kansas City, which has a population of 1.8 million in the metropolitan area. This makes it an entry point to the American Midwest.

In addition, it has an underground quarry 210 meters deep which is respectful of the environment and contains over a century's worth of reserves. Equipped with a leading edge control system,



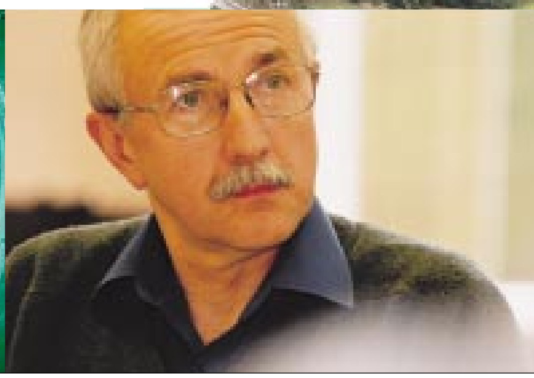
SECOND EDITION OF OUR "SUSTAINABILITY" REPORT

Our policies, our commitments, elements to measure our performance, and a significant selection of case studies are presented in the second edition of our report on our economic, social and environmental performance.

The preparation of this report is an opportunity to engage in a dialogue with all our stakeholders, which will be expressing their views. We provide a transparent account of our strategy, our objectives and our results, whether good or not so good. Dialogue and transparency enable us to make progress in our goal to improve the society in which we are a partner.

the Sugar Creek II plant has the advantage of excellent quality assurance and unusually low energy consumption per ton.
The Roberta cement plant in Alabama has been upgraded. The two previous dry line kilns were replaced with a new kiln. The plant's production capacity has doubled to over 1.4 million tons.
In China, the new Dujiangyang cement plant has an annual production capacity of 1.4 million tons in a very buoyant market. It applies the strictest standards, especially in terms of the environment.

In Morocco, we are renovating the site of our Tetouan cement plant: production by the new plant is expected to increase by 0.7 million tons a year. It will be fueled chiefly by wind energy.
In Nigeria, a new one-million ton capacity production line will be commissioned in Ewekoro some time in 2003.
In Alexandria, Egypt, a new 1.6 million ton capacity kiln came on line at the end of the second quarter of 2002.
The first Lafarge facility in Poland, the Kujawy cement plant was totally renovated and now has a capacity of 1,550 million tons.



It will produce its first clinker at the end of the first quarter of 2003.

GYPSUM | Acquisitions in Europe, the United States, and Africa*

In 2002, our Gypsum Division devoted € 44 million to acquisitions.

We pursued the external growth of our Gypsum business in the United States, where Lafarge North America acquired Continental Gypsum in Newark, New Jersey. With this € 30 million acquisition, we now have an additional annual capacity of 28 million m^2 of gypsum in the New York area, the largest local market in the world.

Under our last acquisition agreement signed in 2002 (still depending on suspensive conditions), we purchased Gyproc's plasterboard operations in Germany and Poland from the British company BPB. This investment – not consolidated in 2002 - is strengthening our leadership position in the Polish market and doubling our gypsum business in Germany, making us a significant player in one of the three major European markets. The consolidation of Gyproc's, two German plants in Peitz and Steinsfeld will create synergies and expand the range of our products and services.

GYPSUM, ROOFING, AGGREGATES AND CONCRETE | New production units

Lafarge Nida Gips, a subsidiary of our Gypsum Division in Poland, opened a new gypsum plant in Gacki. This plant is one of the largest in Europe with a production capacity of

Acquisitions valued at the average exchange rate for the year.

35 million m^2. It can produce plasterboard from natural or synthetic gypsum and employs 200 people. This operation makes Poland a logistics hub for the neighboring countries of Central and Eastern Europe.
In our Roofing Division, the new Lafarge Roofing plant in Dengkil, Malaysia, is the country's largest and most modern plant. This plant gives us the capacity to produce 40 million additional tiles a year to meet the demand of the local market.
Our new concrete tile plant in the United States, located in Denver, Colorado, is also one of the most modern in the country.
In Thailand, Lafarge Roofing and Cementhai Building Products (a subsidiary of the Siam Gypsum Group) created the joint venture Lafarge Siam Roofing, which will produce and sell clay tiles. The plant, now under renovation, has a production capacity of 1 million m^2 of tiles and will be operational in late 2003.
In the Aggregates and Concrete Division, we opened a concrete plant in Vaise, France. This next generation plant, installed inside a warehouse, significantly reduces noise and dust emissions. Supplied with raw materials exclusively by train, it will be able to produce 40,000 m^3 of concrete a year.

EFFECTIVE CONSOLIDATION OF BLUE CIRCLE

The Blue Circle consolidation process continues as we combine plants where necessary and improve production capacities. Performance enhancing programs have been introduced in all countries. For instance, at the Hope cement plant in the United Kingdom, four measures have been introduced to improve performance: optimization of quarry planning, introduction of integrated computer control, changes to kiln feed systems: raw materials blending with introduction of by-products and replacing fossil fuels with waste derived alternatives.
Synergies have slightly exceeded the objectives announced for 2002, with € 117 million recorded, and we are in line with our future targets of € 172 million in 2003 and € 215 million in 2004.
Bringing the ex-Blue Circle business units up to Lafarge's standards for sustainable development and performance will continue throughout the next few years.

United-States, The Roberta cement plant.

KUALA LUMPUR, MEETING THE CHALLENGE OF INNOVATION

Malaysia has been a new country for the Cement Division since the acquisition of Blue Circle in 2001. We have decided to make Kuala Lumpur a skills center by establishing our Asian technical center there. The center's technical team already includes about fifty men and women coming from every continent, who bring the highest level of expertise in our cement manufacturing business.

A SELECTIVE DISPOSAL POLICY

Enhancing our competitive edge in the global marketplace also includes a selective asset disposal policy once, in a given market, the future of one of our assets is doubtful. In this spirit, negotiations were held for the sale of several business units with limited strategic potential for the Group, and for which buyers could ensure the future of the activities concerned. For these reasons, we sold our 33% equity interest in the South African company Natal Portland Cement to Portuguese cement manufacturer Cimpor. We are concentrating on the business of our local subsidiary Lafarge South Africa, which has a total annual capacity of 2.5 million tons, serving primarily the Johannesburg market and the northern and eastern regions of the country. We also sold some cement assets located in southern Spain to Cimpor for € 225 million. Disposals made in 2002 totaled € 725 million. These disposals, along with our organic growth and improved performance, contributed to our debt reduction.

Our objective is to return, at the end of 2003, to the financial structure that we had at the end of 2000. This will be achieved on the basis of improved cash flows, limited and balanced capital spending, and further streamlining of our assets.

ENLISTING THE SUPPORT OF OUR EMPLOYEES

"ONLY WITH THE FULL SUPPORT OF OUR EMPLOYEES CAN WE CONTINUE TO PLAY A LEADING ROLE IN THE YEARS TO COME. THE GOAL OF OUR "LEADER FOR TOMORROW" PROGRAM IS TO REAFFIRM OUR VALUES, COMMUNICATE OUR VISION AND STRATEGY, UPDATE OUR MANAGEMENT METHODS, AND DEVELOP A PERFORMANCE-BASED CULTURE TO MAKE OUR GROUP AN UNDISPUTED LEADER. THIS IS ALSO A LARGE-SCALE PROCESS TO EMPOWER OUR EMPLOYEES TO ENSURE THE BROADEST POSSIBLE CONTRIBUTION."

CHRISTIAN HERRAULT | EXECUTIVE VICE PRESIDENT, HUMAN RESOURCES AND ORGANIZATION

We have always placed human resources at the heart of the Group. They are the key to our performance and our success. With the Group's strong growth over the past few years, almost 35,000 employees have joined our teams, bringing their own cultures and their work styles. At the same time, the vision of the Group, as expressed in 1995, "to become the world leader in building materials" has been achieved to a large extent. Now we need to design a new vision, a new goal and new objectives while maintaining our values, to become the world's undisputed leader in building materials.

LEADER FOR TOMORROW: REAFFIRMING OUR VISION AND OUR GOALS

Over the past five years, the Group has grown significantly. Our new employees need to be integrated, but they also need to be involved in designing the Group of the future. At the same time, five years after the creation of the divisions, the time has come to make certain our organizational choices are relevant in a context of increasing globalization and a heightened demand for performance.
In the face of such changes, the Group wants to reaffirm its values and its goal of becoming the undisputed leader in building materials. We also want to communicate our vision and our strategy for creating an organization that excels in multiple local/global relationships and fosters a strong performance culture combined with respect for our values.

A process of involvement and empowerment

Throughout 2002, ever-widening circles were involved in designing the "Leader for Tomorrow" program. The plan was initiated in the Executive Committee, then expanded

CHANGES AHEAD FOR THE GROUP'S EMPLOYEES

Enhancing the Group's performance culture means redesigning our systems to measure performance; it also means enlisting the support of all employees, who need to do a better job of sharing their knowledge. Organizational principles have been redefined to improve working relationships, notably between corporate and the divisions, and between line and staff personnel. A multi-year performance plan was added to the annual management cycle.
Key human resources processes have been revised to meet the strictest requirements for transparency and the fair treatment of employees. A priority will be the career development of the men and women in the Group.

OUR PRINCIPLES OF ACTION

OUR VISION

TO BE THE UNDISPUTED WORLD LEADER IN BUILDING MATERIALS

- Being the best
- Growing fast with the best value creation
- Achieving global leadership in local businesses through excellence at "multi-local" management

"We want to share our vision with all our people to make it happen"

OUR COMMITMENTS

- Generating value for our customers
- Giving our people every opportunity to contribute and develop their talents
- Contributing to build a better world for our communities
- Delivering the value creation that our shareholders expect

"We want the Lafarge brand to represent our commitment to excellence."

"THE LAFARGE WAY"

MAKING OUR PEOPLE SUCCESSFUL…

- Expecting people to give their best
- Leading by example
- Achieving greater results through teamwork

FOCUSING ON PERFORMANCE IMPROVEMENT…

- Resulting from the actions of all
- Reflecting an every-day attitude
- Sharing systems and tools

…WITH A MULTI-LOCAL ORGANIZATION

- Building on our local and global strengths
- Making our Business Units successful by leveraging the resources of a decentralized organization
- Sharing clear processes and a limited number of respected and known rules

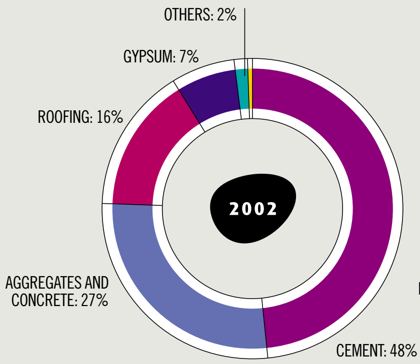
…TO BUILD OUR PERFORMANCE CULTURE

to the Executive Committees of the Divisions and the corporate executive vice-presidents. Lastly, during the annual meeting of the Group's 150 senior executives, task forces were formed, which continued planning until the end of the year and then presented to the "Direction générale" their recommendations for improving our decision-making process and performance, and for accelerating the tempo of globalization.
The Group's new "Principles of action", published in the spring of 2003, are a result of this joint effort.

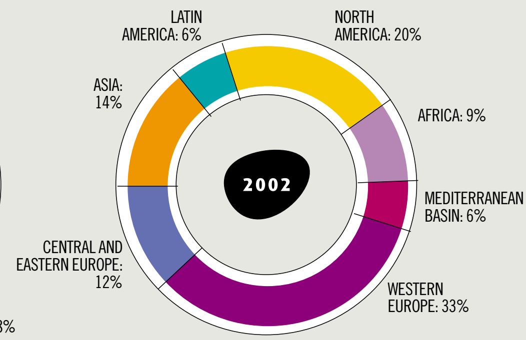
Developing leadership skills

Our human resources management is based on a participatory management style adapted to our decentralized organization. It encourages personal initiative and the involvement of each and every employee in implementing strategic directions. For the sake of consistency, this form of management is based on the "Leadership Profile", adopted in 2001, a document that describes the skills all senior executives must have: strategic vision, team leadership ability, a customer-oriented approach, and the ability to initiate change and produce results. Based on a human resources review, every unit can measure its performance in terms of organization and human resources.

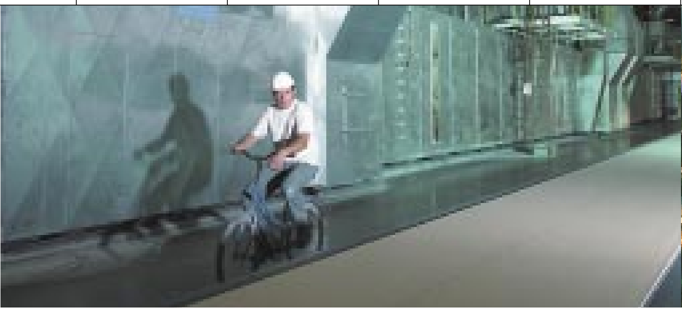
TOTAL LAFARGE WORKFORCE AS OF DECEMBER 31, 2002: 77,547



Breakdown by Division



Breakdown by geographic area



EMPLOYEE SHAREHOLDERS

Profit-sharing and integration

After the “Lafarge en action” operations completed in 1995, and again in 1999, our new employee shareholding plan for 2002 was designed for fifty countries, and was set up to involve our employees more closely in the Group’s growth and performance. It proved to be highly successful, particularly in the emerging countries and in the business units formerly part of Blue Circle.
In those units, the average employee share subscription rate of 70% is concrete evidence of their involvement in and attachment to their new Group.

A motivated shareholder base

This plan is based on more incentives than the two previous plans, i.e.: a maximum of 110 shares was offered to each employee, with a 30% employer’s contribution for the first ten countries, up to 60% in countries where the per capita income is below $10,000 a year. After the first ten shares purchased, the following shares, which no longer qualified for the employer’s contribution, entitled the holder to a number of stock options equal to the number of shares purchased.

54.2% of eligible employees responded

In Europe, the subscription rate was 46%. This response is due to the fact that employees are already being offered within the Group several other savings and retirement plans. In the emerging countries, the subscription rate was significantly higher: 63% in Africa, 67% in Asia and 75% in Latin America with record rates of 98% in Turkey and 91% in Nigeria, demonstrating that the distinction made on per capita income proved worthwhile, allowing employee shareholding and profit-sharing in low-income countries.

INNOVATION AWARDS

- Seeking excellence in people means doing everything possible to promote their creativity and their sense of innovation within the company.
- The purpose of the Lafarge Innovation Awards is to recognize, publicize and reward any new ideas implemented in the Group that result in concrete, measurable benefits.
- Awards are given in three main categories: products and services, industrial performance and functional departments.
- For the second series, we have defined an additional category for the transfer of new ideas among business units.
- Four nominees and one winner are named in each category. Special prizes are also awarded in the areas of customer orientation, environment and for promising projects.
- All the Group’s employees may participate.
- Over 600 applications were filed in 2002, twice the number filed in 2000, the date of the first Group Awards.

Members of the Innovation Awards Jury.

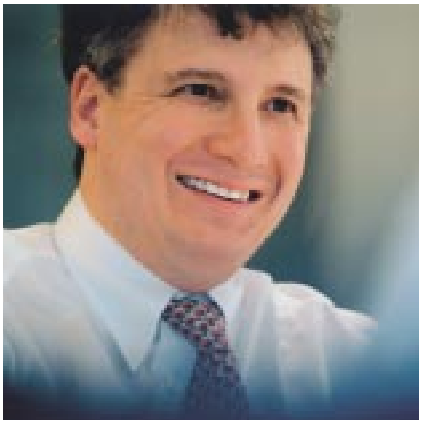
THE "DIRECTION GÉNÉRALE"

MICHEL ROSE,
Senior Executive Vice President

BERTRAND COLLOMB,
Chairman and Chief Executive Officer

BERNARD KASRIEL,
Vice Chairman and Chief Operating Officer

THE "DIRECTION GÉNÉRALE" AND THE EXECUTIVE COMMITTEE



JEAN-JACQUES GAUTHIER,
Executive Vice President
Finance

ULRICH GLAUNACH,
Executive Vice President
Roofing

CHRISTIAN HERRAULT
Executive Vice President
Human Resources and Organization

BRUNO LAFONT,
Executive Vice President
Gypsum

CHARLES DE LIEDEKERKE,
Executive Vice President
Aggregates and Concrete

ISIDORO MIRANDA,
Executive Vice President
Cement

SENIOR VICE PRESIDENTS

Michel Bisiaux,
Legal Affairs

Bertrand Deau,
Group Executive Career Development

Jean-Pierre Cloiseau,
Finance

Denis Fabre,
Auditing

Philippe Hardouin,
Communications

Agnès Lemarchand,
Lime Operations

Jacques Lukasik,
Scientific Affairs

Denis Maître,
Central Research Laboratory

Dominique Malige,
Information Systems

Gaëlle Monteiller,
Environment and Public Affairs

Franck Phelip,
Purchasing

Didier Riou,
Marketing, Research and Development

Jacques Sarrazin,
Strategy / Development

Marc Soulé,
Control and Consolidation

NORTH AMERICA

Philippe Rollier,
President and Chief Executive Officer

Larry Waisanen,
Finance

Jim Nealis,
Human Resources

SENIOR MANAGERS
OPERATIONAL AND FUNCTIONAL

CEMENT DIVISION

Isidoro Miranda

Western Europe and Morocco
Jean-Carlos Angulo
- France: Alain Crouÿ
- Italy: Chris Boyd
- Morocco: Jean-Marie Schmitz*
- Spain: Jean Martin-Saint-Léon
- United Kingdom: Richard Olsen

Eastern Mediterranean and Trading
Jean-Charles Blatz
- Cameroon: Jean Jung
- Egypt: David Seroux / Saad Sebbar*
- Greece: Albert Corcos
- Jordan: Samer Berekdar*
- Trading / Shipping: Patrick Chapel

Latin America
Miguel del Campo
- Brazil: Jorge Bouhid
- Chile: Denis Berthon
- French West Indies: Raymond Largent
- Honduras: Xavier Blondot
- Mexico: Màximo Dolman
- Venezuela: Christophe Nicoli

Asean
Guillaume Roux
- Indonesia: Thomas Ehrhart
- Malaysia: Thain Khan Quah
- Philippines: Peter Hoddinott

Asia
Jean Desazars de Montgailhard
- Bangladesh: Yong Ngai Chan
- China: Dung Van Anh
- India: Martin Kriegner
- Japan: Olivier Luneau*
- South Korea: Sylvain Garnaud*

Africa
Tony Hadley
- Benin: Max Magli*
- Kenya: Didier Trésarrieu*
- Nigeria: Jimmy Shiganga
- South Africa: Frédéric de Rougemont
- Southeastern Africa: Elmor Leo
  - Malawi: Joe Pemberton
  - Tanzania: Edward Simakoloyi
  - Zambia: Ian Coulter
  - Zimbabwe: Isaiah Bingwa
- Uganda: Mbuvi Ngunze

Central Europe – CIS – Turkey
Yves de Clerck
- Austria / Slovenia: Peter Orisich
- CIS:
  - Russia and Ukraine: Georges Morizot
  - Russia: Vladimir Rostunov
- Czech Republic: Petr Laube
- Germany: Gerhard Roeser
- Poland: Andrzej Tekiel
- Romania / Moldavia: Philippe Questiaux
- Serbia - Montenegro: Georges Bobvos
- Turkey: Erdoğan Pekenç-Cement: Nuri Ozkaya*

North America
Philippe Rollier
Cement: Jean-Marc Lechêne
- Great Lakes Region: Mike Balchunas
- Northeast Region: Eric Olsen
- Pacific Northwest Region: Alan Kreisberg
- Rivers Region: John Stull
- Southeast Region: Kirk Coyne

Asian Technical Center: Bruno Pescheux
Western Europe Technical Center: François Maison-Blanche
Inter-unit Technical Center: Thierry Métro
Central Europe Technical Center: Werner Bittner
Scientific Technical Center: Olivier Merindol
Finance: Henri Goyon
Communications: Christelle Bitouzet
Advisor, Major Projects: Pierre Saint-Hillier
Industrial Ecology: Dominique Bernard
Mergers and Acquisitions: Caroline Grégoire Sainte Marie
Marketing: François Jacques
Cement Performance: Bernard Le Bras
Hydraulic binders: Colin Sutherland
Performance Program: Anthony Ricolfi
Human Resources: Philippe Jacquesson
Safety: Marcel Duboué
Strategy: Michel Puchercos
Business Systems: Pierre Damnon

AGGREGATES AND CONCRETE DIVISION

Charles de Liedekerke

North America
- ***Eastern Regions:*** Dominique Calabrese
  - Eastern United States: Claude Bastien
  - Southern United States: Fred Kemph
  - Eastern Canada: Cyrille Ragoucy
- ***Western Regions:*** Tom Farrell
  - Western United States: Pat Walker
  - Western Canada: Mike Smith

Spain - Portugal: Antonio Sobral Cruz*
France
- Aggregates: Philippe Gruat
- Concrete: Pierre-Yves Périgois

Greece: Philippe Hug
Italy: Edoardo Spreafico
Middle East: Ralph Bradshaw
United Kingdom: Dyfrig James
Turkey: Jean-Pierre Le Boulicaut

Brazil: Daniel Costa
Carribean: Raymond Largent
Chile: Jaime Silva
Venezuela: Hedi Rafai

South Africa: Johann Koekemoer
Morocco: Othman Ouçama
Reunion: Olivier Ronin

Germany: Hans Ulrich Troebs
Austria and Hungary: Peter Leonhardt
Central Europe: Louis Beauchemin
Poland: Uwe Roth
Romania: Costin Borc

Malaysia/Singapore: Wayne Lyons

Finance: Luc Callebat
Performance Programs: Gérard Kuperfarb
Marketing: François Redron
Projects: Yves Oudin
Human Resources and Organization: Alexander Nieuwenhuizen
Strategy and Development: Patrick Alix

ROOFING DIVISION

Ulrich Glaunach

Industrial performance, Research and Development, Roofing Europe and Asia Pacific: Jean-Marc Chicco
- Roofing Europe:
  Benelux: Johan de Rijke
  France/Switzerland: Jacques Henceval
  Iberian Peninsula: Rafael Velasquez Garcia
- Roofing Asia Pacific:
  China: Vincent Tang / Alastair Forbes
  India*: T.T. Paul
  Indonesia: Stéphane Lecat
  Malaysia: Wai Li Liew
  Philippines*: James Ng
  Thailand*: Nantapong Chantrakul / Chamnan Thamcharoen

Roofing components, Chimneys, Roofing Europe and Asia:
Paul Kolowratnik
- Roofing components: Michel Klein
- Chimneys: Mario Wallner
- Roofing Europe:
  - Eastern Europe (Poland, Russia, Ukraine): Frank Schnieber
  - Southeastern Europe:
    Bramac*:
    Johann Woerndl-Aichriedler
    Tondach Gleinstätten*:
    Franz Olbrich
  - Italy / Turkey: Paolo Obletter
  - United Kingdom and Ireland: Chris Morgan
  - Scandinavia: Mark Randall
- Roofing Asia:
  - Japan: Andrea Benincasa

Marketing, E-business, Roofing Germany, Americas and Africa:
Jean-Christophe Barbant
- Marketing: Benoît Hennaut
- Germany: Rainer Luettjohann
- Roofing North and South America:
  - United States* / Mexico: Mike Penny
  - Brazil: Henrique Lepecki
- Roofing South Africa:
  Johan van Jaarsveld

Finance: **Thomas Kirschner**
Human Resources and Organization: Keith Deighton

Legal/Tax/Insurance:
Bernhard Mehlhorn
Business Development: Herbert Krist
Communications: Nicole Pichin
Information Technologies:
Theo Veenema
Reporting and consolidation:
Annemarie Schuth

GYPSUM DIVISION

Bruno Lafont

North America: Ike Preston

France and Belgium: Bernard Lekien

Northern Europe: Eric Meuriot
Germany and the Netherlands:
Alain Arrecgros
CIS: Lilia Jolibois
Poland: Jean-Michel Desmoutier
United Kingdom and Ireland:
Bruce Slatton

Euro/Mediterranean:
Giovanni Mallone
Spain, Portugal:
Christian Sayn
Export: Christian Sayn
Italy: Pascal Roudaut
Turkey:
Dalsan: Bahattin Daloğlu / Bruno de La Monneraye
Entegre: Saim Keskin

Australia, Latin America, other countries and industrial plasters:
David Calow
Latin America: Louis Jordan
Australia: Ian McHugh
Industrial plasters France
Thierry Dumas
Plaster coatings, binders and glues:
Marc Aouston

Asia: Nicolas Fournier
China: Sang Kang
South Korea: Philippe Beriro
Indonesia: Yvan Kovaric
Malaysia: Gary Stanford
Industrial plasters Asia:
Jean-François Cousin
Philippines: Ben Murphy
Thailand: Olivier Guilluy
UAE and Export: Olivier Chaudet

Communications: Frédérique Lapierre
Environment: David Calow
Finance: Mark Crump
Industrial: Michel Edmont
Human Resources: Arnaud de Berail
Marketing: Bernard Fauconnier
Performance, Quality, Information systems and Liquid Screeds:
Jean-Louis Touati

** Joint-ventures or minority interests*

CORPORATE GOVERNANCE

Operations of the Board of Directors

The structure of the Board of Directors is designed to allow the Group to benefit from the experience and independence of its members. Two Directors are members of the “Direction générale”, three are former senior executives of the Group now retired. Five nationalities are represented. At least, eight members are independant based on various criteria currently used and pending a full review of this issue by the Board.

Moreover, no Group-appointed Directors sit on the Board of any company managed by any of our non-executive directors.

The Board of Directors deliberates on all major issues in the life of the Group, and strategy decisions in particular. It meets at least four times per year. In 2002, it met on February 27, May 28, September 4 and December 11. The average attendance rate at Board meetings was 95%.

There are three specialized committees within the Board of Directors: the Organization and Management Committee, the Strategy and Development Committee, and the Finance Committee. They generally meet twice a year. In 2002, each of the committees met twice, with an average attendance rate of 95%.

These committees consist at least for a half of Directors considered as independent. Committees are provided with all necessary information in their areas of expertise and they submit their proposals for approval by the Board of Directors

THE DIRECTORS ARE:

LEFT TO RIGHT - 1ST RANK:
MICHEL PÉBEREAU, JACQUES LEFÈVRE,
ALAIN JOLY, BERNARD KASRIEL,
BERTRAND COLLOMB, HÉLÈNE PLOIX,
ROBERT W. MURDOCH,
MICHAEL BLAKENHAM.

LEFT TO RIGHT - 2ND RANK:
GUILHERME FRERING,
BERNARD ISAUTIER,
RICHARD HAYTHORNTHWAITE,
JEAN KELLER, PATRICE LE HODEY,
RAPHAËL DE LAFARGE, MICHEL BON.

- **Members of the Organization and Management Committee**
  Alain Joly, Chairman, Michel Pébereau, Michael Blakenham.
- **Members of the Strategy and Development Committee**
  Bertrand Collomb, Chairman, Michel Bon, Patrice le Hodey, Bernard Isautier, Alain Joly, Jacques Lefèvre, Robert W. Murdoch, Guilherme Frering.
- **Members of the Finance Committee**
  Michel Pébereau, Chairman, Michel Bon, Bernard Isautier, Guilherme Frering, Jean Keller, Raphaël de Lafarge, Jacques Lefèvre, Patrice le Hodey, Robert W. Murdoch, and Hélène Ploix.

At the last two meetings, the Board of Directors initiated a planning project on the structure and operations of the Board based on the September 2002 Bouton Report and the July 2002 Sarbanes-Oxley Act. Like the previous Viénot Reports in 1995 and 1999, which led to the introduction of new procedures within the Board in line with their recommendations, this new plan is expected to result in the next few months in the adoption of new internal rules for the Board of Directors and its committees and in new measures aimed at improving corporate governance.
At its meeting on February 26, 2003, the Lafarge Board of Directors decided to separate the duties of Chairman of the Board of Directors from those of Chief Executive, as the new French economic regulations now allow: as of May 20, 2003, the date of the annual shareholders meeting, Bertrand Collomb will remain Chairman of the Board of Directors and Bernard Kasriel, who is currently Vice Chairman and Chief Operating Officer, will become Chief Executive Officer of Lafarge.

Transparency and quality of information

We regularly hold meetings and briefings for our shareholders, and we have created a Shareholders' Advisory Committee. In 2003, as we did in 2002, we will publish information for the market:
- quarterly for year-to-date sales data,
- in early September on our first half results,
- at the end of February 2004 on our 2003 results.

The reader will find detailed information on corporate governance on page 156.

SHAREHOLDER INFORMATION

"IN 2002, WE STAYED THE COURSE IN TERMS OF FINANCIAL DISCIPLINE. OUR DEBT WAS CUT BY € 1.5 BILLION, OUR DISPOSALS PROGRAM SUCCEEDED AS EXPECTED AND SYNERGIES FROM BLUE CIRCLE ARE IN LINE WITH OBJECTIVES."

JEAN-JACQUES GAUTHIER | EXECUTIVE VICE PRESIDENT, FINANCE

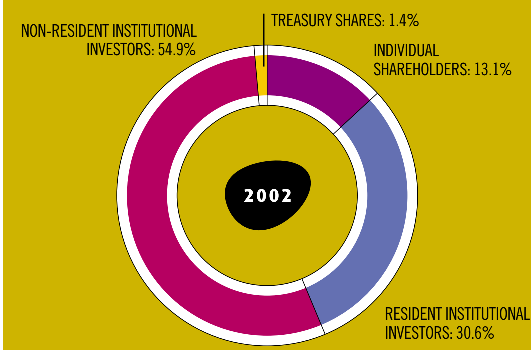
We have a relationship of trust with our individual and institutional shareholders, based on transparency and discipline. This means keeping them informed on a continual basis.

A diversified shareholder base

As of December 31, 2002, 13.1% of our shareholders were individuals and 54.9% were non-residents, reflecting the Group's international scope. Out of 247,000 individual shareholders, 19.4% were Group employees working in 50 countries around the world.

Regular meetings with shareholders

We continued our program of holding meetings with our individual shareholders. In 2002, a meeting was held in Orléans, in conjunction with the CLIFF (Cercle de Liaison des Informateurs Financiers Français). Two other meetings were held in Tours and Bordeaux, sponsored by the magazines *Investir* and *Le Revenu* respectively. A briefing was also held in Lyons as part of the Investment Forum and we took part in two specialized fairs: *Actionaria* in Paris and *Décisions Patrimoine* "Asset Decisions" in Nantes. Lastly, a briefing chaired by Bertrand Collomb was held in Strasbourg in cooperation with *Le Journal des Finances*. These meetings will continue in 2003. Information on the agenda of these meetings and invitations are available on request by contacting us at our toll-free number 0 800 235 235. In addition to the two annual meetings with analysts and journalists that coincide with earnings announcements in February and September, we also kept up the pace of our

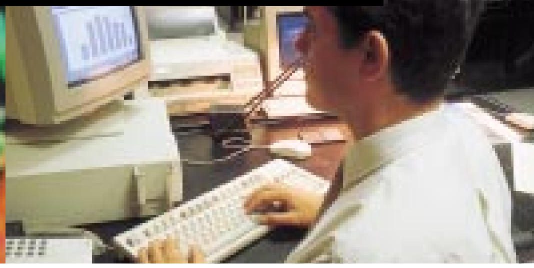


Breakdown of equity capital

FINANCIAL DATA RECOGNIZED FOR QUALITY

In 2002, Lafarge was honored by "La Vie Financière" for:

- Best shareholder relations department of the CAC 40
- Best annual report of the "Premier Marché"



meetings with French and non-resident institutional investors in Europe and North America. We also participate regularly in the main conferences attended by the major companies in the building materials industry around the world.

Annual Shareholders' Meetings

The Annual Shareholders' Meeting is seen as an occasion for genuine debate with shareholders. The venue, date and time of the event are announced several months in advance. The Notice of Meeting includes a participant's guide and provides detailed information on proposed resolutions. The use of electronic tools guarantees fast, reliable voting.

Two meetings were held in 2002. The first was attended by nearly 800 shareholders in Paris on May 28, 2002. It was retransmitted by video on www.lafarge.com. A special meeting was held on November 5, 2002 to deal with harmonizing the company's bylaws with the French New Economic Regulations. The minutes of the shareholders' meetings are posted on-line at www.lafarge.com.

Dedicated, interactive communications media

In addition to a broad distribution of our financial reports (on earnings, acquisitions, etc.) in France and abroad, mainly through the press, we also provide our shareholders with all the information they need on the life of the Group and trends in the price of their shares. They also receive annual and interim reports, as well as an abridged report on the company, *Lafarge Facts & Figures*, and a *Shareholders' Newsletter* published twice a year, with supplement at the time of major events.

CONTACTS

Individual investors based in France may dial the TOLL-FREE NUMBER 0 800 235 235 of the Shareholder Relations Department for any questions or requests for documents. The phone number for individual shareholders based out of France is + 33 1 4434 1273. You can also contact us by mail, fax or e-mail at:

LAFARGE - SHAREHOLDER RELATIONS - Delphine Bueno

61, rue des Belles Feuilles - 75016 Paris - Fax: + 33 1 4434 1237

E-mail: delphine.bueno@lafarge.com

This information is available online at www.lafarge.com, which is a complete source of information on the Group and the Group's share price.

A representative consultative committee

To enhance and improve communications with our individual shareholders, we established the Shareholders' Consultative Committee in March 1995. Reflecting the diversity of our individual shareholder base, it is composed of ten people appointed after applications are announced, with one third of the committee appointed every year.

The committee met several times last year, notably for the presentation of the 2002 financial statements and to prepare for the May 28, 2002 annual meeting.
The members are: Anne-Doris Dupuy, Robert Fons, Nicole Issautier, Patrick Liebaert, André Lienhart, Jean-Paul Muller, Dominique de Préville, Daniel Robin, Marcel Tixier, and Gérard Vigneron.

The Lafarge share

Listed for trading on the major European financial markets and on the New York Stock Exchange (ADR), and included in the DJ Eurostoxx 50 index since September 2002, the share is widely covered by sector analysts and is recognized by major international investors.
After recording out the best performance of the CAC 40 in 2001, the share was impacted by the global market slowdown in 2002, ending the year down 31.5% at € 71.80, while the CAC 40 and the DJ Eurostoxx 50 were down 34% and 36% respectively.
The daily trading volume in our shares on Euronext Paris market increased over 2001 to an average of 772,173 shares traded, ranking it 18th among CAC 40 stocks. The amount of capital traded daily was over € 70 million.

THE LAFARGE SHARE PRICE IN COMPARISON TO THE CAC 40 INDEX AND THE DJ EUROSTOXX 50 INDEX SINCE JANUARY 2000 (BASIS 100)

Source: JCF Quant

SALES AND RESULTS PUBLICATION IN 2003

TUESDAY APRIL 29, 2003 | 1st quarter sales, before market

THURSDAY JULY 24, 2003 | Half-year sales, before market

THURSDAY SEPTEMBER 4, 2003 | Half-year results, before market

THURSDAY OCTOBER 23, 2003 | 3rd quarter sales, before market

THURSDAY JANUARY 22, 2004 | Full year sales, before market

GROUP MANAGEMENT REPORT

THE YEAR 2002 WAS ONE OF MIXED PERFORMANCES. SALES ROSE 7% AND OPERATING INCOME WAS UP 10% AS WE INCREASED OUR OPERATING MARGINS. THE SYNERGIES GLEANED FROM INTEGRATING BLUE CIRCLE EXCEEDED OUR PREVIOUSLY ANNOUNCED OBJECTIVES. WE REDUCED OUR DEBT BY A SUBSTANTIAL € 1.5 BILLION AND CONTINUED TO FOCUS ON PROGRAMS TO IMPROVE PERFORMANCE."

BERTRAND COLLOMB | CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Group's sales recorded a gross increase of 7%, sustained by a 16% growth of the Cement Division's sales. The scope effect of former Blue Circle operations, consolidated since July 11, 2001, amounts to € 1,558 million.

SALES PERFORMANCE

Sales report excluding foreign exchange and scope of consolidation effects is explained as follows.

CEMENT | Up 1.2%

Sales of Cement posted a limited increase of 1.2% reflecting a 3.2% drop in sales in the fourth quarter.
Sales rose in Western Europe, in spite of the decline in the fourth quarter, particularly in Germany where prices have fallen significantly throughout the year. In Central and Eastern Europe, sales advanced strongly, noticeably in Romania. In North America, total sales fell, due to a slowing of demand and bad weather conditions in the fourth quarter. In Latin America, sales were generally up, despite difficulties in Venezuela, with growth in Brazil and Chile driven by strong price increases. In the African and Indian Ocean regions, sales increased in most countries with the exception of Nigeria. In Asia, sales grew despite a drop in the Philippines, where prices decreased, and in Malaysia where the construction market was destabilized by workforce availability problems. Sales were up in the Mediterranean Basin.

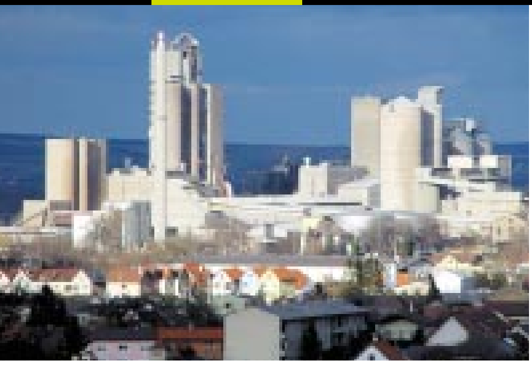
PRESENTATION OF EARNINGS FROM EQUITY AFFILIATES

Starting on January 1, 2002, the portion of earnings of companies accounted for by the equity method is disclosed in the Group's income statement under a specific line, "Equity in income from companies accounted for by the equity method". Before this change in presentation, the Group allocated its share in income from equity affiliates among "Operating income from ordinary activities", Capital gains (losses) from asset disposals", "Other income and expenses", "Net financial expenses" and "Taxes". The data from December 31, 2001 was revised to make it comparable with that of December 31, 2002.

SALES BY DIVISION

	DECEMBER 31, 2002 *in million euros*	DECEMBER 31, 2001 *in million euros*	% VARIATION*	EXCLUDING EXCHANGE AND SCOPE EFFECTS
Cement	6,948	5,995	+16%	+1.2%
Aggregates and Concrete	4,768	4,806	-1%	-1.2%
Roofing	1,538	1,585	-3%	-5.9%
Gypsum	1,146	1,072	+7%	+7.2%
Others	210	240	-12%	-15.3%
Total	**14,610**	**13,698**	**+7%**	**-0.3%**

* *At current consolidation scope and exchange rates.*



AGGREGATES AND CONCRETE | down 1.2%

The sales in 2002 were down by 1.2% in comparison with the previous year (down 0.7% in the fourth quarter). Aggregates sales posted a decline of 3.1%, largely due to North American market trends. Concrete sales increased slightly (0.8%), with a solid growth in France and a decline in North America.

ROOFING | down 5.9%

Roofing sales were 5.9% lower than in 2001 (down 8% in the fourth quarter). Sales in Europe declined, particularly in Germany, while they continued to increase in Asia.

GYPSUM | up 7.2%

The 7.2% increase in sales (up 3.8% in the fourth quarter) is mainly due to volume and price increases in North America, and to a significant increase in sales in the Asia Pacific region. In Europe, sales were stable in a mixed economic environment; weaknesses in Germany and Poland were offset by growth in the rest of Europe.

Scope changes

Changes in the scope of consolidation had a net effect of € 1,493 million (+11.4%). Acquisitions had a positive impact on sales of € 1,772 million (primarily reflecting the fullyear consolidation of the former
Blue Circle operations.) while disposals had a negative impact of € 160 million. The change in accounting treatment of Lafarge Morocco, from global consolidation to proportional consolidation, resulted in a reduction in sales of € 119 million.

Foreign exchange effect

The foreign exchange impact on the 2002 sales amounted to € 540 million (-4.4%).
Foreign exchange losses weighed heavily on sales principally in the following currencies: US and Canadian dollars (€ 272 million), Brazilian real (€ 79 million) and South African rand (€ 40 million).

MOROCCO

Beginning on January 1, 2002, a new accounting method was applied to our Moroccan activities. They are now consolidated using the proportional method and no longer the global consolidation method.

DEPRECIATION

Beginning on January 1, 2002, the cement plants are depreciated by component. Before January 1, 2002, they were all depreciated over the same useful life without any distinction among the various components.
The new treatment has resulted in an extension of the average depreciable life from 20 years to 28 years for a new factory to better reflect the actual useful life of the equipment.

SALES BY GEOGRAPHIC AREA

(by destination)	DECEMBER 31, 2002 *in million euros*	DECEMBER 31, 2001 *in million euros*	% VARIATION*
Western Europe	6,005	5,490	+9%
North America	4,405	4,431	-1%
Central and Eastern Europe	661	514	+29%
Mediterranean Basin	562	637	-12%
Asia / Pacific	1,388	1,101	+26%
Latin America and the Caribbean	720	760	-5%
Sub-Saharan Africa, Indian Ocean, Others	869	765	+14%
Total	**14,610**	**13,698**	**+7%**

**At current consolidation scope and exchange rates.*

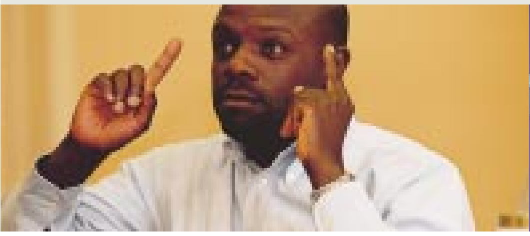
OPERATING INCOME FROM ORDINARY ACTIVITIES BY DIVISION

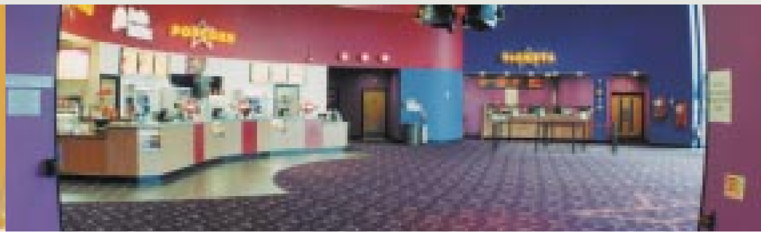
	DECEMBER 31, 2002 *in million euros*	DECEMBER 31, 2001 REVISED* *in million euros*	DECEMBER 31, 2001 *in million euros*	% VARIATION REVISED*
Cement	1,606	1,434	1,507	+12%
Aggregates and Concrete	336	378	381	-11%
Roofing	132	128	142	+3%
Gypsum	51	3	9	-
Others	7	(9)	26	-
Total	**2,132**	**1,934**	**2,065**	**+10%**

OPERATING INCOME FROM ORDINARY ACTIVITIES BY GEOGRAPHIC AREA

	DECEMBER 31, 2002 *in million euros*	DECEMBER 31, 2001 REVISED* *in million euros*	DECEMBER 31, 2001 *in million euros*	% VARIATION REVISED*
Western Europe	980	802	892	+22%
North America	479	515	506	-7%
Central and Eastern Europe	86	71	71	+21%
Mediterranean Basin	111	113	116	-2%
Asia / Pacific	138	104	106	+33%
Latin America and the Caribbean	205	208	246	-1%
Sub-Saharan Africa, Indian Ocean, Others	133	123	130	+8%
Central costs		(2)	(2)	
Total	**2,132**	**1,934**	**2,065**	**+10%**

* *Revised for the change in presentation of equity affiliates.*





BREAKDOWN OF OPERATING INCOME BY DIVISION

Operating income on ordinary activities rose by 10% to € 2,132 million versus € 1,934 million as at December 31, 2001. Operating income rose 2% excluding the effect of exchange rates, change in depreciable lives of cement assets and scope effects.

By Division, operating income in 2002 breaks down as follows.

CEMENT | 75% of consolidated operating income

Volumes sold by Lafarge in 2002 totaled 106 million tons of cement, up 21% compared to 2001, reflecting the consolidation of the former Blue Circle operations. Western Europe remains the Group's largest cement market with 31% of volumes sold, followed by Asia with 20%.

Operating income on ordinary activities of the Cement Division increased by 12% to € 1,606 million at the end of 2002 compared to € 1,434 million at the end of 2001. At constant scope, depreciable lives and exchange rates, operating income on ordinary activities rose by 3%. The change in the estimated life of cement plant assets had a favorable impact of € 83 million on operating income. The change in the treatment of Lafarge Morocco from the global to proportional consolidation method reduced

CEMENT

	DECEMBER 31, 2002 *in million euros*	DECEMBER 31, 2001 *in million euros*	% VARIANCE	EXCLUDING FOREIGN EXCHANGE, DEPRECIATION CHANGE AND SCOPE EFFECTS
Sales	6,948	5,995	+16%	+1.2%
Operating income on ordinary activities*	1,606	1,434	+12%	+3%

** Revised for the change in presentation of equity affiliates in 2001.*

operating income in the Mediterranean Basin by € 41 million. Currency fluctuations had a negative impact of 5% being € 73 million. As a percentage of the Division's gross sales (Note 3(a) on page 104), operating income on ordinary activities represented 21.4% in 2002, compared to 21%* in 2001. The after tax return** on capital employed amounted to 8.4%.

• Western Europe
Operating income on ordinary activities in Western Europe grew by 27% to € 656 million compared to € 517 million at December, 2001. The scope impact of the former Blue Circle operations in the United Kingdom and Greece contributed € 111 million. Operating income at constant scope, depreciable lives and exchange rates increased by 1.5% compared to 2001 due to the improved margins in France, Spain and Italy. In Germany, the economic slowdown and highly competitive pricing situation have led the operating income to fall to one-fourth of the 2001 level.

• North America
Operating income in North America declined by 6% to € 330 million (compared to € 350 million at December, 2001). Currency fluctuations had a negative impact on operating income of € 20 million. The scope effect of Blue Circle North America amounted to € 12 million. At constant scope, depreciable lives and exchange rates, operating income in North America was down by 7%.

• Emerging countries
Operating income in emerging countries grew to € 620 million (compared to € 567 million at December, 2001). The scope effect of the former Blue Circle operations in Chile, Egypt, Malaysia, Nigeria, Zimbabwe and the Philippines amounted to € 56 million and the negative foreign exchange impact totaled € 52 million.

In Central and Eastern Europe, operating income rose 39% to € 86 million from € 62 million in 2001. The impact of negative currency fluctuations on the region's operating income amounted to € 2 million. Operating income at constant scope, depreciable lives and exchange rates grew by 21%, with strong growth in Romania where both margins and operating income grew substantially due to favorable market conditions coupled with reductions in variable costs. Operating income in Poland increased as operating margins improved due to cost reductions. In the Czech Republic, the level prices of exports sales to Germany resulted in lower operating income. Margins improved in Russia and the Ukraine with both countries increasing their operating income.

In the Mediterranean Basin, operating income for the region decreased by 10% to € 112 million from € 125 million at the end of 2001 due to the change in accounting treatment of our Moroccan operations from global to proportional consolidation. Operating income at constant scope, depreciable lives and exchange rates, and excluding the impact of the change in accounting treatment of our Morrocan operations grew

** 2001 with full-year accounting of Blue Circle (non-audited information), at comparable consolidation method: Morocco (50%), and new economic life of assets.*

***The after tax return on capital employed corresponds to the sum of the operating income on ordinary activities (at 28% in 2002, being the annual effective rate excluding the impact of the contingency provision for competition litigation risks) and the share of net income of equity affiliates, related to the average capital invested.*

by 21%. The impact of negative currency fluctuations on the region's operating income amounted to € 7 million. Strong growth in income was realized in Morocco and Jordan due to the favorable market conditions in these two countries. The small loss incurred in Turkey in 2001 turned into an operating profit on lower doubtful receivables. Egypt saw operating income decline in the context of the poor price trends partly offset by the positive impact on variable costs of the new production line at Alexandria.

In Latin America, operating income was slightly down from € 205 million at December 31, 2001 to € 202 million a year later. The scope effect of the former Blue Circle operations in Chile was € 22 million of additional operating income. The negative foreign exchange impact on the region's operating income amounted to € 30 million. At constant scope, depreciable lives and exchange rates, operating income grew by 5% . Operating income was down in Brazil due to the unfavorable foreign exchange impact which offset the improvement in operating income in reals. The Brumado divestment also impacted operating income. In Venezuela the local turmoil and bolivar devaluation have resulted in operating income being down by 21%. A small decline was recorded in Honduras. Both Chile and Mexico increased their operating income.

In Africa and the Indian Ocean, operating income on ordinary activities increased by 8% to € 120 million. The scope effect of the former Blue Circle operations in Nigeria and Zimbabwe contributed € 5 million of additional operating income. The negative foreign exchange impact on the region's operating income amounted to € 10 million. At constant scope, depreciable lives and exchange rates operating income grew by 22%. Existing operations in Kenya, Cameroon and South Africa all achieved higher operating margins. The operations in Nigeria however recorded a significant decline in operating income due to a market decrease and to cost and production issues relating to delays with the start up of the new plant at Ewekoro.

In Asia, operating income rose by 56% to € 100 million. The scope effect of the former Blue Circle operations in Malaysia and the Philippines contributed € 30 million of additional operating income. The negative foreign exchange impact on the region's operating income amounted to € 3 million. At constant scope, depreciable lives and exchange rates, operating income fell by 11%.

AGGREGATES AND CONCRETE

	DECEMBER 31 2002 *in million euros*	DECEMBER 31 2001 *in million euros*	% VARIANCE	EXCLUDING FOREIGN EXCHANGE AND SCOPE EFFECTS
Sales	4,768	4,806	- 0.8%	-1.2%
Operating income on ordinary activities*	336	378	-11%	-10%

** Revised for the change in presentation of equity affiliates in 2001.*

South Korea delivered a strong growth in operating income mainly due to the favorable market conditions. India improved operating income as a consequence of continued production performance improvement. Operating income in the Philippines was weak due to deteriorated pricing. In Indonesia a small operating loss was incurred, though much reduced from the loss incurred in 2001.

AGGREGATES AND CONCRETE | 16% of consolidated operating income

Operating income on ordinary activities of the Aggregates and Concrete Division declined by 11% between 2001 and 2002, from € 378 million to € 336 million. The scope effect of the former Blue Circle operations was € 16 million. At constant scope and exchange rates, operating income on ordinary activities declined by 10%. Currency fluctuations had a negative impact of 4%. Operating income on ordinary activities represented 7% of the Division's gross sales (Note 3(a) on page 104) in 2002 compared to 7.9% in 2001. The after tax return* on capital employed amounted to 6.7%.

- **The operating income for Aggregates** totaled € 246 million down 9% from € 270 million in 2001. While currency fluctuations had a negative impact of € 10 million the remainder of the decline was due to the weaker North American results.

- **The operating income for Concrete** totaled € 90 million down 17% from € 108 million in 2001. Currency fluctuations had a negative impact of € 4 million with the remainder of the decline also due to the weaker North American results.

- **Western Europe**
Operating income on ordinary activities grew by 3% to € 148 million. Operating income in France was at a similar level to 2001. In the UK operating income grew as operating margins improved in the concrete activity.

- **North America**
Operating income on ordinary activities was down by 25% to € 178 million. The net scope effect on the operating income from former Blue Circle operations and divestments was € 3 million. The impact on operating income of the weakening dollar against the euro amounted to € 12 million or 5%. An important share of the decline in the operating income is due to a reduction of the Aggregates and Concrete activity, especially in Ontario. Income dropped in Western USA and specifically in Southeastern USA due to a weaker market.

Elsewhere in the world, operating income continued to improve up to € 10 million from € 2 million in 2001. In South Africa, operating income continued to grow strongly and in Turkey, while the market remains very unstable and competitive, the operating loss was reduced significantly.

ROOFING | 6% of consolidated operating income

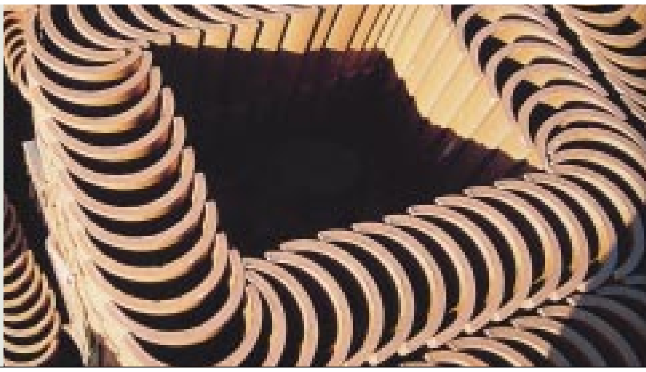
The Division's operating income was up 3% to € 132 million from € 128 million in 2001 largely as a result of the cost management efforts and extensive restructuring carried out across the operations, particularly in

The after tax return on capital employed corresponds to the sum of the operating income on ordinary activities (at 28% in 2002, being the annual effective rate excluding the impact of the contingency provision for competition litigation risks) and the share of net income of equity affiliates, related to the average capital invested.

ROOFING

	DECEMBER 31 2002 *in million euros*	DECEMBER 31 2001 *in million euros*	% VARIANCE	EXCLUDING FOREIGN EXCHANGE AND SCOPE EFFECTS
Sales	1,538	1,585	-3%	-5.9%
Operating income on ordinary activities*	132	128	+ 3 %	+ 4 %

** Revised for the change in presentation of equity affiliates in 2001.*



France/Concrete, the Autoroutes du Sud de la France building, in Orange. An Agilia® construction.

Germany where the sales forces of the two leading brands were merged in 2002. Germany now accounts for 25% of operating profits, all other European markets for 61% and non-European operations for 14%. Operating income on ordinary activities represented 8.6% of the Division's gross sales (Note 3(a) on page 104) in 2002, compared to 8.1% in 2001. The after-tax return* on capital employed amounted to 4.2%.

• Western Europe

Operating income on ordinary activities in Western Europe rose from 6% to € 103 million. In Germany, following the extensive restructuring the operating income increased from € 15 million to € 33 million, including the change in the central cost allocation method within the Division. The underlying increase in German operating income amounted to € 2 million or 13%, excluding change in cost allocation method. In other Western European countries operating income declined from € 82 million in 2001 to € 70 million in 2002. The underlying decrease of € 6 million or 7% was a result of weaker markets in France and in the Netherlands, that could not be entirely compensated by the improvement recorded in Scandinavia and further growth in Italy.

• North America and other countries

Operating income was down marginally to € 29 million in 2002 from € 31 million in 2001, also due to the same cost allocation change. At constant scope and exchange rates, underlying operating income was up € 9 million, excluding change in central allocation costs. Major contributors were Eastern Europe, Malaysia and North America.

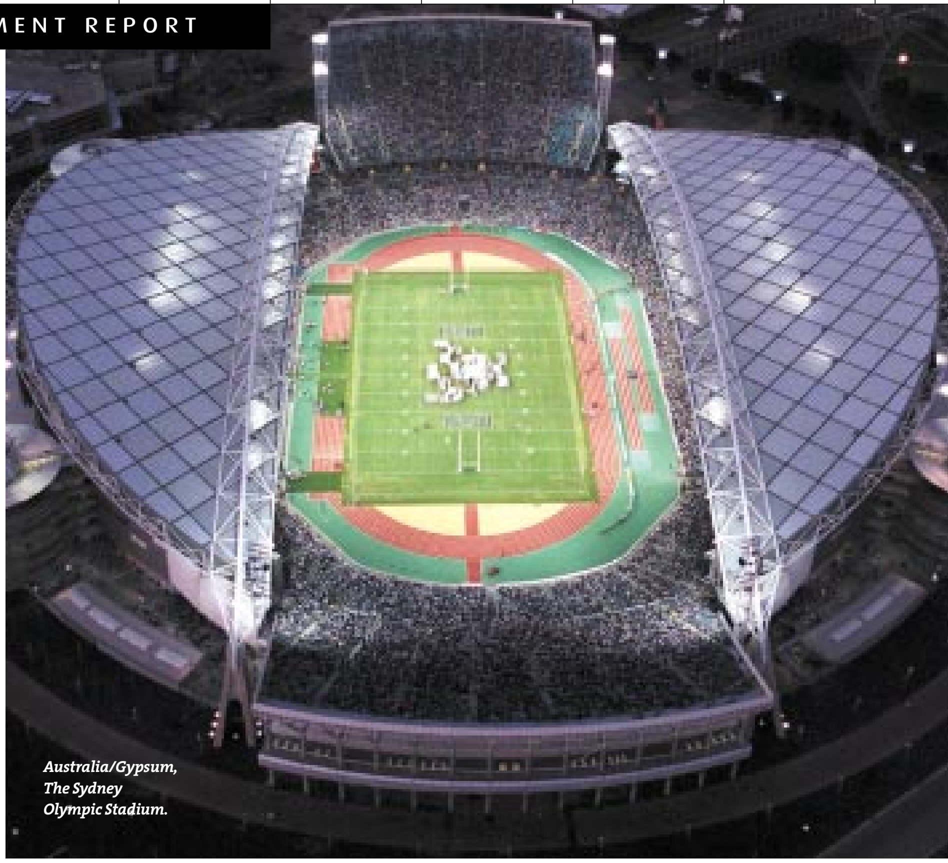
GYPSUM | 2% of consolidated operating income

Operating income on ordinary activities grew strongly after the very difficult year in 2001, and was up from € 3 million to € 51 million. This was mainly as a result of reduced losses in North America, helped by better pricing coupled with our Division-wide performance plans, particularly in the area of

GYPSUM

	DECEMBER 31 2002 *in million euros*	DECEMBER 31 2001 *in million euros*	% VARIANCE	EXCLUDING FOREIGN EXCHANGE AND SCOPE EFFECTS
Sales	1,146	1,072	+6.9%	+7.2%
Operating income on ordinary activities*	51	3	N/A	N/A

** Revised for the change in presentation of equity affiliates in 2001.*



Australia/Gypsum, The Sydney Olympic Stadium.

purchasing and manufacturing efficiency. Operating income on ordinary activities represented 4.4% of the Division's gross sales (Note 3(a) on page 104) in 2002, compared to 0.3% in 2001. The after tax return* on capital employed amounted to 3.6%.

• **Western Europe:**
Operating income on ordinary activities in Western Europe improved strongly to € 59 million from € 44 million including the effect of a change in the central cost allocation method within the Division. The underlying increase in operating income amounted to € 2 million or 5%. France and the UK continued to increase operating margins as a consequence of their operating performance plans, however Germany continued to make losses reflecting the difficult market conditions.

• **North America:**
The operating loss in 2002 was significantly reduced to € 28 million, compared to a loss of € 76 million in 2001. This reduction in losses was due to the increase in prices and also to the improvement in production performance benefiting sales volumes and reducing our cost base. The level of demand for wallboard remained stable during the year with a sound residential construction market. At the end of 2002 the decision was taken to mothball the Wilmington plant in the North East region allowing us to concentrate our production at lower cost facilities. The idling of this plant will save 10 million US dollars per annum.

• **Other countries:**
Operating income on ordinary activities fell to € 20 million compared to € 32 million in 2001. This decline was mainly attributable to Poland where the very poor market conditions led to a significant increase in losses. However, mid-term prospects remain excellent for this market: a new plant started in the fourth quarter in Gacki after the previous plant at this site had been closed. Our operating income on ordinary activities in the Asia Pacific region was stable, but with good performances seen in Australia and continuing benefits of our joint venture in Asia. In particular, in 2002 the joint venture benefited from the successful integration of Siam Gypsum Industry, which was acquired in June 2001, and the construction of a new facility in South Korea using equipment transferred from the Chinese operations following the restructuring of the two businesses in Shanghai.

** The after tax return on capital employed corresponds to the sum of the operating income on ordinary activities (at 28% in 2002, being the annual effective rate excluding the impact of the contingency provision for competition litigation risks) and the share of net income of equity affiliates, related to the average capital invested.*

OTHER INCOME STATEMENT ITEMS

• Non-recurring items
These amounted to a € - 309 million charge, as compared to a € 122 million contribution at the end of December 2001.
The capital gains on disposals were € 216 million of which the sale of cement operations in Southern Spain, Brazil and South Africa generated a gain of € 148 million. The sale of property in Paris, namely our headquarters building which we now lease, generated a € 51 million capital gain.
Other non-recurring charges of € 525 million included a provision of € 300 million. This provision has been made out of prudence to cover the risks related to the European Commission's decision against our Gypsum activities in Europe, which Lafarge has appealed against, as well as the current German Cartel authority investigation into the cement industry in Germany.
Other non recurring charges relate to restructuring charges and write offs.
Restructuring and closure charges for our businesses in Germany and Poland amounted to € 69 million, split between Roofing at € 39 million, Concrete at € 17 million and Gypsum at € 13 million. An amount of € 27 million was accounted for as a charge in relation to the idling of the Wilmington plant in Delaware, USA. Other non-recurring items relating to the reorganization of our businesses amounted to € 60 million.

• Net interest charges
These amounted to € 521 million, down from € 544 million at the end of December 2001.
The average interest rate on the debt was 5.2% at the end of December 2002. In connection with the major plant modernizations that occured in 2002, an amount of € 40 million of financial expenses was capitalized compared to € 16 million in 2001. Dividends amounted to € 14 million, compared to € 47 million in 2001.
The dividends received in 2001 included those received from Blue Circle.

• Income tax
Income tax totaled € 448 million (€ 368 million at the end of

December 2001). The effective tax rate when compared to 2001 equals 34.4%. This increase is in part due to the exceptional provision for risks relating to competition issues, which is not tax deductible.

• Income from equity affiliates
They totaled € 33 million (€ 18 million at the end of December 2001). The share of net income of equity affiliates contributed € 49 million, of which Molins accounted for € 37 million. The share of net income of equity affiliates in the Roofing and Gypsum Divisions amounted to € 18 million. The share of the loss of Carmeuse North America amounted to € 28 million.

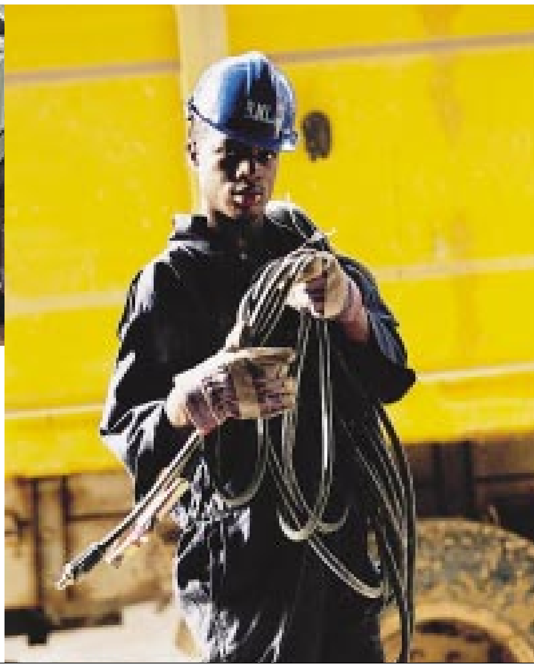
• Share of minority interests
The share of minority interests in net Group income totaled € 273 million (€ 270 million at the end of December 2001).

• Amortization of goodwill
Goodwill amortization amounted to € 158 million, up from € 142 million at the end of December 2001. The increase is due to the scope impact resulting from the acquisition of Blue Circle.

• Net income, Group share, before extraordinary provision and goodwill amortizations
It amounted to € 914 million, a 2.5% increase from € 892 million at the end of December 2001.

• Net income, Group share
It amounted to € 456 million (€ 750 million at the end of December 2001) due to the exceptional provision of € 300 million.

• Net income per share
This item was consequently € 3.52 (€ 5.97 at the end of December 2001). The average number of shares outstanding increased by 3% to € 129.6 million.



CASH FLOW STATEMENT

NET CASH FROM OPERATING ACTIVITIES BEFORE CHANGE IN WORKING CAPITAL

It totaled € 1,956 million (€ 1,668 million at the end of December 2001), a significant increase of 17%.

INVESTMENTS*

Capital expenditures and investments totaled € 1,513 million (€ 6,073 million at the end of December 2001), and include:

• **Sustaining capital expenditure**
€ 704 million, relating to the ongoing upgrading and modernization of existing industrial plants around the world.

• **Capital expenditures for internal developments**
€ 380 million, representing a number of cement projects such as the new dry line at Kujawy in Poland, Ewekoro in Nigeria, and Tétouan in Morocco. The start-up of new plants went well at Sugar Creek and Roberta in the USA and Dujiangyan in China.

• **Acquisitions totaled € 429 million, of which**
Cement: Beocinska Fabrika Cementa (BFC), in Serbia for € 60 million; Cementama Trbrovlje, in Slovenia for € 40 million; Tong Yang Cement, in South Korea for € 48 million; Cementia Holding AG's minority shareholders for € 49 million; Kedah Cement's minority shareholders for € 61 million.

Gypsum:
Continental Gypsum in Newark, USA for € 30 million.

DISPOSALS

They totaled € 725 million (€ 1,537 million at the end of December 2001). This includes the sale of cement assets in Southern Spain for € 225 million. Other divestments included the grinding station at Brumado in Brazil, the shareholding in Natal Portland Cement in South Africa and concrete product businesses in Canada, as well as certain property.

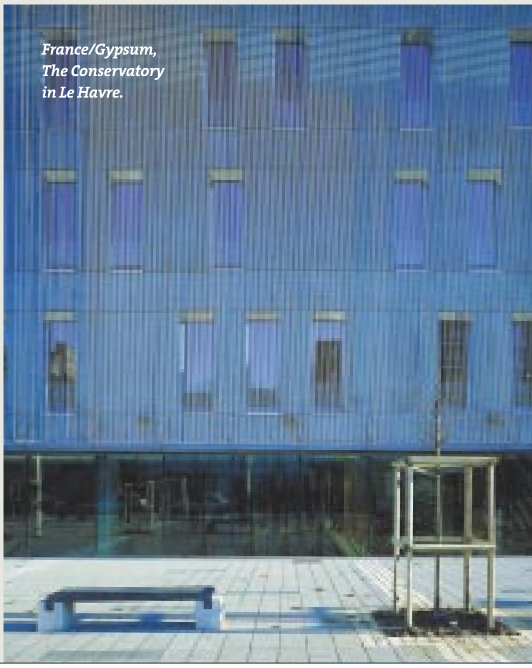
BALANCE SHEET STATEMENT

SHAREHOLDER'S EQUITY

Total equity as at December 31, 2002 stood at € 9,270 million (€ 10,596 million at the end of December 2001). The reduction from December 31, 2001, results from the translation effect of converting foreign currency denominated assets into euros.

NET CONSOLIDATED DEBT

This item totaled € 10,216 million, down € 1,487 million from the € 11,703 million reported at the end of December 31, 2001. It includes the effects of changes in exchange rates which contributed € 572 million to the decline.



France/Gypsum, The Conservatory in Le Havre.

* *Acquisitions valued at the average exchange rate for the year.*

CEMENT

IN 2002, THE CEMENT DIVISION GREW SHARPLY AS A RESULT OF THE FULL YEAR CONSOLIDATION OF THE OPERATIONS OF THE FORMER BLUE CIRCLE AND A NEW INCREASE IN ITS OPERATING MARGINS. WE ALSO GAVE RENEWED IMPETUS TO OUR PERFORMANCE PLANS BY PREPARING FOR THE DEPLOYMENT OF OUR NEW PROGRAM "ADVANCE" FOR 2003."

ISIDORO MIRANDA | EXECUTIVE VICE PRESIDENT, CEMENT

To make them comparable to the 2002 figures, all the figures of the current operating income at December 31, 2001 are presented after correction for equity-affiliates that are no longer accounted for in the operating income. All the comments relating to the performance of the former Blue Circle operations in 2001 concern the period following its addition to the scope of consolidation, as from July 11, 2001. All the changes expressed as a percentage of sales are by destination.

Sales of the Cement Division grew by 15.9% between 2001 and 2002, to € 6,948 million up from € 5,995 million in 2001. This large increase primarily reflects the full year consolidation of the former Blue Circle operations for the first time. In 2001, these operations had only been consolidated from July 11, 2001 (the effective date of the acquisition). The contribution of the former Blue Circle cement operations amounted to € 2,240 million in 2002, compared to € 1,205 million in 2001. At constant scope and exchange rates, our sales grew by 1.2%. The slower growth in 2002 reflects the mixed trends in some of our markets. Overall changes in the scope of consolidation at constant exchange rates increased sales by 20.5% contributing an additional € 1,174 million. Currency fluctuations had a negative impact on sales of 5.8% which amounted to € 286 million and resulted mostly from the decline in strength of the US dollar and the Brazilian real against the euro. Volumes sold increased by 21% in 2002 to 106 million tons of cement.

SALES 2002

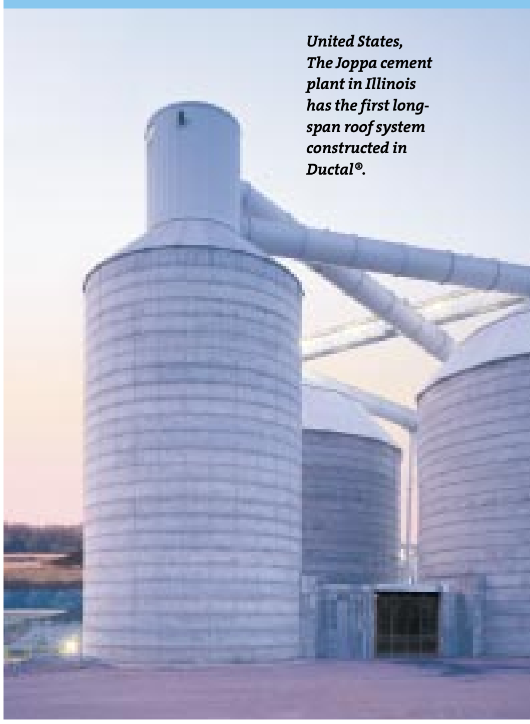
€ 6,948 million

WORKFORCE 2002

37,521 employees

INTERNATIONAL SCOPE

- Consolidated companies (global and proportional methods): active in 42 countries, 115 cement and clinker plants, 27 grinding plants.*



United States, The Joppa cement plant in Illinois has the first long-span roof system constructed in Ductal®.

* *All companies: active in 47 countries, 127 cement and clinker plants, 32 grinding plants.*

PERFORMANCE IMPROVEMENT AND DEVELOPMENT

Following the major Blue Circle acquisition in 2001 the priority for the Cement Division has been the roll-out of the performance improvement action plans. The Cement Division performance program is presented on page 8 on this Annual Report. Moreover the Cement Division continued to pursue its development program. A significant number of major plant refurbishments or greenfield projects were completed during the year.

Two new production lines were inaugurated in North America, Sugar Creek II near Kansas City and Roberta at Calera in Alabama. In China, the greenfield plant with a 1.4 million tons capacity at Dujiangyan near Chengdu was successfully completed and a clinker plant with 0.4 million tons clinker capacity was also acquired in Beijing market. Lafarge Halla Cement acquired a 25% stake in Tong Yang Cement in South Korea. Tong Yang's 11 million tons plant is one of the largest cement plants in the world. The Group increased its presence in the Balkans, with the acquisition of Beocinska Fabrika Cementa in Serbia with a 1.5 million tons capacity and the full ownership of Cementarna Trbovlje in Slovenia, instead of 22.9% previously. Cementarna Trbovlje has a capacity of 0.5 million tons. A number of divestments were realized during the year being the sale of businesses with limited strategic potential for the Group.

CEMENT

Sales

(in million euros)	2002	2001
Western Europe	2,274	1,725
North America	1,579	1,469
Central and Eastern Europe	401	301
Mediterranean Basin	455	550
Asia / Pacific	981	753
Latin America and Caribbean	502	547
Sub-Saharan Africa and Indian Ocean	756	650
Total	**6,948**	**5,995**

Sales by geographic aera of destination and after eliminations of consolidation.

Operating income on ordinary activities

(in million euros)	2002	2001 REVISED*	2001 PUBLISHED
Western Europe	656	517	544
North America	330	350	351
Central and Eastern Europe	86	62	62
Mediterranean Basin	112	125	125
Asia / Pacific	100	64	64
Latin America and Caribbean	202	205	243
Sub-Saharan Africa and Indian Ocean	120	111	118
Total	**1,606**	**1,434**	**1,507**

** Revised for the change in presentation of equity affiliates.*

Volumes

(in million tons)	CONSOLIDATED VOLUMES [1]		VOLUMES AT 100 % FOR INFORMATION [2]	
	2002	2001	2002	2001
Western Europe	32.8	26.0	33.1	26.3
North America	17.5	16	17.5	16
Central and Eastern Europe	8.1	6.2	8.1	6.2
Mediterranean Basin	9.5	11.4	12.5	12.3
Asia / Pacific	21.1	14.4	25.0	18.4
Latin America and Caribbean	6.5	6.4	6.8	6.7
Sub-Saharan Africa and Indian Ocean	10.2	7. 2	11.0	8.1
Total	**105.7**	**87.6**	**114.1**	**94**

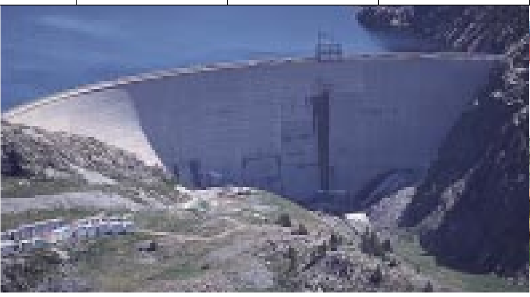
1 | Volumes excluding intra-Divisions transactions by destination / Adjusted for the contribution of subsidiaries consolidated according to the proportionate method.

2 | Volumes at 100% by destination for all companies in scope of consolidation.

Investments

(in million euros)	2002	2001
	966	1,456

Employees	2002	2001
	37,521	41,832



They included: in Southern Spain, two cement plants, a grinding plant and a terminal, in Brazil, a grinding unit and three distribution terminals (Brumado) situated in the state of Bahia. Furthermore, we also divested a number of shareholdings in companies in South Africa and in Italy. Operating income on ordinary activities of the Cement Division increased by 12% to € 1,606 million in 2002 compared to € 1,434 million in 2001.

At constant scope, depreciable lives and exchange rates, operating income on ordinary activities rose by 3%. The change in the estimated useful life of cement plant assets had a favorable impact of € 83 million on operating income. The change in the treatment of Morocco from the global to proportional consolidation method reduced operating income in the Mediterranean Basin by € 41 million. Currency fluctuations had a negative impact of 5% or € 73 million. As a percentage of the Division's gross sales (Note 3(a), on page 104), operating income on ordinary activities represented 21.4% in 2002, compared to 21%* in 2001. The after tax return** on capital employed stood at 8.4% (in 2001, it was 13.5% before the operations of Blue Circle were taken into account).


United Kingdom, the Cauldon cement plant.

SYNERGIES RESULTING FROM THE ACQUISITION OF BLUE CIRCLE

We achieved synergies of € 117 million in 2002 as a result of the integration of the operations of Blue Circle Industries, of which one third related to overhead synergies and two thirds related to operational synergies. Unfortunately, the effect of these synergies was only partly evident at the operating income level due to specific negative circumstances in countries such as Nigeria (due to downturn and poor operating performance), the Philippines (due to price war), Malaysia (due to governmental measures against illegal immigrants in the construction industry) and the United States (due to sharp decline in infrastructure projects in the Boston area, lower prices in the southeast, kiln failure at the Ravena plant and start-up costs at the new Roberta facility).

** 2001 with full-year accounting of Blue Circle (non-audited information), at comparable consolidation method: Morocco (50%), and new economic life of assets.*

***The after tax return on capital employed corresponds to the sum of the operating income on ordinary activities (at 28% in 2002, being the annual effective rate excluding the impact of the contingency provision for competition litigation risks) and the share of net income of equity affiliates, related to the average capital invested.*

REGIONAL ANALYSIS

Western Europe

Sales totaled € 2,274 million, an increase of 32% over 2001. The contribution of the former Blue Circle operations, chiefly in the United Kingdom and in Greece, amounted to € 986 million in 2002, compared to € 476 million in 2001. Currency fluctuations had no material effect on sales. The volumes sold in the region increased by 26% to 32.8 million tons, of which the former Blue Circle operations accounted for 13.2 million tons compared to 6.7 million tons in 2001. Volumes in France remained flat, but favorable pricing trends resulted in our sales increasing by 5%. Sales in the United Kingdom more than doubled, reflecting mainly the full year consolidation of the former Blue Circle operations. Favorable pricing trends also contributed to the increase in sales. Spain and Italy realized solid growth in volumes and positive price trends. The buoyant construction markets in Spain led to another year of strong sales growth which increased by 8%. In Italy sales grew by 13%. The social relations issues which impacted production at the Halkis plant in Greece did not impact our sales in this country and our sales in Greece were up by 130%, resulting primarily from the full year consolidation of the former Blue Circle operations but also from favorable volumes and pricing trends. In Germany, the impact of a highly competitive pricing environment in the context of the very weak construction market was significant. Sales were down with prices falling significantly. Operating income on ordinary activities in Western Europe grew by 27% to € 656 million compared to € 517 million in 2001. The scope impact resulting from the full year consolidation of the former Blue Circle operations amounted to € 111 million. Operating income on ordinary activities at constant scope, depreciable lives and exchange rates increased by 1.5% compared to 2001 due to improved margins in France, Spain and Italy. Operating income on ordinary activities in the United Kingdom was favorably impacted by the improvement of operational performance. In Germany, as a direct result of the economic slowdown and highly competitive pricing environment, operating income fell to one fourth of the 2001 level.



Korea, the Seonyu footbridge, a Ductal building®.

North America

In North America,we achieved sales of € 1,579 million, an increase of 8%. The contribution of the Blue Circle North America operations amounted to € 441 million in 2002, compared to € 257 million in 2001. The weaker US and Canadian dollars against the euro in 2002 had a negative impact. Our sales volumes in the region increased by 9% to 17.5 million tons, of which Blue Circle North America accounted for 4.9 million tons compared to 3.0 million tons in 2001.
Sales in North America held up well overall in an increasingly difficult construction market. While residential construction has remained robust throughout the year, activity in the commercial sector has continued to weaken. The pressure on individual States budgets impacted the level of infrastructure spending and some slowing of demand from public works and highway projects was felt particularly from the third quarter.
The impact of the weaker construction market varied from region to region.
The Western region saw an increase in demand in the mining and oil sectors whereas the North East was negatively affected by the decline in demand in the Baltimore and Boston markets. Prices overall showed some increase in the year with the notable exception of the South East, where aggressive competition was experienced in the weak Atlanta market. Sales in the fourth quarter are sensitive to weather and the return to more normal winter conditions in the last quarter reduced the volumes sold in comparison to the last quarter of 2001 when the very mild weather helped to stimulate the construction activity.
Operating income on ordinary activities in North America declined by 6% to € 330 million. Currency fluctuations had a negative impact on operating income on ordinary activities of € 20 million. The scope effect resulting from the full year consolidation of Blue Circle North America amounted to € 12 million. At constant scope, depreciable lives and exchange rates operating income in North America was down by 7%.

Emerging countries

In emerging markets we experienced a positive growth in sales of 10% to € 3,092 million, and these markets accounted for 45% of the Division’s sales in 2002, compared to 47% in 2001.
Sales in 2002 varied greatly not only from region to region but also within regions.
The contribution of the former Blue Circle operations in the emerging markets amounted

France, the Havas Group headquarters near Paris, a Ductal® frontage element.

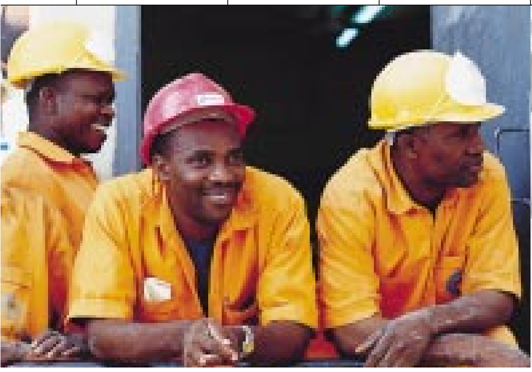
to € 813 million in 2002, compared to € 472 million in 2001. The currency fluctuations had a negative impact on sales. In emerging markets, operating income on ordinary activities rose by 9% to € 620 million compared to € 567 million in 2001, representing 39% of the Cement Division's operating income, compared to 40% in 2001. The scope impact resulting from the full year consolidation of the former Blue Circle operations in emerging markets amounted to € 56 million. Operating income on ordinary activities at constant scope, depreciable lives and exchange rates grew by 10%.

• Central and Eastern Europe

Our sales in Central and Eastern Europe rose by 33% to € 401 million. The operations in Serbia and Slovenia generated additional sales of € 74 million. Our sales volumes in the region increased by 2 million tons to 8 million tons. Sales grew by 20% in Romania, in a context of high demand and increased prices. In Poland sales were down by 3% as the recession in the building industry continued to affect volumes; the situation showed signs of improvement towards the end of the year.
In the Czech Republic our sales were up by 6%, due to a favourable foreign exchange impact. In both Russia and the Ukraine sales increased significantly.
In Central and Eastern Europe, operating income on ordinary activities continued to improve with an increase of 39% to € 86 million. The impact of negative currency fluctuations on the region's operating income amounted to € 2 million. Operating income at constant scope, depreciable lives and exchange rates grew by 21%, with strong growth in Romania where both margins and operating income grew substantially thanks to favorable market conditions coupled with reductions in variable costs. Operating income in Poland increased as operating margins improved due to cost reductions, partly due to the full impact on the year of the reduction in headcount following the closure of one plant in 2001. In the Czech Republic, the level of prices of export sales to Germany resulted in lower operating income. Margins improved in Russia and the Ukraine with both countries increasing their operating income.

• Mediterranean Basin

In the Mediterranean Basin we saw a 17% decline in sales to € 455 million primarily reflecting the change in accounting treatment of our Moroccan operations from global to proportionate consolidation. The contribution of the former Blue Circle operations in the region amounted to € 26 million in 2002, compared to € 25 million in 2001. Our sales volumes in the region were down by 17% to 9.5 million tons, compared to 11.4 million tons in



2001, primarily reflecting the change in accounting treatment of our Moroccan operations.

In Morocco, the construction market was healthy throughout the year and without the impact of the change in accounting treatment, our sales increased by 5%. Jordan delivered solid sales in the year, up 6%, thanks to a buoyant residential sector. In Egypt, over supply in the markets continued to create highly competitive market conditions with significant price erosion; our sales were down by 20%. The economic crisis in Turkey continues to severely impact the market, but an improvement in selling prices resulted in an increase of our sales by 4%.

The operating income on ordinary activities from the Mediterranean Basin countries decreased by 10% to € 112 million due to the change in accounting treatment of our Moroccan operations from global to proportionate consolidation. Operating income on ordinary activities at constant scope, depreciable lives and exchange rates, and excluding the impact of the change in the accounting treatment of our Moroccan operations grew by 21%.

The impact of negative currency fluctuations on the region's operating income amounted to € 7 million. Strong growth in income was realized in Morocco and Jordan due to the favorable market conditions. The small loss incurred in Turkey in 2001 was reversed to record an operating profit. Egypt saw a decline in operating income in the context of the poor price trends partly offset by the positive impact on variable costs of the new production line at Alexandria.

• Latin America

Our sales in Latin America were down by 8% to € 502 million. This primarily reflects the impact on sales in the region of the devaluation of the various regional currencies in the year against the euro.

The contribution of the former Blue Circle operations in Chile amounted to € 79 million in 2002, compared to € 32 million in 2001. Our sales volumes in the region rose by 1.6% to 6.5 million tons of cement of which former Blue Circle accounted for 1.3 million tons.

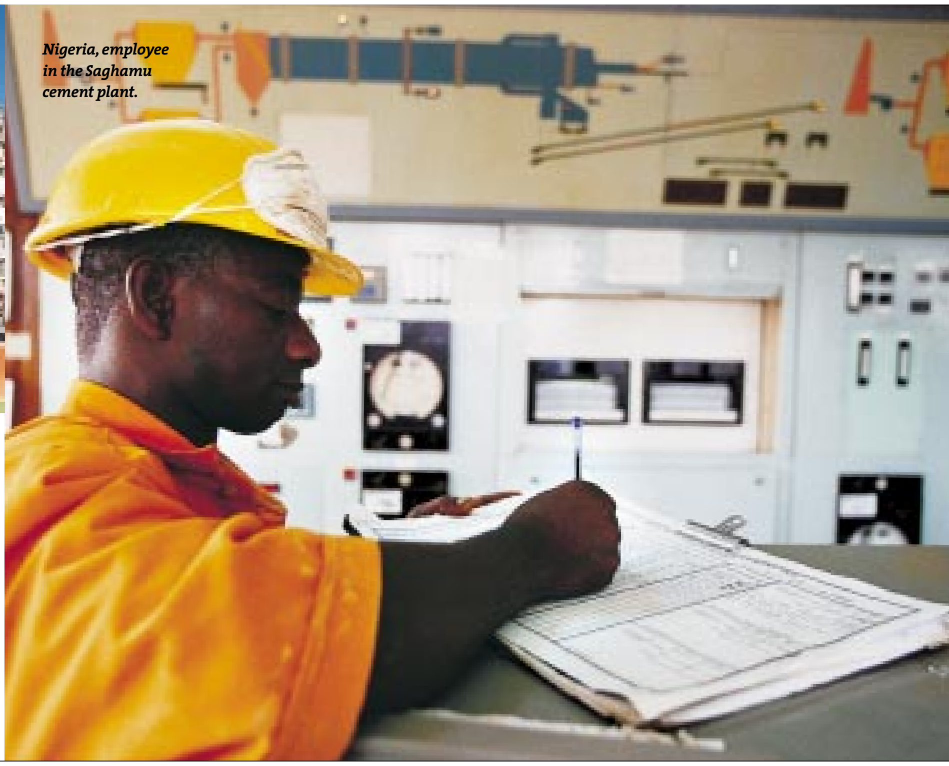
Volumes held up well in Brazil. Despite price increases in reals, up 14%, prices were down in euros which resulted in our sales falling by 21% overall. In the context of the political and economic turmoil in Venezuela sales fell significantly by 28%, with volumes down by 17% and prices by 6%. Honduras ended the year with sales down 11%. The operations in Chile showed some favorable pricing evolution. In Mexico sales were up by 10%.

The operating income on ordinary activities from Latin America was slightly down from € 205 million in 2001 to € 202 million in 2002. The positive scope effect resulting from the full year consolidation of the former Blue Circle operations in Chile amounted to € 22 million. The negative foreign exchange impact on the region's operating income amounted to € 30 million. At constant scope, depreciable lives and exchange rates operating income grew by 5%. Operating income was down in Brazil due to the foreign exchange impact which offset the improvement in operating income in reals and to the scope effect resulting from the divestment of Brumado. In Venezuela the local turmoil and bolivar devaluation have resulted in operating income being down by 21%, in spite of drastic cost control measures taken internally. A small decline was recorded in Honduras. Both Chile and Mexico increased their operating income.

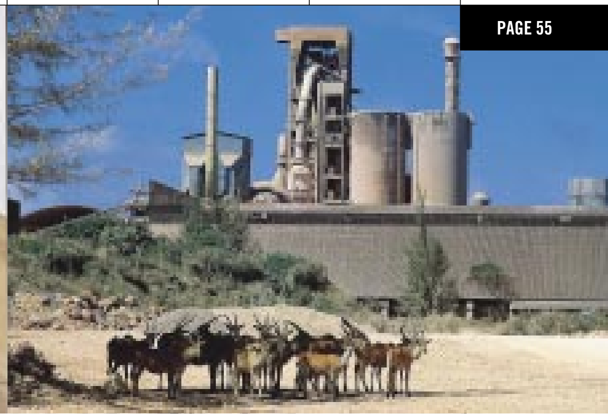
• Africa and Indian Ocean

In the Sub-Saharan Africa and Indian Ocean region our sales grew by 16% to € 756 million. The contribution of the former Blue Circle operations in this region amounted to € 265 million in 2002, compared to € 173 million in 2001. Our sales volumes in the area increased by 42% to 10.2 million tons of cement, of which former Blue Circle accounted for 4 million tons, compared to 1.6 million tons in 2001. Currency fluctuations had a negative impact on sales in the region.

In South Africa our sales were down by 16% primarily reflecting the significant devaluation of the rand against the euro. The business recorded higher volumes and improved prices in local currency terms. Our operations in Kenya and Uganda saw sales improve 10% and 17%, respectively with strong domestic market conditions and prices. Sales in Cameroon increased by 5% in the context of solid local demand and improved prices. South East Africa, which covers Zambia, Malawi, Tanzania and Zimbabwe contributed sales of € 72 million. Sales volumes have generally followed a favorable trend during the year however prices have been negatively affected by exchange rate depreciation. The market trends in Nigeria have been poor, partly due to a downturn in market conditions partly due to the pre-election situation with flat volumes and weaker prices overall.
Operating income on ordinary activities in Sub-Saharan Africa and the Indian Ocean increased by 8% to € 120 million. The scope effect resulting from the full year consolidation of the former Blue Circle operations in Nigeria and Zimbabwe amounted to € 5 million. The negative foreign exchange impact on the region's operating income amounted to € 10 million. At constant scope, depreciable lives and exchange rates operating income grew by 22%. Existing operations in Kenya, Cameroon and South Africa achieved higher operating margins. The operations in Nigeria however recorded a significant decline in operating income, and had



Nigeria, employee in the Saghamu cement plant.

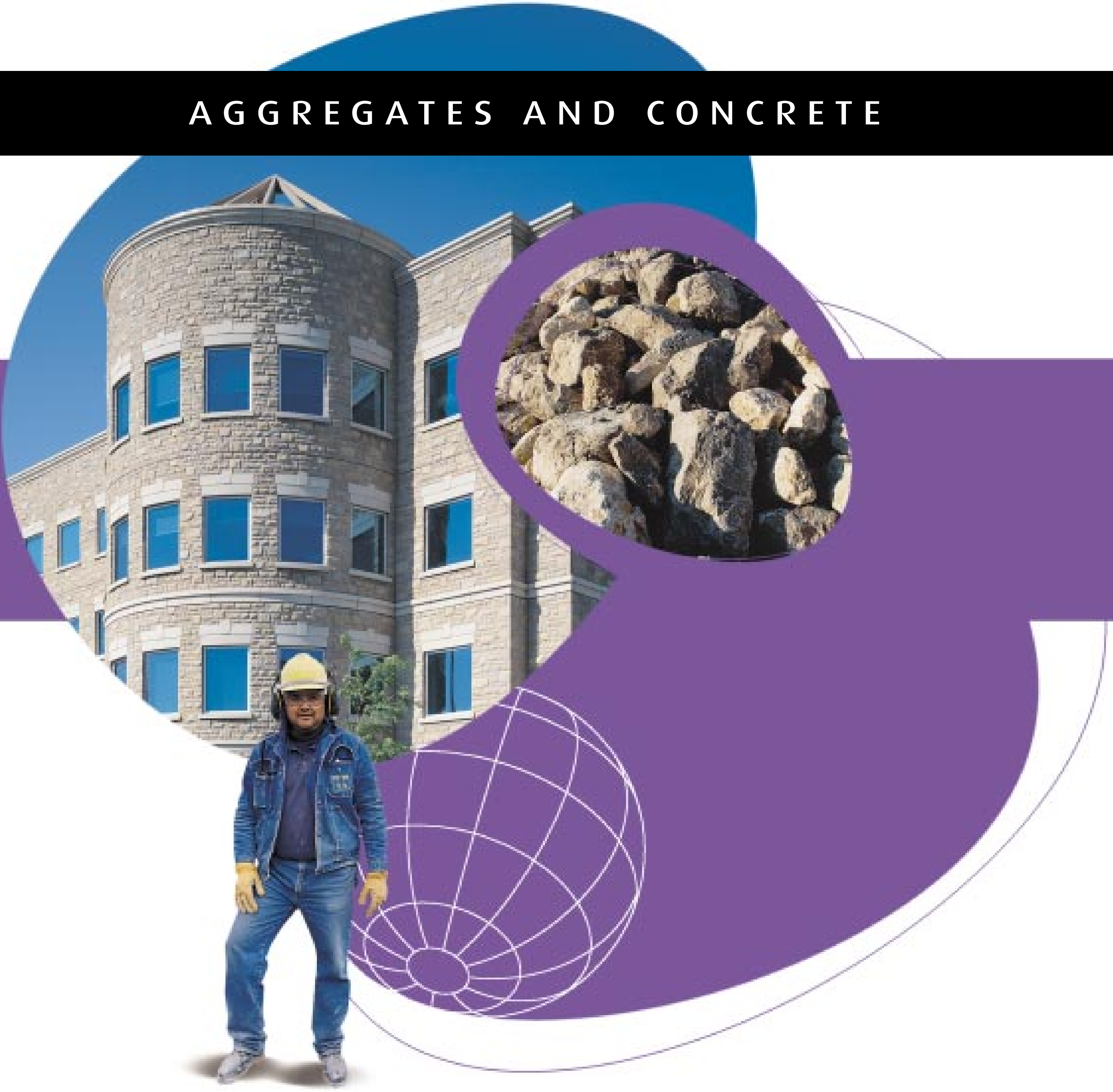


significant cost and production issues relating to delays with the start up of the new plant at Ewekoro.

• Asia Pacific

Our operations in the Asia Pacific region saw sales increase by 30% to € 981 million. The contribution of the former Blue Circle operations in this region, mainly in Malaysia and the Philippines, amounted to € 432 million in 2002, compared to € 231 million in 2001.
Our sales volumes in the region increased by 46% to 21.1 million tons of cement, of which the former Blue Circle operations accounted for 8.9 million tons, compared to 4.3 million tons in 2001. In South Korea, sales continued to show strong growth up by 13%. Domestic sales volumes were strong as construction spending continued to increase and prices developed favorably over the year. The impact of the typhoon that has affected the country was limited mainly to the month of September.
In the Philippines our sales increased by 42%, primarily reflecting the full year consolidation of the former Blue Circle operations, with volumes increasing strongly in the context of severe price competition where prices have fallen by 21% in the year.
In India sales volumes showed a satisfactory level of growth, however prices have remained at a low level; sales were up by 5%. China has continued to deliver a strong growth in sales of 63% benefiting from the start up of the Dujiangyan plant and strong demand on the Beijing market. In Indonesia, sales grew by 28% as prices started to show some signs of improvement. In Malaysia, sales increased by 79%, primarily reflecting the full year consolidation of the former Blue Circle operations. However, our operations were negatively impacted by the slow down in the second half, due to the impact of governmental measures relating to the employment of foreign workers.
The Asia Pacific region saw operating income on ordinary activities grow by 56% to € 100 million. The scope effect resulting from the full year consolidation of the former Blue Circle operations in Malaysia and the Philippines amounted to € 30 million.
The negative foreign exchange impact on the region's operating income on ordinary activities amounted to € 3 million. At constant scope, depreciable lives and exchange rates operating income fell by 11%. South Korea delivered a strong growth in operating income mainly due to the favorable market conditions. India improved operating income as a consequence of continued production performance improvement. Operating income in the Philippines was weak due to deteriorated pricing. In Indonesia a slighter operating loss was incurred, compared to last year, announcing the beginning of a recovery.

AGGREGATES AND CONCRETE



"IN 2002, OUR PERFORMANCE PROGRAMS, CENTERED ON THE IMPROVEMENT OF SALES AND COST CONTROL, ENABLED US TO MAINTAIN OUR RESULTS ON ALL OUR MARKETS, DESPITE A FALL IN DEMAND, AT THE SAME LEVEL AS 2001, EXCEPT IN NORTH AMERICA WHICH WAS AFFECTED BY MORE SEVERE WEATHER CONDITIONS AND THE STRIKES BY THE PUBLIC WORKS ADMINISTRATION IN ONTARIO."

CHARLES DE LIEDEKERKE | EXECUTIVE VICE PRESIDENT, AGGREGATES AND CONCRETE

SALES 2002
€ 4,768 million

WORKFORCE 2002
21,069 employees

INTERNATIONAL SCOPE
Consolidated companies (global and proportional methods): active in 23 countries, 674 quarries and 1,078 concrete plants

Sales of the Aggregates and Concrete Division slipped by 0.8% to € 4,768 million in 2002 from € 4,806 million in 2001. At constant scope and exchange rates, our sales were down by 1.2%. Changes in the scope of consolidation at constant exchange rates increased sales by 4.9% reflecting the effect of the full year Blue Circle's aggregates and concrete operations and the divestment of concrete product businesses in Canada. Currency fluctuations had a negative impact on sales of 4.5%. In Western Europe our sales increased by 5% to € 1,856 million. In North America, our sales fell by 7% to € 2,405 million.

AGGREGATES

Sales of our aggregates operations, which also include our asphalt and road contracting businesses, were down by 6% between 2001 and 2002, to € 2,196 million. At constant scope and exchange rates our sales declined by 3%. Currency fluctuations had a negative impact of 4% on sales. Our sales volumes of aggregates were down by 1% to 207 million tons in 2002.

Western Europe

Our aggregates sales in Western Europe increased by 4% to € 789 million. In France sales declined as a result of lower activity in the road building sector, however this decline was limited by the rise in average prices. In the UK, the subdued readymix market and the effect of the aggregates levy from April 1 led to a weak aggregates market. Several delays in roadbuilding contracts slowed the paving operations, although these picked up in the last quarter. Sales increased however with buoyant prices and an increase in recycled

products sales. Sales were up by 11%, including the effect of the aggregates levy. With the healthy construction market in Spain sales continued to grow in 2002.

North America

In North America, sales fell by 10% to € 1,336 million. Changes in the scope of consolidation (mainly consisting of the full year consolidation of the Blue Circle North America operations) generated € 50 million of additional sales. Currency fluctuations had a 6% negative impact on sales in euros. Sales at constant scope and exchange rates declined by 7% with much of the weakness seen in our road paving activities. In Canada, the residential sector saw a good level of growth but the industrial and commercial construction activity was weaker. In the West we benefited from favorable residential construction activity in Alberta, although the paving

AGGREGATES AND CONCRETE

Sales

(in million euros)	2002	2001
Aggregates and related products	2,196	2,325
Ready-mix concrete and concrete products	2,572	2,481
Total Aggregates and Concrete	**4,768**	**4,806**
Western Europe	1,856	1,770
North America	2,405	2,594
Other countries	507	442

Sales by geographic aera of destination and after eliminations of consolidation.

Operating income on ordinary activities

(in million euros)	2002	2001 REVISED*	2001 PUBLISHED
Aggregates and related products	246	270	270
Ready-mix concrete and concrete products	90	108	111
Total Aggregates and Concrete	**336**	**378**	**381**
Western Europe	148	144	144
North America	178	237	237
Other countries	10	2	5
Overheads	-	(5)	(5)

* *Revised for the change in presentation of equity affiliates.*

Volumes

	CONSOLIDATED VOLUMES[1]		VOLUMES AT 100% FOR INFORMATION[2]	
	2002	2001	2002	2001
Aggregates *(in million tons)*				
Western Europe	71.7	76.0	80.4	84.6
North America	117.9	116.1	117.9	116.1
Other countries	17.3	16.7	26.5	19.7
Total	**206.9**	**208.8**	**224.7**	**220.4**
Concrete *(millions of m³)*				
Western Europe	14.8	14.6	18.4	18.5
North America	10.7	10.2	10.7	10.2
Other countries	9.9	7.6	11.6	8.9
Total	**35.4**	**32.4**	**40.6**	**37.6**

1 | Volumes excluding intra-Divisions transactions by destination / Adjusted for the contribution of subsidiaries consolidated according to the proportionate method.
2 | Volumes at 100% by destination for all companies in scope of consolidation.

Investments

(in million euros)	2002	2001
	216	359

Employees	2002	2001
	21,069	21,852

Canada, Agilia® site.

sector sales were down, as in 2001 they had benefited from the second runway project at Vancouver airport. Sales in Eastern Canada were favorable in Western Quebec and Ottawa, but softer in Central Ontario. Our road paving operations experienced a significant decline in the year due to delays in road building projects brought about by a civil servants strike early in the year. In the United States we experienced weak market conditions. A significant softening in activity was seen in New Mexico, Colorado, Missouri, Georgia, and in the Great Lakes. Average prices saw some increase in both countries in 2002.

CONCRETE

Sales of our concrete operations which include ready mix concrete and our pre-cast concrete products, increased by 4% between 2001 and 2002, from € 2,481 million to € 2,572 million. At constant scope and exchange rates our sales increased by 0.8%. Changes in the scope of consolidation at constant exchange rates had a positive impact of 7% on sales with the consolidation of the Blue Circle concrete operations in Greece, North America, Chile and Malaysia. Currency fluctuations had a negative impact on sales of 5%. Our sales volumes of ready mix concrete increased by 9.5% to 35 million m^3.

Western Europe

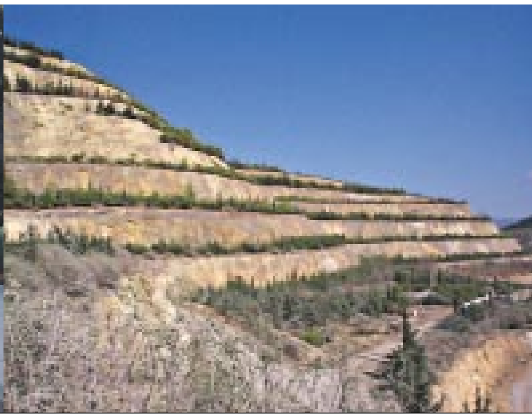
In Western Europe concrete sales improved 6% to € 1,067 million. In France, sales grew favorably due to the strong level of activity in the first half, despite a softening in demand levels in the second half of the year. In the United Kingdom sales grew favorably with overall market demand being positive in the year. Sales in Spain and Portugal were marginally down in 2002 as the rate of growth in the Spanish market was not sufficient to offset the slowdown in Portugal were both volumes and prices were under pressure.
Net changes in the scope of consolidation in Western Europe had a positive impact on our sales. These additional sales result primarily from the full year consolidation of the former Blue Circle operations in Greece, partially offset with the divestiture of our operations in Germany and Italy.

North America

In North America, sales were down by 4% from € 1,116 million in 2001 to € 1,069 million in 2002. Changes in the scope of consolidation impacted sales by € 63 million with the additional sales primarily from the full year consolidation of Blue Circle North America operations more than offsetting the impact of the divestment of concrete product businesses in Canada. Currency fluctuations had a negative impact on sales of 6%. In Canada, we experienced a sharp decline in commercial construction in Toronto and the overcapacity in the industry led to a difficult pricing environment. In Montreal, the market suffered from a five-month strike. In the USA, weak markets conditions were experienced in the West with declining economic conditions in Colorado and New Mexico. In the Eastern US, most of the shortfall occurred in the fourth quarter with wintry weather and slowing activity in Maryland and New York state.

Rest of the world

In the rest of the world, sales grew significantly due mainly to the scope effect of the full year consolidation of the former Blue Circle operations in Chile, Malaysia and Singapore.
Sales grew strongly in Turkey due to increased volumes and prices, and held up well, at constant scope and exchange rates, in Brazil.



OPERATING INCOME

Operating income on ordinary activities of the Aggregates and Concrete Division declined by 11 % between 2001 and 2002, from € 378 million to € 336 million. At constant scope and exchange rates, operating income on ordinary activities declined by 10%. Currency fluctuations had a negative impact of 4%. As a percentage of the Division's gross sales (Note 3(a), on page 104), operating income on ordinary activities represented 7% in 2002, compared to 7.8% in 2001. The after tax return* on capital employed stood at 6.7% against 7.9% at the end of 2001. The operating income on ordinary activities for Aggregates totaled € 246 million down 9% from € 270 million in 2001. While currency fluctuations had a negative impact of € 10 million the remainder of the decline was due to the weaker North American results. The operating income on ordinary activities for Concrete totaled € 90 million down 17% from € 108 million in 2001. Currency fluctuations had a negative impact of € 4 million with the remainder of the decline also due to the weaker North American results.

Western Europe

In Western Europe, operating income on ordinary activities grew by 3% to € 148 million. Operating income on ordinary activities in France was at a similar level to 2001. In the UK operating income grew as operating margins improved in the concrete activity.

North America

In North America, operating income on ordinary activities was down by 25% to € 178 million. The net effect of changes in the scope of consolidation on the operating income from the former Blue Circle operations and divestments was € 3 million. The impact on operating income of the weakening dollar against the euro amounted to € 12 million or 5%. The decline in operating income occurred primarily in three markets: the Western USA where the weak market conditions prevailed throughout the second half of the year, the South Eastern USA and Canada with the difficult year experienced in Toronto and Montreal.

Rest of the world

Elsewhere in the world, operating income continued to improve up to € 10 million from € 2 million in 2001. The effect of changes in the scope of consolidation of the former Blue Circle operations was € 16 million. In South Africa, operating income continued to grow strongly and in Turkey, while the market remains very unstable and competitive, the operating loss was reduced significantly.

** The after tax return on capital employed corresponds to the sum of the operating income on ordinary activities (at 28% in 2002, being the annual effective rate excluding the impact of the contingency provision for competition litigation risks) and the share of net income of equity affiliates, related to the average capital invested.*

ROOFING

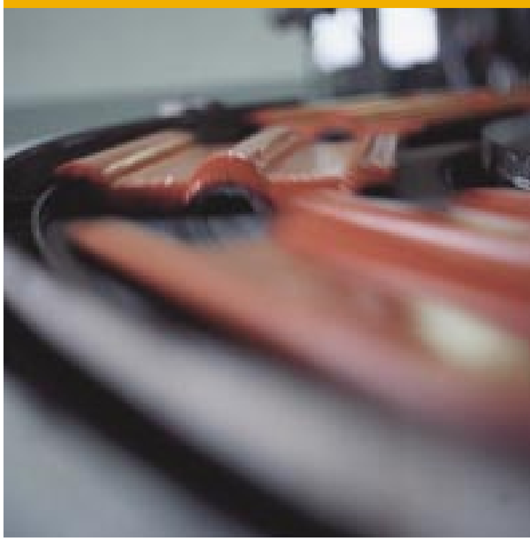
IN 2002, THE ROOFING DIVISION CONTINUED ITS EFFORTS TO IMPROVE INDUSTRIAL AND COMMERCIAL PERFORMANCE, BY IMPLEMENTING SEVERAL PROGRAMS WITHIN THE DIVISION. AT THE SAME TIME, WE STEPPED UP OUR BUSINESS IN THE ROOFING COMPONENT SECTOR, WHICH ENABLED US TO STABILIZE OUR RESULTS DESPITE THE ECONOMIC DOWNTURN.”

ULRICH GLAUNACH | EXECUTIVE VICE PRESIDENT, ROOFING

SALES 2002
€ 1,538 million

WORKFORCE 2002
12,106 employees

INTERNATIONAL SCOPE
Consolidated companies (global and proportional methods): active in 32 countries, 159 plants*.



The Roofing Division experienced another year of difficult market conditions. Sales declined by 3% between 2001 and 2002, from € 1,585 million to € 1,538 million. At constant scope and exchange rates sales fell by 5.9%. Currency fluctuations had a negative impact on sales of 1.2%. Sales of concrete tiles were down 7.5% to € 792 million and clay tiles down 5.9% to € 255 million. Roof System Components continued to expand by 20% to € 246 million primarily reflecting the impact of full year consolidation of Kloeber. Chimney sales decreased by 2% to € 166 million.

The Division’s operating income was up 3% to € 132 million from € 128 million in 2001 largely as a result of the cost management efforts and extensive restructuring carried out across the operations, particularly in Germany where the sales forces of the two leading brands were merged in 2002. Germany accounted for 25% of operating profits in 2002, all other European markets for 61% and non-European operations for 14%. As a percentage of the Division’s gross sales (Note 3(a) on page 104), operating income on ordinary activities represented 8.6% in 2002, compared to 8.1% in 2001. The after tax return** on capital employed stood at 4.2% as compared with 3.8% at the end of 2001.

In 2002, new operations included the acquisition of a concrete tile producer in Scotland and the construction of a new concrete tile plant in Denver, Colorado. New clay tile activities comprised of a production line for a “Nordic” clay tile and the entry into the prosperous Thai market. We have expanded the business of the roofing

** All companies: active in 38 countries, 208 plants.*

***The after tax return on capital employed corresponds to the sum of the operating income on ordinary activities (at 28% in 2002, being the annual effective rate excluding the impact of the contingency provision for competition litigation risks) and the share of net income of equity affiliates, related to the average capital invested.*

accessories producer Kloeber which was acquired in 2001 and it is now active in six countries. In the chimneys segment sales offices in Eastern and Northern Europe have been opened. Kami metal roof tiles, a business which was acquired in 2001, begun operations in the United Kingdom.

Western Europe

In Western Europe sales (including chimneys) were down by 8% to € 1,162 million which was mainly due to a further decline in Germany, where overall sales were down 9% and France, where sales dropped by 4% in a weakening market. In Scandinavia sales were up but were marginally down in the UK and were stable in Italy.

Operating income in Western Europe rose 6% to € 103 million. In Germany, following the extensive restructuring, the operating income increased from € 15 million to € 33 million including the effect of a change in the central cost allocation method within the Division. The underlying increase in German operating income amounted to € 2 million or 13%. In other Western European countries operating income declined from € 82 million to € 70 million due to the same change in the central cost allocation method. The underlying decrease of € 6 million or 7% was a result of weaker markets in France and in the Netherlands that could not

ROOFING

Sales by activity

(in million euros)	2002	2001
Concrete tiles	792	856
Clay tiles	255	271
Chimneys	166	169
Other roofing products	325	289
Total	**1,538**	**1,585**

Sales after elimination of intra-Group transactions

Operating income on ordinary activities

(in million euros)	2002	2001 REVISED*	2001 PUBLISHED
Western Europe	103	97	117
Germany **	33	15	15
Other countries **	70	82	102
Others **	29	31	25
Total	**132**	**128**	**142**

** Revised for the change in presentation of equity affiliates*
*** Taking into account the change in the central cost allocation method within the Division*

Sales by geographic area

(in million euros)	2002	2001
Western Europe	1,162	1,261
Germany	448	495
Other countries	714	766
Others	376	324
Total	**1,538**	**1,585**

Sales by geographic aera of destination and after eliminations of consolidation

Volumes

	CONSOLIDATED VOLUMES [1]		VOLUMES AT 100% FOR INFORMATION [2]	
	2002	2001	2002	2001
Concrete tiles *(in millions of m^2)*	127.3	131.6	171.9	166.3
Clay tiles *(in millions of m^2)*	24.7	25.8	38.7	25.8
Chimneys *(km)*	2,715	2,823	2,715	2,823

1 | Volumes excluding intra-Divisions transactions by destination / Adjusted for the contribution of subsidiaries consolidated according to the proportionate method.
2 | Volumes at 100% by destination for all companies in scope of consolidation

Investments

(in million euros)	2002	2001
	100	183

Employees	2002	2001
	12,106	12,620

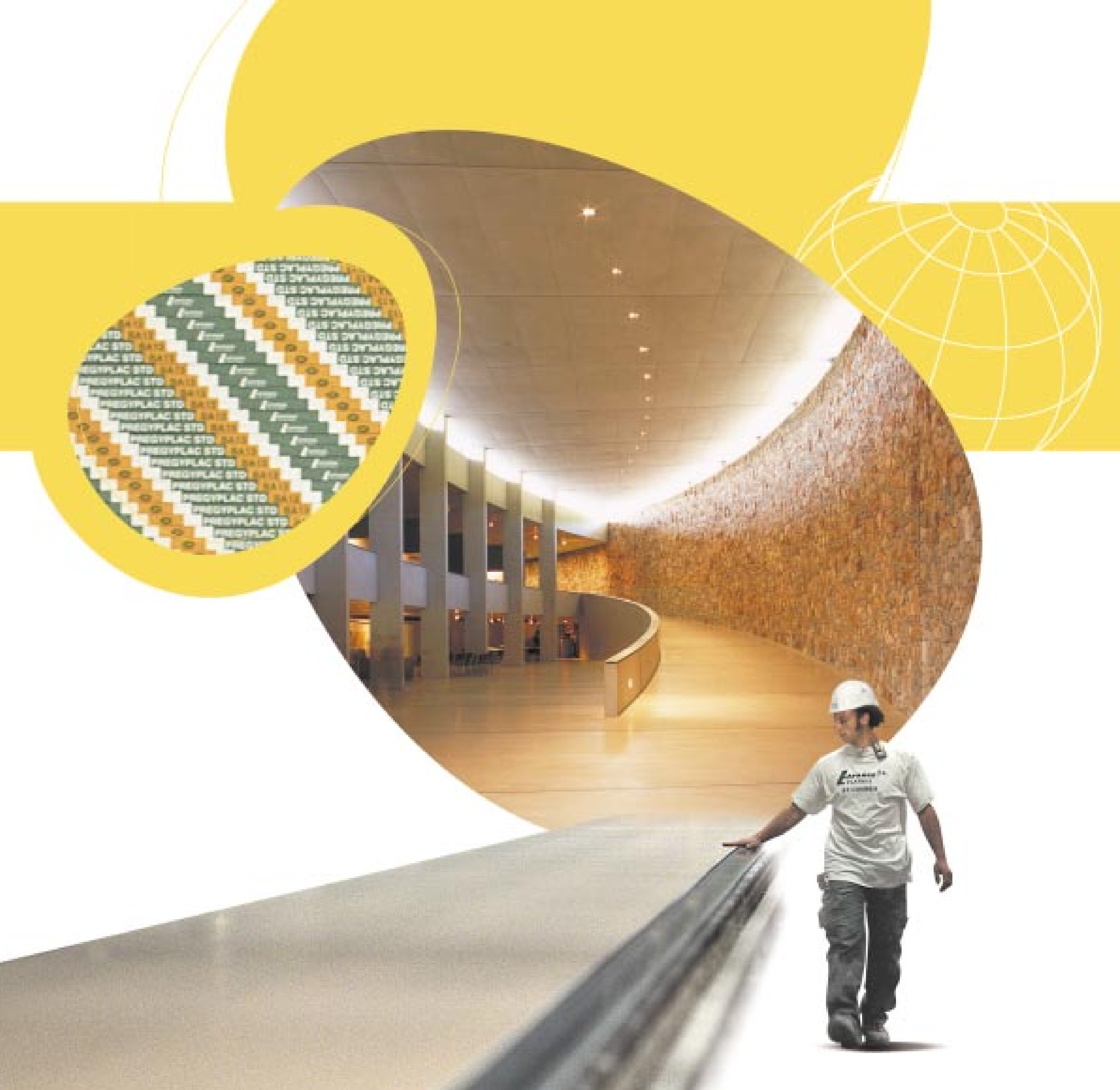
be entirely compensated by the improvement recorded in Scandinavia and further growth in Italy.

North America and other countries

In North America, emphasis was given to price increases which improved results, excluding the impact of central cost allocations. However, the decrease in volumes led to a decrease in our sales of 7%.
In Eastern Europe, sales increased to € 128 million in 2002 which in part reflects the growth in sales in the Czech Republic and Hungary. Sales of concrete roof tiles continued to decline in Poland, but chimney sales improved. After several years of growth Poland saw a declining market in which sales of clay tiles continued to increase, but concrete tiles sales declined.
In Asia sales remained stable with strong growth in Malaysia but with lower sales in China and in Japan.
Operating income was down marginally to € 29 million from € 31 million which also reflects the change in the central cost allocation. Underlying operating income was up € 9 million.
Major contributors were Eastern Europe, Malaysia and North America.

Germany, Apartment building in Postdam near Berlin.

GYPSUM



IN 2002, THE GYPSUM DIVISION CONSIDERABLY CUT DOWN ON ITS LOSSES IN NORTH AMERICA AS PRICES RECOVERED. IT PERFORMED WELL IN EUROPE, EXCEPT IN GERMANY AND POLAND, AND ALSO CONTINUED ITS EXPANSION IN ASIA."

BRUNO LAFONT | EXECUTIVE VICE PRESIDENT, GYPSUM

SALES 2002
€ 1,146 million

WORKFORCE 2002
5,319 employees

INTERNATIONAL SCOPE
Consolidated companies (global and proportional methods): active in 22 countries, 67 plants*

In 2002, sales of the Gypsum Division grew by 6.9% from € 1,072 million in 2001 to € 1,146 million. At constant exchange rates and scope sales grew by 7.2%. Changes in the scope of consolidation at constant exchange rates increased sales by 2%. Currency fluctuations had a negative impact on sales of 2%. The volumes of wallboard grew by 10% to 560 million m² helped by the increased production efficiency of the recently built plants in the United States, the acquisition of the Continental plant in Newark, New Jersey and growth in many of our markets.

Operating income on ordinary activities grew strongly after the very difficult year in 2001, and was up from € 3 million to € 51 million. This was mainly a result of the reduction of losses in North America, helped by better pricing coupled with our Division wide performance plans, particularly in the area of purchasing and manufacturing efficiency. As a percentage of the Division's gross sales (Note 3(a) on page 104), operating income on ordinary activities represented 4.4% in 2002, compared to 0.3% in 2001. The after tax return** on capital employed climbed 3.6% as compared with 0.5% in 2001.

Western Europe
In Western Europe, the Division performed relatively well, given the continued weakness in the German construction market, with sales up by 0.3% to € 604 million. In France and the United Kingdom, market conditions were generally favorable and sales were up in 2002. In Germany, the weak construction market continued to affect sales with significantly lower volumes, however prices did improve from the low of December 2001.
Operating income on ordinary activities in Western Europe improved strongly to € 59 million from € 44 million including the effect of a change in the central cost allocation method within the Division. The underlying increase in

* *All companies: active in 23 countries, 75 plants*

***The after tax return on capital employed corresponds to the sum of the operating income on ordinary activities (at 28% in 2002, being the annual effective rate excluding the impact of the contingency provision for competition litigation risks) and the share of net income of equity affiliates, related to the average capital invested.*


France, employee of the Gypsum Division Headquarter in Avignon.

operating income amounted to € 2 million or 5%. France and the United Kingdom continued to increase operating margins as a consequence of their operating performance plans, however Germany continued to make losses reflecting the difficult market conditions.

North America

Sales grew to € 245 million, up by 45% compared to 2001, due mainly to the recovery in prices. The acquisition of Continental in Newark in the first quarter increased sales by € 31 million. Prices improved significantly in the year to an average $96 per thousand square feet (1,000 square feet is roughly 93 square meters), in comparison with an average price of $72 per thousand square feet in 2001.

In North America, the operating loss in 2002 was significantly reduced to € 28 million, compared to a loss of € 76 million in 2001. This reduction in losses was due to the increase in prices and also due to the improvement in production performance benefiting sales volumes and reducing our cost base.

GYPSUM

Sales

(in million euros)	2002	2001
Western Europe	604	602
North America	245	169
Other countries	297	301
Total	**1,146**	**1,072**

Sales by destination after elimination of intra-Group transactions.

Operating income on ordinary activities

(in million euros)	2002	2001 REVISED*	2001 PUBLISHED
Western Europe**	59	44	53
North America **	(28)	(76)	(79)
Other countries **	20	32	32
Overheads **	-	3	3
Total	**51**	**3**	**9**

* *Revised for the change in presentation of equity affiliates.*
** *Taking into account the change in the central cost allocation method within the Division.*

Volumes

	CONSOLIDATED VOLUMES [1]		VOLUMES AT 100% FOR INFORMATION [2]	
(in million m²)	2002	2001	2002	2001
Total	**560**	**509**	**658**	**574**

1 | *Volumes excluding intra-Divisions transactions by destination / Adjusted for the contribution of subsidiaries consolidated according to the proportionate method.*
2 | *Volumes at 100% by destination for all companies in scope of consolidation.*

Investments

(in million euros)	2002	2001
	123	127

Employees	2002	2001
	5,319	4,949

The level of demand for wallboard remained stable during the year with a sound residential construction market.
At the end of 2002 the decision was taken to mothball the Wilmington plant in the North East region allowing us to concentrate our production at lower cost facilities. The idling of this plant is expected to save USD 10 million per annum and contribute significantly to returning the operations to profitability.

Other countries

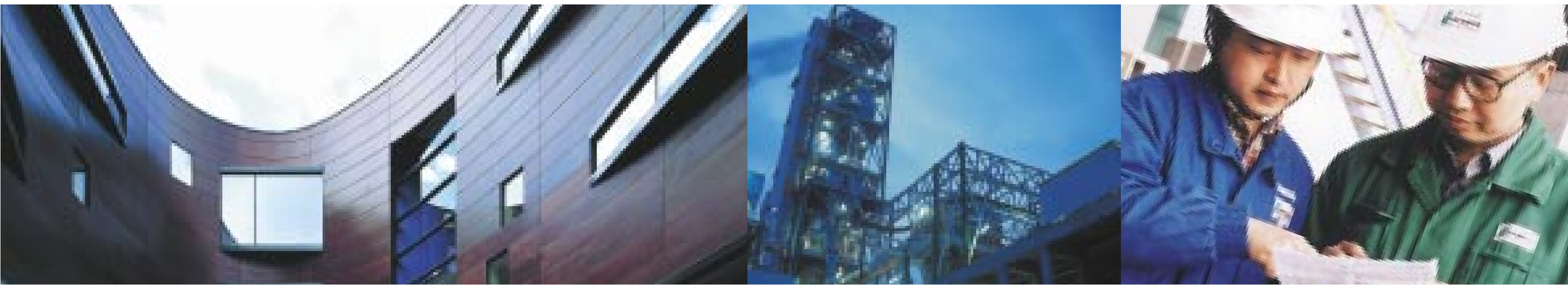
In our other zones our sales in the Division were down slightly to € 297 million. This decline reflects the difficult market conditions in Poland and weak markets in Latin America. However, in the Asia Pacific region, sales grew as a result of generally good market conditions across the region.
In these regions operating income on ordinary activities fell to € 20 million, compared to € 32 million in 2001. This decline was mainly attributable to Poland where the very poor market conditions led to a significant increase in losses. However the old Gacki plant was closed and a more efficient production facility, also at Gacki, started operations in the fourth quarter. Our operating income in the Asia Pacific region benefited from good performances seen in Australia and continuing benefits of our joint venture in Asia resulting in a significant improvement in profits at constant scope. In particular, in 2002 the joint venture benefited from the successful integration of Siam Gypsum Industry, which was acquired in June 2001, and the construction of our new facility in Korea using equipment transferred from our Chinese operations following the restructuring of the two businesses in Shanghai.

OUTLOOK FOR 2003

The prospects for 2003 do not point towards a return to growth in countries with mature markets, given the slowing down of many of our markets in the second half of 2002 and the uncertain macroeconomic situation.

In Western Europe we anticipate that the major markets are likely to be soft, but with a further deterioration in Germany. In North America, we expect a slight decline in cement and aggregates volumes as commercial construction remains weak and infrastructure spending is held back by state budgetary constraints. However the solid housing market will support the demand for gypsum wallboard. In emerging markets we expect growth overall if the macroeconomic situation does not worsen with good growth in much of Asia. With regard to prices, we see the outlook as generally positive albeit with a few difficult markets, in particular for cement in Germany and the Philippines.

In this context we will concentrate on performance improvement, with particular attention on building on the progress made with the former Blue Circle operations. Further synergies will be generated and the Group as a whole will continue to benefit from this acquisition. We will continue to improve the operational performance of these operations after the results in 2002 were impacted by deteriorating



market conditions and short term production issues. A major challenge at the beginning of the year has been the impact of the Venezuelan and Middle Eastern crises on oil prices. While we use gas in our gypsum wallboard plants, we use very little oil and gas in our cement plants, with our main sources of fuel being coal and petcoke as well as alternative fuels. Petcoke prices have seen a significant increase, much of which is due to the shortfall in supply resulting from the Venezuelan situation, while coal prices have declined. Therefore, we do not expect this situation to have a material effect on our cement costs unless prices remain at exceptionally high levels for a prolonged period.

The underperformance of pension plan assets in recent years as compared to expectations will result in the need to increase our pension expense by approximately € 100 million in 2003, with an effect of some € 55 million at the net income, Group share level. This will also result in a moderate increase of around € 25 million in the amount contributed in cash to the pension plans in 2003 as compared to 2002, if we exclude from this comparison the exceptional contribution of € 39 million made in Spain in 2002.

Our objective of returning to a financial structure similar to the structure we had prior to the Blue Circle acquisition remains our primary goal. Our capacity to generate strong cash flows, our particular focus in 2003 on working capital management associated with a strict monitoring of capital expenditures and further selective divestments will contribute to another significant reduction in the level of debt at year-end 2003.

The new organization of senior management - consisting in the separation in the duties of Chairman and Chief Executive Officer effective upon our Annual General Meeting in May 2003 - will ensure continuity and continue to play on the strengths and the traditions of the Group.

DESCRIPTION OF OUR ACTIVITIES IN EACH OF OUR MARKETS

In each of our four Divisions, we have strived to create a global presence. We believe that because demand in our markets is closely related to the business cycle, particularly of the construction sector, geographical diversification is the best way to ensure stability of returns. We believe that growth in the construction sector in emerging markets will in due course exceed growth in developed countries in North America and Western Europe and we have steadily increased our presence in emerging economies. In Cement we already achieve almost half of our sales in emerging markets and our Gypsum and Roofing Divisions achieved 20.5% and 14.8% of their respective sales in emerging markets. However, we have been selective in our expansion in emerging markets and, for example, in our Aggregates and Concrete division we have restricted our expansion to geographic areas where, as a global Company with a commitment to the environment and fair labor standards, we can still be competitive.

CEMENT

On the basis of tons of cement capacity in 2002, our cement business is ranked by the *International Cement Review's Global Cement Report* (fifth edition, completed in January 2003) ("Global Cement Report") as the world's largest producer of cement. At the end of 2002, the companies we consolidated (global and proportionate) operated 115 cement plants, 22 clinker grinding plants and 5 slag grinding stations in 42 countries. If all the companies in which we have an equity participation are included (with the exception of Cimpor) our cement operations consisted of 127 cement plants and 26 grinding plants and 6 slag grinding stations in 47 countries.

In 2002, the companies we consolidated (global and proportionate) had sales volumes of 105.7 million tons of cement. Taking into account 100% of the sales volumes of the companies we consolidate proportionally and the sales volumes of our equity affiliates total volumes sold would have been 114.1 million tons.

We operate throughout the world. We believe that because cement demand is closely related to the business cycle and the level of infrastructure spending, particularly of the construction sector, geographical diversification is the best way to ensure stability of returns.

Our goals for the coming years in cement are to further enhance our operating performance in our various geographic markets by improving the upstream operations through benchmarking and transfer of best practices. We also wish to continue to participate in the consolidation of the industry worldwide.

The table below indicates the breakdown of our sales by destination in 2002, 2001 and 2000:

Cement sales by destination
Year ended December 31,

(in million euros, except percentages)	2002		2001*		2000	
GEOGRAPHIC AREA						
Western Europe	2,274	32.7%	1,725	28.8%	1,169	26.4%
North America	1,579	22.7%	1,469	24.5%	1,171	26.5%
Central and Eastern Europe	401	5.8%	301	5.0%	265	6%
Mediterranean Basin	455	6.6%	550	9.2%	512	11.6%
Latin America	502	7.1%	547	9.1%	497	11.2%
Sub-Saharan Africa and Indian Ocean	756	10.9%	650	10.8%	376	8.6%
Asia/Pacific	981	14.2%	753	12.6%	430	9.7%
Total	**6,948**	**100%**	**5,995**	**100%**	**4,420**	**100%**

** including the former Blue Circle operations from July 11, 2001*

We believe emerging markets represent the best prospects for long-term growth in the cement industry. We classify all countries outside of our Western Europe and North America geographic sectors, with the exception of Japan, Australia and New Zealand, as emerging markets. We had sales of € 3,092 million in countries in emerging markets in 2002 compared to € 2,799 million in 2001 and € 2,078 million in 2000. The overall percentage of our sales coming from these markets was 44.5% in 2002 compared to 46.7% in 2001 and 47.1% in 2000.

Cement is a competitive industry in all of our markets. We consider our major global competitors to be: Holcim (Switzerland), Cemex (Mexico), HeidelbergCement (Germany) and Italcementi (Italy).

Our geographic markets

In the discussion that follows, we describe market conditions and our competitive position in the principal geographic areas in which we operate. The sales volume figures we have provided for each country or geographic zone are the total volumes sold in each particular country or zone by our consolidated cement subsidiaries (including the former Blue Circle operations from July 11, 2001), including volumes sold to our other divisions and adjusted to reflect our percentage of interest in our proportionally consolidated subsidiaries. The information as to the rated annual cement production capacity of our operating cement manufacturing plants is based on management's estimates at December 31, 2002. The production of a cement plant might be less than its rated capacity due to product demand, plant failures and seasonal factors. The information as to the total industry capacity is, unless mentioned otherwise, as estimated by The International Cement Review's Global Cement Report (fifth edition, completed in January 2003) ("Global Cement Report"). The Global Cement Report's estimate of our production capacity differs in some respects to our management's estimates, however we have retained the figures in the Global Cement Report for our production capacity when calculating total industry capacity.

• Western Europe

Western Europe represented approximately 32.7% of our cement sales in 2002. We have significant operations in France, the United Kingdom, Greece, Spain, Germany and Austria. We sold 32.8 million tons of cement in Western Europe in 2002 compared to 26 million tons in 2001 and 18.7 million tons in 2000.

Most cement markets in Western Europe are mature and according to Cembureau, the European Cement Producers Association, the total consumption for the European Union as a whole in 2002 was close to 190 million tons or approximately 500 kg per capita. However consumption varies dramatically within the region, Greece, Spain and Italy having for instance a much higher per capita consumption of cement than France. The cement industry in Europe is competitive in all major markets, with production generally concentrated within the hands of the major international groups.

The table below indicates the number of plants and our production capacity by country at December 31, 2002:

Country / Company	Number of plants		Total cement production capacity *(in million tons)*
	Cement	*Clinker Grinding*	
France			
Lafarge Ciments	10	2	9.6
United Kingdom			
Blue Circle	8	N/A	7.5
Greece			
Heracles General Cement	3	N/A	10
Spain			
Lafarge Asland	4	N/A	4.1
Germany			
Lafarge Zement	3	N/A	3.5
Austria			
Lafarge Perlmooser	2	N/A	1.5
Italy			
Lafarge Adriasebina	2	N/A	1.5
Total Western Europe	**32**	**2**	**37.7**

France

Through our wholly owned subsidiary Lafarge Ciments we are the leading cement producer in France. In 2002, France represented approximately 26.6% of our cement sales in Western Europe. The most recent edition available of the Global Cement Report estimated that our total installed capacity represented approximately 36% of the total rated capacity in France.

Our ten cement plants and two seaboard clinker grinding plants in France are located to serve all of the major urban areas in the country and are dependent upon our five separate sales offices covering each of the major regions of the country. We also operate a slag grinding plant and a lime plant.

Based on figures provided by the Global Cement Report, cement consumption in France fell rapidly in the mid 1990s to reach a low of 18.7 million tons in 1996 and 1997 but has partially recovered since the beginning of 1999 and in 2002 amounted to 20.4 million tons compared to 20.7 million tons in 2001. We sold 7.4 million tons of cement in metropolitan France in 2002, the same level as in 2001 and 2000.

Our major competitors in France are Ciments Français (which is 68% owned by Italcementi), Vicat (in which HeidelbergCement has a 35% interest) and Origny (which is a wholly-owned subsidiary of Holcim).

United Kingdom

We acquired our operations in the United Kingdom with our acquisition of Blue Circle. Through our wholly owned subsidiary, Blue Circle Industries, we are now the leading cement producer in the United Kingdom. In 2002, the United Kingdom contributed approximately 25.8% of our cement sales in Western Europe. The most recent edition of the Global Cement Report estimated that our total installed capacity, taking into account the closure of the Weardale plant at the end of 2002, represented approximately 48% of the total rated capacity in the United Kingdom.

Our eight cement plants in the United Kingdom are located to serve the whole of the country including Northern Ireland. The domestic market remained stable in 2002. We sold 7.1 million tons in the UK in 2002 compared to 3.5 million tons in 2001 (in 2001 sales of former Blue Circle operations were only consolidated from July 11, 2001).

Greece

We acquired our operations in Greece with our acquisition of Blue Circle. Through our majority owned subsidiary, Heracles General Cement, we are the leading cement producer in Greece. In 2002, Greece contributed approximately 16.6% of our cement sales in Western Europe. The most recent edition of the Global Cement Report estimated that our total installed capacity represented approximately 56% of the total rated capacity in Greece.

Our three cement plants in Greece are located to serve the domestic Greek market through seven separate distribution terminals. In 2002 exports accounted for approximately 33% of our production.

According to the latest figures available from Cembureau, Greece had the fourth highest per capita cement consumption rate in the European Union in 2002. This reflects the fact that the construction market is very much concrete based. The domestic market progressed in 2002. We sold 5.5 million tons of cement in Greece in 2002 compared to 2.4 million tons in 2001 (sales of former Blue Circle operations were only consolidated from July 11, 2001).

Our major competitors in Greece are Titan Cement Co and Halyps Cement Co (which is controlled by Italcementi through the 94% equity interest held by Ciments Français).

Spain

Our operations in Spain are conducted through our majority owned subsidiary Lafarge Asland, which we acquired in 1989. In 2002, Spain represented approximately 16.8% of our cement sales in Western Europe. We are currently the third largest cement producer in Spain based on capacity as reported by the most recent edition of the Global Cement Report. We sold 6.8 million tons of cement in Spain in 2002 compared to 6.7 million in 2001 and 5.5 million tons in 2000.

Our four plants are located primarily in the growth regions of the Mediterranean coast and of the region of central Spain surrounding Madrid. We also operate a network of distribution centers and 3 seaboard terminals. In November 2002, we announced the conclusion of an agreement for the sale of cement assets to Cimentos de Portugal SGPS, SA (“Cimpor”) for € 225 million. Located in Southern Spain, these assets consist of two cement plants at Cordoba and Niebla, representing a total annual capacity of 0.8 million tons of clinker and 1.4 million tons of cement, a grinding plant at Huelva (which we had acquired in September 2001), with an annual capacity of 0.6 million tons of cement, and a terminal in Seville. According to the Global Cement report, Spain is among the leading countries in Europe in terms of cement consumption per capita due to the high level of infrastructure and construction spending and the market continued to expand in 2002 growing 5% to reach 44.2 million tons. However, imports have continued to have a significant impact on prices in Spain especially in the coastal regions and according to the Global Cement Report, imports of cement and clinker represented approximately 17% of the market’s consumption in 2002.

Our major competitors in Spain are Valenciana (which is 99.5% owned by Cemex), Cementos Portland (which is 55% owned by Valderrivas), Hisalba (which is 99.9% hold by Holcim), Financiera y Minera (which is controlled by Italcementi through Ciments Français), Uniland and Cimpor.

We also hold a 40.75% interest in Cementos Molins since 1997, which operates a plant located near Barcelona with a rated capacity of 1.5 million tons according to the most recent edition of the Global Cement Report, and has equity interests in cement operations in Mexico, Argentina and Uruguay.

Germany

Our operations are conducted through our wholly-owned subsidiary Lafarge Zement GmbH. In 2002, Germany represented approximately 5.5% of our cement sales in Western Europe. We are the sixth largest cement producer in Germany based on capacity as reported by the most recent edition of the Global Cement Report.

We have three plants in Germany: the Wössingen plant near Karlsruhe, in which we initially acquired an interest in 1976, Karsdorf in Sachsen Anhalt, in Eastern Germany, which we acquired in 1991 and the Sötenich plant in Nord Rhein-Westphalia near the Belgian border, which we acquired in 1998. Our Wössingen plant serves Southern Germany including Stuttgart and Munich. Our Karsdorf plant serves Central and North Eastern Germany. Sötenich serves South West Germany including Cologne and Dusseldorf. We also serve Dresden and South Eastern Germany from our Cizkovice plant in the Czech Republic.

The construction industry in Germany has suffered a downturn since 1999 and, according to the Global Cement Report, the overall cement market in Germany amounted to 28.7 million tons in 2002 a decline of 6% compared to 2001 and a decline of approximately 14% compared to 2000. We sold 2.7 million tons in 2002 compared to 2.5 million tons in 2001 and 2.9 million tons in 2000. Our major competitors in Germany are Dyckerhoff, HeidelbergCement, Schwenk, Readymix Zement (a subsidiary of RMC Plc) and Holcim.

Austria

Our cement business in Austria is conducted through our wholly owned subsidiary, Lafarge Perlmooser AG, in which we acquired our initial interest through our acquisition of Cementia in 1989. In 2002, Austria represented approximately 4% of our cement sales in Western Europe. Lafarge Perlmooser AG is the largest cement producer in Austria based on capacity as reported by the most recent edition of the Global Cement Report. We operate two cement plants in Austria, one near Vienna and one in the Styria region. We sold 1.4 million tons of cement in Austria in 2002, compared to 1.5 million tons in 2001 and 2000. Our major competitors in Austria are Wietersdorfer, Schretter, Leube, SPZ and Gmundner.

We also hold a 50% interest in Kirchdorfer Zement, which operates a plant with a rated capacity of 0.55 million tons, according to the most recent edition of the Global Cement Report.

Italy

Our cement business in Italy is conducted through our wholly owned subsidiary, Lafarge Adriasebina which we acquired in 1996. In 2002, Italy represented approximately 3.8% of our cement sales in Western Europe. We sold 1.4 million tons of cement in Italy in 2002, compared to 1.3 million tons in 2001 and 1.2 million tons in 2000.

Our 20% interest in the cement producer Sacci was sold at the end of 2002 for approximately € 20 million.

• North America

North America represented approximately 22.7% of our cement sales in 2002. We are represented in North America through our majority owned subsidiary, Lafarge North America Inc., a New York Stock Exchange listed Company and through our wholly owned subsidiary Blue Circle North America Inc. which we acquired as part of the Blue Circle acquisition. The assets of Blue Circle North America Inc. are currently managed by Lafarge North America, which has an option to purchase such assets anytime between July 1, 2002 and December 31, 2004 at a fixed call price of USD 1.4 billion, subject to certain adjustments at the time of the exercise. North America is a mature cement market and sales are seasonal in Canada and much of the East Coast and Mid West as temperatures in winter fall below minimum setting temperatures for concrete. We sold 17.5 million tons of cement in North America in 2002 compared to 16 million tons of cement in 2001 and 12.8 million tons of cement in 2000.

The table below indicates the number of plants and our production capacity by country at December 31, 2002:

Country / Company	Number of plants		Total cement production capacity (in million tons)
	Cement	*Clinker Grinding*	
United States			
Lafarge North America	8	2	8.7
Blue Circle North America	5	N/A	5.6
Canada			
Lafarge Canada Inc.	7	N/A	5.9
Total North America	**20**	**2**	**20.2**

United States

In 2002, the United States represented approximately 87.3% of our cement sales in North America. On the basis of the figures provided by the Portland Cement Association's "Plant Information Summary" report which was prepared at December 31, 2001, we are the second largest cement producer based on rated annual active clinker production capacity, with an estimated 12.7% of the rated annual active clinker production capacity of all U.S. cement plants. The acquisition of Blue Circle brought us operations in the South Eastern United States that complemented our existing plants which are primarily concentrated in the central and Midwestern states, extending from the Northern Great Lakes southward along the Mississippi River system. Two new production lines became operational in 2002 replacing our prior capacities at Sugar Creek, near Kansas City, and Roberta, Alabama. We are expanding our use of cementitious products and we already have two slag grinding facilities, one being in Florida and the other one close to Chicago, where operations started in April 2002.

Our major competitors in the United States are Holnam (which is a subsidiary of Holcim), Southdown (which is a subsidiary of Cemex), Ash Grove Cement and HeidelbergCement's U.S. subsidiaries.

We sold 14.6 million tons of cement in the United States in 2002 compared to 12.9 million tons in 2001 (which included the former Blue Circle operations only from July 11, 2001 onwards) and 9.9 million tons in 2000. Our most significant markets in 2002 were Illinois, Michigan, Wisconsin and Florida.

Canada

In 2002, Canada represented approximately 12.7% of our cement sales in North America. We are the leading cement producer in Canada according to the Portland Cement Association's "Plant Information Summary" report which was prepared at December 31, 2001, with approximately 33.8% of the total active industry clinker production capacity in Canada. We are the only cement producer serving all regions of Canada. Our major competitors in Canada are St. Lawrence Cement (a subsidiary of Holcim) and St Marys Cement (a subsidiary of Votorantim).

We sold 3 million tons of cement in Canada in 2002 compared to 3.1 million tons in 2001 and 3 million tons in 2000. We made our most significant sales in Canada in Ontario, which accounted for approximately 37% of our total Canadian cement shipments in 2002. Other provinces in which we had significant sales included Alberta and Quebec. Approximately 40% of our cement shipments in Canada were made to our Aggregates and Concrete division.

In addition to the plants shown in the table above we also own clinker-producing plants that have been shut down in Havelock, New Brunswick and Fort Whyte, Manitoba. We also have two slag grinding plants. According to the Portland Cement Association, our largest competitor accounted for approximately 17.6% of rated annual active clinker production capacity in Canada.

• Central and Eastern Europe

In 2002, Central and Eastern Europe represented approximately 5.8% of our cement sales. We have actively sought to take advantage of the opportunities offered in the emerging markets of Central and Eastern Europe and are present in Poland, the Czech Republic, Romania, Serbia, Slovenia and the Commonwealth of Independent States. We also have an equity interest in a plant located in Moldavia. Many of the countries in Central and Eastern Europe currently suffer from chronic excess capacity as a result of central planning. However, we believe that the expansion of the European Union eastward makes the long-term growth prospects good and our operations in Poland and Romania are already making significant contributions to our earnings. The companies we consolidated sold 8.1 million tons of cement in Central and Eastern Europe in 2002 compared to 6.2 million tons in 2001 and 2000.

The table below indicates the number of plants and our production capacity by country at December 31, 2002:

Country / Company	Number of plants		Total cement production capacity *(in million tons)*
	Cement	*Clinker Grinding*	
Poland			
Lafarge Cement Polska	2	N/A	3.8
Romania			
Lafarge Romcim	2	1	4.4
Czech Republic			
Lafarge Cement AS	1	N/A	1.0
CIS			
Voskresenskcement	1	N/A	1.9
Mykolaivcement	1	N/A	1.6
Serbia			
Beocinska Fabrika Cementa	1	N/A	1.5
Slovenia			
Cementarna Trbovlje	1	N/A	0.5
Total Central and Eastern Europe	**9**	**1**	**14.7**

Poland

In 2002, Poland represented approximately 35.4% of our cement sales in Central and Eastern Europe. We operate through our majority owned subsidiary Lafarge Cement Polska which, we believe, based on our experience in this industry, is the second largest producer in terms of capacity. We acquired our plants in Poland in a series of acquisitions in 1995 and 1996. The European Bank for Reconstruction and Development has taken a minority interest in Lafarge Polska, the holding Company of Lafarge Cement Polska, as well as providing debt financing. We sold 2.2 million tons of cement in Poland in 2002, compared to 2.3 million tons in 2001 and 3.3 million tons in 2000. We have replaced one of our old wet process kilns in the Kujawy plant in northern Poland with a new dry process kiln, which became operational early in 2003. Our major competitors in Poland are CRH, HeidelbergCement, and Dyckerhoff.

Romania

In 2002, Romania represented approximately 22.4% of our cement sales in Central and Eastern Europe. We operate two cement plants and one clinker grinding station in Romania, through our majority owned subsidiary Lafarge Romcim which we acquired in 1997. Following the acquisition of Lafarge Romcim we sold an indirect minority interest to the European Bank for Reconstruction and Development. In July 2000 we disposed of our Alesd plant in Transylvania to Holcim. We believe, based on our experience in this industry, we are the largest cement producer in Romania in terms of capacity. Our main competitors are Holcim, HeidelbergCement and Romcif Fieni.

Cement consumption in Romania dropped after the fall of the communist regime in 1989 when state-financed dwelling construction almost ceased. As a result, cement producers in Romania have large underutilized capacities. The Global Cement Report estimates the total market for cement in Romania at 4.6 million tons in 2002, and a total industry production capacity of 10.7 million tons in 2002. We exported approximately 44% of production in 2002. We produced 2.9 million tons of cement in Romania in 2002 compared to 2.7 million tons in 2001 and 2.8 million tons in 2000.

Czech Republic

In 2002, the Czech Republic represented approximately 8.2% of our cement sales in Central and Eastern Europe. Our operations in the Czech Republic are conducted through our majority owned subsidiary Lafarge Cement AS. We exported approximately 48% of production in 2002. We sold 0.3 million tons of cement in the Czech Republic in 2002, compared to 0.4 million tons in 2001 and 2000. Our major competitors in the Czech Republic are HeidelbergCement, Holcim and Dyckerhoff.

Commonwealth of Independent States

We have plants in the Commonwealth of Independent States in Russia and the Ukraine.

We acquired our majority interest in JSC Voskresenskcement which operates a cement plant in Voskresensk, near Moscow, in 1996. According to the most recent edition of the Global Cement Report, the total market for cement in Russia was 35 million tons in 2002, compared to a total industry production capacity of 77.3 million tons. We sold 1.5 million tons of cement in Russia in 2002 compared to 1.3 million tons in 2001 and 1.2 million tons in 2000.

We acquired a majority interest in Mykolaivcement which operates a cement plant in Mykolaiv, near the Black Sea, in 1999 after initially acquiring a minority stake in 1998. We sold 0.7 million tons of cement in the Ukraine in 2002 compared to 0.6 million tons in 2001.

Recent developments - Serbia

In April 2002, we completed the acquisition of a 69.4% interest in the Beocinska Fabrika Cementa cement plant in Serbia for € 60 million as part of the new Serbian government's privatization policy. With a total annual production capacity of 1.5 million tons, Beocinska Fabrika Cementa is the market leader in Serbia-Montenegro. The plant is located on the Danube close to Novi Sad and Belgrade. Subsequent to the acquisition, we sold 49.98% of our interest and our indirect ownership interest was 34.72%. We sold 0.8 million tons of cement in Serbia-Montenegro in 2002.

Recent developments - Slovenia

In April 2002, our wholly owned Austrian subsidiary, Lafarge Perlmooser, completed a tender offer for the Slovenian cement company Cementarna Trbovlje, which was followed in November 2002 by the acquisition of an additional stake in the capital of this company, bringing its ownership to 99.8% of the capital, compared to its previous stake of 22.9% as of December 31, 2001. The total cost of those acquisitions in 2002 amounted to € 40 million. Cementarna Trbovlje is the second largest cement producer on the Slovenian market, with an annual production capacity of 0.5 million tons. The plant is located close to the two major cities of the country (Ljubljana and Maribor) and close to Austria. We sold 0.4 million tons of cement in Slovenia in 2002.

Mediterranean Basin

In 2002, the Mediterranean Basin represented approximately 6.5% of our cement sales. We believe the emerging countries of the Mediterranean Basin have high growth potential in the medium to long-term as they industrialize and urbanize. Many of the cement markets in the region have only been recently opened up to competition after years of state ownership. Following the consolidation of Lafarge Maroc using the proportionate consolidation method in 2002, the companies we consolidated sold 9.5 million tons of cement in the region in 2002 compared to 11.4 million tons in 2001 and 10.9 million tons in 2000.

The table below indicates the number of plants and our production capacity by country at December 31, 2002:

Country / Company	**Number of plants**		**Total cement production capacity** *(in million tons)*
	Cement	*Clinker Grinding*	
Morocco			
Lafarge Maroc	4	N/A	4.2
Jordan			
Jordan Cement Factories	2	N/A	4.5
Turkey			
Lafarge Aslan	1	1	2.1
Yibitas Lafarge	3	3	2.1
Eregli Cimento	0	1	0.2
Total Turkey	**4**	**5**	**4.4**
Egypt			
Beni Suef Cement Company	1	N/A	1.5
Alexandria Portland Cement	1	N/A	2
Total Egypt	**2**	**N/A**	**3.5**
Total Mediterranean Basin	**12**	**5**	**16.6**

Morocco

In 2002, Morocco represented approximately 25.5% of our cement sales in the Mediterranean Basin. We operate four cement plants in Morocco through our subsidiary Lafarge Maroc and its operating subsidiaries. Our partner in Lafarge Maroc is ONA, the largest Moroccan company. On the basis of the figures produced by the most recent edition of the Global Cement Report we are the largest cement producer and have approximately 45% of the production capacity in the country. We sold 1.8 million tons of cement in Morocco in 2002 compared to 3.4 million tons in 2001 and 3.1 million tons in 2000 (the reduction in 2002 reflects the consolidation of Lafarge Maroc using the proportionate consolidation method in 2002 as compared to full consolidation in 2001 and 2000). The market consists of international players and our competitors, Italcementi, Holcim and Cimpor, operate six cement plants and two grinding plants in Morocco.

The Moroccan economy is vulnerable to sharp declines in agriculture resulting from lack of rainfall and is in the process of recovering from an economic recession. Cement consumption is growing but the growth pattern is heavily influenced by the state of agriculture. We are currently in the process of constructing a new greenfield cement plant close to Tetouan on the Mediterranean coast and when construction is completed, the plant is expected to add an additional capacity of 0.7 million tons per year. We commenced the construction of the new plant in 2001 and expect the plant to start operations in September 2003. The construction of the plant is being financed through the internal cash flow of Lafarge Maroc.

Jordan

In 2002, Jordan represented approximately 33.6% of our cement sales in the Mediterranean Basin. Our operations in Jordan are conducted through Jordan Cement Factories, a listed Company. In 1998, Jordan Cement Factories was privatized and we purchased a 43.3% interest and became the largest shareholder. The Jordanian government is the second largest shareholder in Jordan Cement Factories with a 16% interest.

Cement consumption has increased over the past few years in Jordan despite socio-economic difficulties and the ongoing uncertainty in the Middle East. We sold 2.7 million tons of cement in Jordan in 2002 compared to 2.4 million tons in 2001 and 2.2 million tons in 2000. In addition, we exported 0.9 million tons of cement and clinker.

Turkey

In 2002, Turkey represented approximately 18.9% of our cement sales in the Mediterranean Basin. Through our majority owned subsidiary, Lafarge Aslan Cimento AS, we operate a plant in Darica in Marmara and through our wholly-owned subsidiary, Agretas Agrega Insaat San.ve Tic.AS, we own a 49.9% interest in Yibitas Lafarge, a joint venture with Yibitas Holding which we manage. Yibitas Lafarge operates plants in Central Anatolia and the Black Sea region.

The Turkish cement market has been adversely affected by an economic downturn for the past three years, which has bloomed into a financial crisis. However, we believe that in the long term Turkey represents a growing market for cement with high consumption per capita. The market is highly competitive with ownership fragmented and the Turkish economy and cement markets were greatly affected by the earthquakes in 1999. Excess supply from the regional clinker capacity has been around 20% for the past few years, resulting in significant export volumes. We exported approximately 13% of production in 2002. We sold 2.8 million tons of cement in Turkey in 2002 compared to 3.1 million tons in 2001 and 3.6 million tons in 2000. Our major competitors are Akçansa (a subsidiary of HeildelbergCement and Sabançi), Italcementi, Nuh Cimento, BURSA, Vicat and OYAK.

Egypt

Our operations in Egypt are conducted through Lafarge Titan Egyptian Investments Ltd., a 50/50 joint venture with the Greek cement group Titan SA. We initially joined with Titan to buy 76% of Beni Suef in 1999 and this joint interest was raised to 95% in 2000. We included Alexandria Portland Cement which we acquired as part of the Blue Circle acquisition within the structure of the joint venture in 2002. Beni Suef has a single dry kiln plant located 120 kilometers south of Cairo and is the seventh largest producer in Egypt. Alexandria serves Egypt's second city, Alexandria, and is the tenth largest producer in Egypt. It has a single plant with several wet kilns and we commenced operation of a dry kiln line in mid 2002. We sold 1.3 million tons of cement in Egypt in 2002 compared to 1.6 million tons in 2001 and 1.3 million tons in 2000. Our major competitors are Egyptian Cement (a subsidiary of Holcim), Assiut (a subsidiary of Cemex) and Suez (a subsidiary of Italcementi).

• Latin America

In 2002, Latin America represented approximately 7.2% of our cement sales. We first entered the Latin American market in the 1950s when we started our operations in Brazil. Following a long period of stagnation in the 1970s and 1980s the economies in Latin America grew strongly in the 1990s and despite the temporary downturn at the end of the decade we expect the trend to continue. The companies we consolidated sold 6.5 million tons of cement in Latin America in 2002 compared to 6.4 million tons in 2001 and 5.9 million tons in 2000.

The table below indicates the number of plants and our production capacity by country at December 31, 2002:

Country / Company	Number of plants		Total cement production capacity (in million tons)
	Cement	*Clinker Grinding*	
Brazil CNCP and CMS	6	N/A	4.3
Venezuela FNC	2	N/A	1.7
Chile Empresas Melon	1	N/A	2
Honduras Industriana Cementera Hondurena	1	N/A	0.7
French West Indies Ciments Antillais and Ciments Guyanais	N/A	3	0.9
Mexico CPBM	1	N/A	0.3
Total Latin America	**11**	**3**	**9.9**

Brazil

In 2002, Brazil represented approximately 36.7% of our cement sales in Latin America. We conduct our operations in Brazil though our wholly-owned subsidiary Companhia Nacional de Cimento Portland ("CNCP") and our subsidiary Companhia de Materiais Sulfurosos ("CMS"). Our cement plants in Brazil are located mainly in the southeast of the country in the states of Rio de Janeiro, Minas Gerais and São Paolo. In April 2002, we announced the sale of cement assets to Cimpor for € 67 million. Located in the Bahia state, these assets consist of the Brumado grinding plant, representing a total annual capacity of 0.6 million tons, and its distribution network of three cement terminals. We estimate we are the fourth largest cement manufacturer in Brazil in terms of rated capacity. Our major competitors in Brazil are Votorantim, Joa Santos, Holcim and Cimpor.

The cement industry in Brazil slowed in 2002 due to economic and political uncertainties caused by the anticipation of the 2003 presidential election. We sold 2.9 million tons of cement in Brazil in 2002 compared to 3.2 million tons of cement in 2001 and 3.3 million tons in 2000. Retail sales, mainly for individual construction use, account for most of the demand.

We also own a 20% interest in Cimento Tupi.

Venezuela

In 2002, Venezuela represented approximately 17.5% of our cement sales in Latin America. We conduct our operations in Venezuela through our majority owned subsidiary, Fabrica Nacional de Cementos. Our major competitors in Venezuela are Cemex and Holcim. On the basis of figures published by the most recent edition of the Global Cement Report, we estimate we are the third largest cement manufacturer in Venezuela in terms of rated capacity.

Our plants in Venezuela are located in the northern part of the country where 80% of the population is concentrated. We sold 0.8 million tons of cement in Venezuela in 2002 compared to 0.9 million tons in each of 2001 and 2000.

We also own a 23% interest in Cementos Catatumbo.

Chile

We operate in Chile through our majority owned subsidiary, Empresas Melon, which we acquired with our acquisition of Blue Circle. In 2002, Chile contributed approximately 15.7% of our cement sales in South America. Empresas Melon operates a single plant located near the capital Santiago. Our total installed capacity represented approximately 24% of the total rated capacity in Chile, based on the estimates contained in the most recent edition of the Global Cement Report. We sold 1.3 million tons of cement in Chile in 2002, compared to 0.6 million tons in 2001 (as with the rest of the former Blue Circle operations, this only represents sales in 2001 consolidated from July 11, 2001 onwards).

Our major competitors in Chile are Polpaico (which is 54% owned by Holcim) and Cementos Bio-Bio (including Industria Nacional de Cemento).

Honduras

In 2002, Honduras represented approximately 10.8% of our cement sales in Latin America. We acquired our majority owned subsidiary Industria Cementera Hondurena, which has a plant located near the capital Tegucigalpa in March 1998. Our only competitor is Cementos del Norte which is controlled by Holcim and which has a plant located near the Guatemalan border.

Mexico

We operate a single plant in Mexico through our subsidiary Lafarge Cementos SA de CV which we acquired in November 1999. Our plant in Mexico is located near Mexico City. Our major competitors are Cemex and Holcim.

• Sub-Saharan Africa and Indian Ocean

We substantially expanded our operations in Sub-Saharan Africa and the Indian Ocean with the Blue Circle acquisition, adding operations in Nigeria and Zimbabwe to our existing operations which were primarily concentrated in South Africa and Kenya. In 2002, the region represented approximately 10.9% of our cement sales. The companies we consolidated sold 10.2 million tons of cement in the region in 2002 compared to 7.2 million tons in 2001 and 5 million tons in 2000.

The table below indicates the number of plants and our production capacity by country at December 31, 2002:

Country / Company	Number of plants		Total cement production capacity (in million tons)
	Cement	*Clinker Grinding*	
Nigeria			
WAPCo	2	N/A	2
Ashakacem	1	N/A	0.9
Total Nigeria	**3**	**N/A**	**2.9**
South Africa			
Lafarge South Africa Ltd.	1	1	2.4
Kenya			
Bamburi Cement	1	1	2.3
Cameroon			
Cimencam	1	1	1.1
Benin			
SCB-Lafarge	1	N/A	0.6
Zimbabwe			
Circle Cement	1	N/A	0.5
Uganda			
Hima Cement Ltd.	1	N/A	0.3
Zambia			
Chilanga Cement	2	N/A	0.7
Malawi			
Portland Cement	1	1	0.2
Tanzania			
Mbeya Cement	1	N/A	0.3
Madagascar			
Sanca	1	N/A	0.1
Total Sub-Saharan Africa	**14**	**4**	**11.4**

Nigeria

We acquired our operations in Nigeria through our acquisition of Blue Circle. Our operations are conducted through our subsidiaries West African Portland Cement Company which serves the Lagos market and Ashakacem Plc which serves Northern Nigeria. Our total installed capacity represented approximately 46% of the total rated capacity in Nigeria, as estimated by the most recent edition of the Global Cement Report. In 2002, Nigeria contributed approximately 36.4% of our cement sales in Sub-Saharan Africa and Indian Ocean.

The domestic market dropped sharply in 2002, prior to the 2003 presidential election. We sold 3.3 million tons of cement in Nigeria in 2002 compared to 1.3 million tons in 2001 (as with the rest of the former Blue Circle operations, sales in 2001 only represent the period consolidated from July 11, 2001 onwards). Our competitors in Nigeria are Benue Cement, Nigerian Cement, Cement Co Northern Nigeria (which is 40% owned by HeidelbergCement), Bendel Cement, Calabar Cement and various importers.

South Africa

In 2002, South Africa represented approximately 9.8% of our cement sales in Sub-Saharan Africa and Indian Ocean. We acquired our wholly owned subsidiary, Lafarge South Africa Ltd., in 1998. Our operations consist of a cement plant which serves the Johannesburg market and a grinding plant near Durban. Over the past ten years most producers have been operating at less than 60% of their rated capacity.

The domestic market improved in 2002 to 8.4 million tons and we sold 1.6 million tons of cement in South Africa in 2002 compared to 1.5 million tons in 2001 and 1.4 million tons in 2000. Our major competitors in South Africa are Pretoria Portland Cement and Alpha (a subsidiary of Holcim). In November 2002, we announced the sale of the 33% interest held by our wholly owned subsidiary Lafarge South Africa in Natal Portland Cement ("NPC") to Cimpor for approximately € 32 million. NPC operates mainly in the Kwazulu Natal region (Eastern part of the country). It has a main facility located near Durban.

Kenya

In 2002, Kenya represented approximately 9.9% of our cement sales in Sub-Saharan Africa and Indian Ocean. Our operations in Kenya are conducted through our subsidiary Bamburi Cement Ltd., which was operated as a joint venture with Blue Circle prior to our acquisition of Blue Circle in 2001. Bamburi Cement has an integrated cement plant in Mombasa and a grinding unit in Nairobi. The market picked up in 2002 after a few years of stagnation due to the condition of the economy and the lack of government and development funding. Our major competitors in this market are Athi River Mining and East African Portland Cement, a state-controlled company in which Lafarge and Bamburi have a combined minority interest of approximately 40%.

Cameroon, Benin, Zimbabwe, Madagascar and Uganda

Our subsidiary, Cimenteries du Cameroun, known as Cimencam, is the sole cement producer in Cameroon. In Benin, we have a 50% interest in SCB-Lafarge which operates a cement plant in Onigbolo. We acquired our majority owned subsidiary in Zimbabwe, Circle Cement, with the acquisition of Blue Circle. Circle Cement has a single plant that serves the capital Harare. Through Bamburi Cement Ltd., we acquired an interest in Hima Cement Ltd. in 1999, a Company which operates a cement plant in Uganda. We also have a majority interest in Nouvelle Cimenterie d'Amboanio ("Sanca") in Madagascar.

Zambia, Malawi and Tanzania

In 2001 we acquired Pan African Cement Ltd., which holds controlling stakes in Chilanga Cement Plc (Zambia), Portland Cement Company (Malawi) and Mbeya Cement Company (Tanzania). Pan African Cement was consolidated from May 2001. The business was purchased from CDC Capital Partners, formerly the Commonwealth Development Corporation, which acquired the shareholdings as part of each respective government's privatization program.

Marine Cement

Marine Cement acts mainly as an importer and distributor of cement in Mauritius, Sri Lanka, the Maldives, Reunion and the Seychelles. Marine Cement sold 1.5 million tons of cement in 2002, the same volumes as in 2001 and 2000. Marine Cement purchases its cement from our own subsidiaries, including Bamburi Cement in Kenya and Semen Andalas in Indonesia, and from third party suppliers.

• Asia Pacific

In 2002, the Asia Pacific region represented approximately 14.1% of our cement sales. The Asia Pacific region suffered a major downturn in cement sales in 1997, from which the region is only gradually recovering. We have taken advantage of the downturn to substantially boost our presence in the region, since we believe that long-term growth prospects for the region remain very favorable. The companies we consolidated sold 21.1 million tons of cement in the region in 2002 compared to 14.4 million tons in 2001 and 8.1 million tons in 2000.

The table below indicates the number of plants and our production capacity by country at December 31, 2002:

Country / Company	Number of plants		Total cement production capacity
	Cement	*Clinker Grinding*	*(in million tons)*
Malaysia			
Malayan Cement Berhad	3	1	12
India			
Lafarge India Ltd	2	1	5
South Korea			
Lafarge Halla Cement	2	1	7.5
Philippines			
Lafarge Philippines	6	2	9.4
Indonesia			
P.T. Semen Andalas	1	N/A	1.3
China			
Beijing Chinefarge Cement	1	N/A	0.7
Shunfa Lafarge Cement	1	N/A	0.4
Lafarge Dujiangyan Cement	1	N/A	1.4
Total China	**3**	**N/A**	**2.5**
Total Asia	**17**	**5**	**37.7**

Malaysia

We operate in Malaysia through our majority owned subsidiary, Malayan Cement Berhad, which we acquired with our acquisition of Blue Circle. Malayan Cement Berhad is the leading cement producer in Malaysia. In 2002, Malaysia contributed approximately 30% of our cement sales in Asia Pacific. Our total installed capacity represented approximately 45% of the total rated clinker capacity in Malaysia, as estimated by the most recent edition of the Global Cement Report. Our three cement plants and our grinding plant in Malaysia are located to serve the whole of Malaysia and the export market. We exported approximately 29% of our production in 2002. We sold 5.5 million tons of cement in Malaysia in 2002 compared to 2.9 million tons of cement in 2001 (as with the rest of the former Blue Circle operations, sales in 2001 only represent the period consolidated from July 11, 2001 onwards). In 2002, the market remained positively oriented in the first half of the year, but it slowed slightly in the second half of the year due to the impact on the construction industry of the deportation of illegal foreign construction workers.

Our major competitors in Malaysia are Tasek Corporation, Renong, CMS Cement, Perak Hanjoong and Tenggara (which is 100% owned by Holcim).

India

In 2002, India represented approximately 20.2% of our cement sales in Asia Pacific. We initially entered the Indian market when we acquired the cement plants of the Tata Iron and Steel Co. cement division in November 1999. In January 2001 we further expanded our operations when we paid approximately € 112 million for the cement division of Raymond Ltd. which has a 2.2 million tons capacity cement plant located in Chattisgarh state. Following the Raymond acquisition we believe, based on our experience in this industry, we are the market leader in the Eastern region of India. Currently, there are no cement imports in India. We sold 3.9 million tons of cement in the region in 2002. Our major competitors in the region are Associated Cement Company, Gujarat Ambura Cement Ltd., Larsen & Toubro, Grasim and Century.

South Korea

In 2002, South Korea represented approximately 15.5% of our cement sales in Asia Pacific. We acquired our 39.9% interest in Lafarge Halla Cement in January 2000. Our partners in Lafarge Halla Cement include the Halla Group and The State of Wisconsin Investment Board. We operate a cement plant located in the North East of the country on the Sea of Japan, and since May 2002, a clinker plant at Samchok , also in the North East of the country, which was acquired from KDB (Korea Development Bank). After a severe downturn in 1998 and 1999 that saw consumption drop by almost a third, the cement market recovered in 2000 and stabilized in 2001. In 2002, the overall improvement of economic conditions translated into an increase of 8% of the cement consumption. In March 2002 we formed a joint-venture between our 39.9% owned subsidiary Lafarge Halla Cement and Tong Yang Major Corporation, a Korean-based cement company. Under the terms of the joint-venture, Lafarge Halla Cement indirectly owns 24% of the equity of a new company called Tong Yang Cement Co. Ltd. Tong Yang Major Corporation holds 75% of the equity and has transferred its existing cement business, a single plant with a cement production capacity of 11 million tons per year as well as related indebtedness limited to USD 710 million, to the new company. Our share of the investment in Tong Yang Cement in 2002 amounted to € 48 million.

Lafarge Halla Cement sold 7.2 million tons of cement in South Korea in 2002 compared to 6.5 million tons in 2001 and 5.8 million tons in 2000 (2.9, 2.6 and 2.3 million tons in 2002, 2001 and 2000 respectively on the basis of our percentage on interest). Our major competitors in the country are Ssanyong, Sungshin, Hyundai and Hanil.

Philippines

In 2002, the Philippines represented approximately 16.8% of our cement sales in Asia Pacific. We operate in the Philippines through our wholly owned subsidiary Lafarge Philippines and its holdings including those acquired with the acquisition of Blue Circle. We believe, based on our experience in this industry, that our holdings constitute together the largest producer of cement in the Philippines. We first entered the Philippines in 1998 when we acquired interests in both Continental Operating Corporation and South East Asia Cement Holdings Inc. (Seacem) whose principal plants are located on the island of Luzon near Manila. The four cement plants in which we acquired interests through the Blue Circle acquisition are located to serve metropolitan Manila, northern and southern Luzon, Visayas and Mindanao.

Cement consumption in the Philippines is low by Asian standards, however, we estimate cement consumption has been growing at an average rate of over 7% per annum over the last decade and according to Global Cement Report estimates, the total cement market amounted to approximately 10.9 million tons in 2002. In 2002, the domestic market grew significantly. We sold 3.7 million tons of cement in the Philippines in 2002 compared to 2.0 million tons in 2001 (as with the rest of the former Blue Circle operations, sales in 2001 only represent the period consolidated from July 11, 2001 onwards) and 1.6 million tons in 2000. Our major competitors in the country are Holcim and Cemex.

Bangladesh

In Bangladesh we conduct our operations through our majority owned subsidiary, Lafarge Surma Cement. After completing the initial site work in 2001, we are currently finalizing turnkey contracts for the construction of a 1.2 million tons greenfield plant on the Surma river for a total estimated project cost of € 260 million. We expect the new plant to be financed, in part, through project financing arrangements with a syndicate organized by the World Bank and the Asian Development Bank.

Indonesia

We operate in Indonesia through P.T. Semen Andalas of which we acquired control in 1994. Our plant is located in Aceh at the Northern tip of Sumatra. Our major competitors are Gresik (in which Cemex has a 25.5% interest), Indocement and Cibinong (in which Holcim has an equity interest of about 77%). We sold 1.2 million tons of cement in Indonesia in 2002 compared to 1.1 million tons in 2001 and 0,9 million tons in 2000.

China

We currently have two cement plants serving the Beijing market which we operate through our majority owned subsidiaries Beijing Chinefarge Cement Ltd. and Beijing Shunfa Lafarge Cement. We acquired our Shunfa plant in early 2002. The Chinese state development investment Company and a Chinese cement Company respectively hold 15% and 20% of Beijing Chinefarge Cement, and a local chinese partner holds 30% of Beijing Shunfa Lafarge Cement. We have just completed the construction of a 1.4 million tons integrated cement plant in Chengdu in the Sichuan province and commenced commercial operations in mid 2002. The plant was financed, in part, through project financing arrangements with the World Bank.

We have also announced the signature of an agreement to purchase a 70% stake in the share capital of a cement plant in Chongqing, a town also situated in the Sichuan Province. In addition to the acquisition cost of USD 30 million Lafarge is to invest USD 20 million in 2003 and 2004 in order to modernise the plant and double its annual production capacity to 1.2 million tons.

Japan

In September 2001, our majority owned subsidiary, Lafarge Japan Holding, paid € 70 million for a 39.4% of the equity of a new Company, Aso Cement, Co. Ltd., which took over Aso Corporation's cement related business assets, including two plants in Kyushu with a combined cement capacity of 3 million tons. We account for our 22.45% ownership interest in Aso Cement, Co. Ltd. using the equity method.

Trading activities

In order to increase our international sales and explore new markets without the necessity of immediately making investments in new production facilities, we created our Cementia Trading subsidiary, a separate entity within Lafarge that focuses on cement trading. Through Cementia Trading we purchased and sold approximately 7.1 million tons of cement and clinker in 2002 (these volumes are included in the volumes reported sold by geographic zone above). Approximately 55% of this amount consisted of exports from our operations, including those in Greece, Malaysia and Romania, and the rest was purchased from third parties in Thailand, Indonesia, Venezuela and Saudi Arabia. Our trading network also enables us to distribute cement from countries where we have excess capacity to regions around the world where it is in demand. This helps us to maximize the capacity utilization of our facilities worldwide while reducing our exposure to the inherent cyclical nature of the cement industry. Our trading activities constitute a fundamental part of our strategic goals by allowing international development through careful, calculated steps, while at the same time satisfying worldwide demand where required.

Reserves

The raw materials required for this process (calcium carbonate, silica, alumina and iron ore) are usually present in limestone, chalk, marl, shale and clay and are generally readily available in most countries of the world. Based on historic trends we do not consider the prices of these raw materials to be volatile. Cement plants are normally built beside large deposits of these raw materials. We currently estimate we have approximately 5 billion tons of proven and authorized reserves of raw materials. We believe that the quantities of authorized reserves at each of our existing cement plants is adequate for sustainable operating levels for the planned life of each of our plants.

AGGREGATES AND CONCRETE

Lafarge is a leading international supplier of aggregates, asphalt and ready mix concrete. On the basis of the volumes of concrete and aggregates sold in 2002, we estimate we are the world's second largest producer of aggregates and ready mix concrete with significant market positions in Western Europe and North America. At December 31, 2002 the companies we consolidated (global and proportionate) operated 674 quarries and 1,078 ready mix concrete plants in 23 countries. In addition, we also produce asphalt and pre-cast concrete products and we are active in road contracting and surfacing in North America and the United Kingdom.

In 2002, the companies we consolidated (global and proportionate) had sales volumes of 206.9 million tons of aggregates and 35.4 million m^3 of ready mix concrete. Taking into account 100% of the sales volumes of the companies we consolidate proportionally and the sales volumes of our equity affiliates, total volumes sold would have been 224,7 million tons and 40,6 million m^3 respectively in 27 countries.

We manage our aggregates, concrete and asphalt businesses in the same division because:

- the customer bases for these three product lines are similar,
- logistical constraints inherent to these businesses require the service of local markets through large numbers of operational units, and
- it is generally most efficient to produce ready mix concrete and asphalt at our aggregate quarries as this co-location allows us to share management, equipment, services and marketing and reduces our logistic costs, thus reducing our overall production costs.

We initially entered the ready mix concrete business as part of our strategy to vertically integrate our cement operations and subsequently expanded upstream into aggregates. Ready mix concrete producers are the largest consumers of cement in some of the major markets in which we are present. Vertical integration was pursued to better manage distribution channels, and to give us direct contact with the end-users of cement. We expanded into aggregates to secure the supply of raw materials and to profitably exploit our core competences in the geological, operational, environmental and regulatory aspects of quarrying operations which we had acquired through our cement operations. We have now expanded into asphalt in North America and the United Kingdom and this provides further outlets for our aggregates resources in a less cyclical business. Our goals for the coming years are to pursue a growth strategy in aggregates in developed countries and to improve our operational performance.

The table below indicates the breakdown of our sales by destination in 2002, 2001 and 2000:

Aggregates and Concrete sales (1) by destination						
(in million euros, except percentages)	Year ended December 31,					
Geographic area	**2002**		**2001(2)**		**2000**	
Western Europe	**1,856**	**38.9%**	**1,770**	**36.8%**	**1,661**	**44.6%**
North America	2,405	50.4%	2,594	54%	1,664	44.7%
Other zones	507	10.6%	442	9.2%	400	10.7%
Total	**4,768**	**100%**	**4,806**	**100%**	**3,725**	**100%**

(1) Including sales of our asphalt, road contracting and pre-cast concrete products
(2) Including the former Blue Circle operations from July 11, 2001

Our geographic markets

Our major markets in Western Europe are France and the United Kingdom, which represented approximately 48.7% and 32.5%, respectively, of our Aggregates & Concrete sales in this area in 2002. We are also present in Germany, Austria, Greece and Italy and through a joint venture with RMC in Spain and Portugal. In North America our primary markets are in Eastern and Western Canada, Colorado, New Mexico, Kansas, Louisiana, Missouri, Ohio, Maryland, Pennsylvania, West Virginia, Wisconsin, Georgia and Alabama. We also have operations in Turkey, South Africa, Poland, Romania, Hungary, the Middle East, Morocco, China, Malaysia and Singapore. In Central and Southern America we have operations in Brazil, Venezuela and Chile.

In aggregates and ready mix concrete we regularly acquire small independent operators. From time to time we acquire larger operations when the opportunity arises and, additionally, assume control of aggregates and concrete assets which have been acquired via larger cement acquisitions. For example, the Blue Circle acquisition in 2001 brought not only significant aggregates and ready mix positions in Georgia and Alabama in North America, but also positions in Greece, Malaysia, Singapore and Chile.

In 2002 we disposed or shutdown most of our ready mix concrete plants in Germany in reaction to several years of market shrinkage. We also downsized our ready mix concrete presence in Brazil and Greece.

The following table shows our volumes and number of sites, broken down by geographic area, for 2002. The sales volume figures we have provided for each country or geographic zone are the total volumes sold in each particular country or zone by all of our consolidated subsidiaries, including volumes sold to our other divisions and adjusted to reflect our percentage of interest in our proportionally consolidated subsidiaries.

	At December 31, 2002		**Volumes sold in 2002**	
Geographic area	*Aggregates*	*Ready mix concrete*	*Aggregates*	*Ready mix concrete*
	Number of sites		*(in million tons)*	*(in million m^3)*
Western Europe	216	560	71.7	14.8
France	133	252	43.2	6.5
United Kingdom	57	105	17.7	2.2
Spain/Portugal*	20	159	8.9	3.6
Greece	3	27	1.5	1.6
Other	3	17	0.5	0.9
North America	**385**	**294**	**117.9**	**10.7**
Canada	283	157		
United States	102	137		
Other zones	**73**	**224**	**17.3**	**9.9**
South Africa	20	40	4.4	1.3
Brazil	4	43	2.3	0.7
Chile	2	33	2.1	1.7
Malaysia/Singapore	1	42	-	3.2
Turkey	4	26	2.4	2
Other	42	40	6.1	1
Total	**674**	**1,078**	**206.9**	**35.4**

**Our Spanish and Portuguese operations are conducted through a joint venture with RMC Plc.*

In North America, Western Europe and in emerging markets, we face competition from numerous independent operators. However, the aggregates industry in particular has started to consolidate and we face competition from regional and international producers such as Vulcan Materials and Martin Marietta Materials in the United States and Hanson and CRH internationally. In the United Kingdom this process of consolidation has reached the stage where the five major producers control approximately 75% of the market.

In ready mix concrete the tendency towards consolidation is less pronounced but we still face competition from firms such as RMC, HeidelbergCement, Holcim, Hanson, CRH and CSR both in North America and internationally. Our strategy of vertical integration of concrete and cement operations has also been followed by our major competitors in the cement markets such as Holcim, Cemex and CRH and in the other direction by RMC.

Reserves (Aggregates)

We currently estimate that we have control of approximately 9,2 billion tons of proven and authorized aggregates reserves in 2002. We have sustained the level of our reserves through various acquisitions and successful permit applications. We believe that the quantities of proven and authorized reserves at our aggregates facilities are sufficient to result in an average life in excess of 35 years at present operating levels. We also have access to considerable aggregate reserves for which we have either not yet requested or not yet received an extraction permit. We expect to gain the necessary permits for a significant portion of these in due course.

ROOFING

We acquired our roofing business in December 1997 as part of our acquisition of Redland and we believe, based on our experience in this industry, we are the world's largest producer of concrete and clay roof tiles. At the end of 2002, the companies we consolidated (global and proportionate) operated 159 production sites in 32 countries. Including the companies we account for by the equity method, our roofing operations consisted of 208 production sites in 38 countries. We are principally based in Western Europe (which represented 75.6% of our sales in 2002) but we are also present in North America, through a joint venture with Boral, which represents 7.9% of our total roofing sales, and are expanding into other regions including Asia Pacific, which currently represent 16.5% of our sales.

We estimate we provide enough roofs tiles to cover around 1.6 million buildings per year and the companies we consolidated (global and proportionate) sold 127.3 million m² of concrete roof tiles, 24.7 million m² of clay roof tiles and 2.7 million meters of chimneys in 2002. Taking into account 100% of the sales of the companies we consolidate proportionally and the sales of our equity affiliates, total volumes sold in 2002 at 100% would have been 171.9 million m² of concrete roof tiles, 38.7 million m² of clay roof tiles and 2.7 million meters of chimneys, respectively.

Our goals for the coming years are to consolidate our positions in Europe in concrete roof tiles, clay roof tiles and roofing components and to develop progressively in emerging countries.

The table below indicates the breakdown of our sales by destination in 2002, 2001 and 2000:

Roofing sales by geographic area

(in million euros, except percentages)	Year ended December 31,					
Geographic area	2002		2001		2000	
Western Europe	1,162	75.6%	1,261	79.4%	1,341	79.6%
North America	121	7.9%	131	8.3%	121	7.2%
Other zones	255	16.5%	193	12.2%	222	13.2%
Total	**1,538**	**100%**	**1,585**	**100%**	**1,684**	**100%**

We have a significant presence in emerging markets (we define emerging markets as our other zones excluding Japan, Australia and New Zealand).

According to our own internal estimates, we believe, based on our experience in this industry, we are the clear market leader in Europe in pitched roofing products. Our principal competitors in Europe for pitched roofing products are Etex, Imerys, Terreal (Saint-Gobain), Uralita, Koramic (the tile business of which will be acquired by Wienerberger in 2003) and Creaton. In the European market for chimneys, we believe, based on our experience in this industry, we are also the market leader, followed by Selkirk, Poujoulat, and Plewa.

We believe, based on our experience in this industry, that our Monier Lifetile joint venture has more than 50% of the North American market for concrete tiles. However, we estimate that concrete and clay tiles represent only around 6% of the pitched roofing market in North America. Asphalt shingles represent over 85% of the total pitched roofing market in North America and the primary manufacturers are Owens Corning, GAF and Certain Teed (Saint-Gobain). We are currently not present in the North American market for chimneys.

Our geographic markets

In the discussion that follows, we describe market conditions and our competitive position in the principal geographic areas in which we operate. The sales volume figures we have provided for each country or geographic zone are the total volumes sold in each particular country or zone by our consolidated subsidiaries, including volumes sold to our other divisions and adjusted to reflect our percentage of interest in our proportionally consolidated subsidiaries.

The following table illustrates our business operations by geographic zone at December 31, 2002:

	At December 31, 2002			
Geographic area	**Concrete tiles**	**Clay tiles**	**Chimneys**	**Others**
	Number of plants			
Western Europe	**46**	**19**	**11**	**11**
Germany	12	5	6	5
United Kingdom	9	1	1	1
France	5	4	0	0
Italy	9	4	1	1
Other Western Europe	11	5	3	4
North America	**13**	**0**	**0**	**0**
Other zones	**43**	**4**	**8**	**4**
Eastern Europe	13	1	8	1
Asia/Pacific	20	2	0	3
Latin America	3	1	0	0
Africa /Indian Ocean	6	0	0	0
Mediterranean Basin	1	0	0	0
Total	**102**	**23**	**19**	**15**

Concrete and Clay Tiles and Roofing Components

• Western Europe

We believe, based on our experience in this industry, we are the market leader in Western Europe, which represented approximately 75.6% of our total roofing products sales worldwide, and which is the first market where we established our presence. We sold 71.2 million m² of concrete tiles and 23 million m² of clay tiles in the region in 2002. Our four principal markets in this region are Germany, the United Kingdom, France and Italy.

In Germany, which represented in 2002 approximately 38.6% of our roofing products sales in Western Europe, we have been facing declining volumes in concrete tiles and we have closed down three of our older plants in the past three years. These plant closures have allowed us to focus our operations on our most efficient plants and reduce our surplus capacity. We have also introduced new products such as our Star surface, a concrete tile with a smoother surface. In 2001, we restructured our German roofing business by merging our concrete and clay tile activities in a single organizational structure while retaining Braas and RuppKeramik as product brands. We have also expanded our roofing components activities with the acquisition of Kloeber, a large roofing accessories producer.

We have restructured our operations in France, Italy and the Netherlands by closing down older small-scale plants while expanding capacity at our more modern operations and constructing a new clay tile plant in Southern Italy, that became operational in June 2001. In 2001, we acquired the metal roof tile producer Kami with operations in Scandinavia and Eastern Europe and, since 2002, in the United Kingdom. We are also present in Austria, Belgium, Denmark, Finland, Norway, Portugal, Spain, Sweden and Switzerland.

• North America

North America is our second most important regional market, after Europe, for pitched roofing products. In 2002, our sales of concrete roofing tiles and roofing accessories in North America accounted for 7.9% of our total sales in roofing products worldwide. We operate in North America through our jointly controlled American subsidiary, Monier Lifetile Llc which was formed in 1997 as a 50/50 joint venture between Redland's subsidiary Monier Inc., which it had acquired in 1987 and Boral Lifetile Inc. a subsidiary of Boral Limited of Australia. The Company is the largest manufacturer of premium-quality concrete roof tiles in the United States. Currently, Monier Lifetile has 13 active concrete tile manufacturing plants in the continental United States, located principally in the Sunbelt states. A new plant in Denver was opened in 2002.

• Other zones

Our most substantial presence is in Asia where we are present in Malaysia, Japan, China, Indonesia, Cambodia, Philippines, India and Thailand. We have been expanding our presence in Asia and we now have six concrete tile plants in China and we opened a new clay tile plant in Malaysia in 2002. In 2002, we and Cementhai Building Products (member of the Siam Cement Group) set up a joint venture for the manufacturing of clay roof tiles in Thailand. We have also been expanding into Eastern and Central Europe. In 2002, we opened a clay roof tile plant in Hungary. This is one of our main markets in this region beside Czech Republic, Poland and Russia. We also have operations in Bulgaria, Croatia, Estonia, Macedonia, Slovakia and Slovenia. We have a presence through sales/administrative offices in Bosnia-Herzegovina, Latvia, Lithuania, Romania, Ukraine and Yugoslavia. We are present in South and Central America where we have started operating four new plants in Brazil in the last three years including our acquisitions in 2001 of the clay roofing tile business of Ceramica Laranjal Paulista and of a concrete plant. In total, we operate three concrete roof tile plants and one clay roof tile plant in Brazil. We also have extended our operations in Mexico through our investment in local companies. We have substantial operations in South Africa where we sold 5.6 million m² of tiles in 2002. We began operations in Turkey in 1998 with the construction of a single concrete tile plant and we intend to expand our operations in Turkey in the future.

Chimneys

Our Schiedel chimney business accounted for 10.8% of our total sales in the Roofing Division worldwide. We believe, based on our experience in this industry, we are Europe's leading chimney producer and we are four times the size of our closest competitor. We have production plants in 12 European countries and sales offices in 18 countries. We are the technical leader in ceramic chimneys in Europe.

GYPSUM

On the basis of square meters of wallboard produced in 2002, we believe, based on our experience in this industry, we are the third largest manufacturer worldwide. We first entered into the market for gypsum products in 1931, with production of powdered plaster. We have since extended our product lines, and currently manufacture gypsum wallboard, gypsum plasters, plaster block, industrial plasters and anhydrite binders for self-leveling floor screeds.

At December 31, 2002, the companies we consolidated (global and proportionate) operated 67 industrial sites in 22 countries. Of these, 33 were wallboard plants with a total production capacity of approximately 888 million m², 31 were plants where we produced other plaster products, such as plaster, plaster block and jointing compound, and 3 were plants which produced paper. If all of the plants in which we have an equity interest are included, our gypsum operations include 75 industrial sites in 23 countries.

Our goals for the coming years are to develop our presence in strong growth markets, to consolidate our position in the U.S. market, reduce costs and improve our marketing.

The table below indicates the breakdown of our sales by destination in 2002, 2001 and 2000:

Gypsum sales by geographic area

(in million euros, except percentages)	Year ended December 31,					
Geographic area	**2002**		**2001**		**2000**	
Western Europe	604	52.7%	602	56.2%	585	58.5%
North America	245	21.4%	169	15.8%	150	15.0%
Other zones	297	25.9%	301	28.1%	265	26.5%
Total	**1,146**	**100%**	**1,072**	**100%**	**1,000**	**100%**

We have been actively expanding our gypsum operations in emerging markets. We define emerging markets as those countries in our other geographical zones, excluding Japan, Australia and New Zealand. In 2002, we generated revenues of € 235 million in emerging markets compared to € 248 million in 2001 and € 203 million in 2000. Emerging markets amounted to 20.5% of our total revenues in gypsum worldwide in 2002 compared to 23.1% in 2001 and 20.3% in 2000.

Our largest competitors in Europe are BPB of the United Kingdom and Knauf of Germany, and in the United States, U.S. Gypsum Corporation, National Gypsum, BPB and Georgia Pacific. After having acquired James Hardie's Gypsum assets in the United States in March 2002, BPB is now the same size as USG, the world's largest manufacturer of gypsum and wallboard, on the wallboard market worldwide.

Our geographic markets

In the discussion that follows, we describe market conditions and our competitive position in the principal geographic areas in which we operate. The sales volume figures we have provided for each country or geographic zone are the total volumes sold in each particular country or zone by our consolidated subsidiaries, including volumes sold to our other Divisions and adjusted to reflect our percentage interest in our proportionally consolidated subsidiaries.

• Western Europe

In 2002, our sales in Western Europe accounted for 52.7% of our total sales in gypsum world-wide. Western Europe is the second largest regional market worldwide for wallboard, after North America. Our three principal markets in this region are France, the United Kingdom and Germany. Our total production capacity for wallboard in Western Europe was approximately 271 million m^2 as of December 31, 2002 and we sold 206 million m^2 in Western Europe in 2002.

France

We operate in France through our wholly owned subsidiary, Lafarge Plâtres. We have four wallboard plants in France, one of which is designed to use primarily synthetic gypsum and the rest natural gypsum. We have a paper mill and 15 other production sites for the rest of our gypsum product lines, which include plaster blocks, industrial plaster, insulation and other materials.

United Kingdom

We operate in the United Kingdom through our wholly owned subsidiary, Lafarge Plasterboard Ltd. We have a single major plant in the United Kingdom located in Bristol, with two wallboard production lines designed to primarily use natural gypsum. Our plant is supplied with gypsum from our quarry in Spain. We also have a jointing compound plant in Frampton.

Germany and Netherlands

We operate in Germany through our wholly owned subsidiary, Lafarge Gips GmbH. We have two wallboard plants in Germany, and a wallboard plant in the Netherlands which are primarily designed to use synthetic gypsum. We also import wallboard products from a plant in France. In October 2002, we announced that we had agreed to acquire the wallboard businesses of Gyproc in Germany and Poland from the British building materials company BPB. The acquisition was completed in 2003. We are in the process of integrating Gyproc's two German wallboard plants located in Peitz and Steinsfeld with a combined ultimate capacity of 53 million m^3.

Other

We also have a wallboard production plant and a plaster plant in Italy through our wholly owned subsidiary, Lafarge Gessi SA. In 2002 we consolidated for the first time Lafarge Profili, a metal studs business. We also operate a paper mill in Sweden. In addition, we have a minority interest in Yesos Ibericos which operates a wallboard plant and three plaster plants in Spain.

• North America

In 2002, our sales in North America accounted for 21.4% of our total sales in gypsum worldwide. Our total production capacity for wallboard in North America was approximately 238 million m^2 at December 31, 2002 and we sold 184 million m^2 in 2002.

We first entered the North American gypsum market in 1996 and we estimate, based on our experience in the industry, we are now one of the six largest producers in this region. We operate in North America through our majority owned subsidiary Lafarge North America, Inc. At December 31, 2002 we operated four wallboard manufacturing plants in the United States, two of which use natural gypsum, located in Newark, New Jersey and Buchanan, New York. In 2000, we opened a new state-of-the-art plant using 100 percent recycled materials, including synthetic gypsum generated from scrubbers of a nearby power plant in Silver Grove, Kentucky. In early 2001, our second new state-of-the-art plant in Palatka, Florida, based on the same design as our Silver Grove, Kentucky plant, became operational with a capacity of 80 million m^2. We also commenced operations at a new joint venture paper mill in Lynchburg, Virginia in late 2001. In Canada, we operate one gypsum wallboard manufacturing plant in Corner Brook, Newfoundland, with a capacity of approximately 10 million m^3, and a joint compound plant in Quebec. We acquired our Newark, New Jersey plant in January, 2002 with the acquisition of Continental Gypsum an independent drywall manufacturer for approximately € 30 million. The plant has an annual capacity of approximately 28 million m^3. In order to rationalize our capacity, our subsidiary Lafarge North America announced the idling of its Wilmington plant at the end of 2002.

• Other zones

Central and Eastern Europe and the Mediterranean Basin

We currently have operations in Poland, Ukraine and Romania. We acquired our operations in Poland in 2000 with the acquisition of Dolina Nidy and Nida Gips. Nida Gips had an old wallboard plant in Gacki. This plant was closed at the end of 2002. We have completed the construction of a new wallboard plant at the same site, which began operations at the end of the year 2002.

At the end of 2002, we entered into an agreement to increase our stake in Lafarge Arcom Gips in Romania.

We also have operations in Ukraine: a plaster business, Stromgips, and a commercial office in Kiev to sell imported wallboard. In Turkey, we operate two companies through joint ventures. One comprises of a wallboard production plant and a construction plaster facility near Ankara.The other has a quarry and production facilities near Istanbul.

Asia Pacific

In June 2001 we formed a joint venture in the Asia Pacific Region with the Australian Company Boral Limited. Boral currently holds a minority interest of 48% in the joint venture, but it may, in the future, increase its shareholding to up to 50%, mainly by financing development projects until June 2003 in the region. At the end of 2002, our wallboard capacity in the region increased to 255 millions m^3. The joint venture is managed jointly with Boral.

The joint venture has three plants in South Korea which mainly manufacture wallboard from synthetic gypsum. A new wallboard plant at Dangjin started up in September 2002. This plant has a production capacity of 28 million m^2. In China we have one main plant near Shanghai and a smaller plant in the Chengdu region. In addition, the joint venture also has two wallboard plants in Indonesia, which use natural gypsum, as well as a metal stud plant in Indonesia and a wallboard plant in Malaysia.

The joint venture conducts its operations in Thailand through Siam Gypsum Industry (SGI) with three plants and a combined capacity of 77 million m^3 of wallboards at December 31, 2002. Siam Gypsum Industry announced the idling of its Navanakorn plant during the first quarter 2003.

Outside of the joint venture we have two plants in Australia located in Melbourne and Sydney which exclusively manufacture wallboard from natural gypsum. We entered into the Australian market in 1988 through a joint venture with the Pioneer Group, which we fully acquired in 1999.

Latin America

Our principal markets in this region are Chile, Brazil and Argentina. In these countries, we operate through companies we control jointly with the Etex Group. We have one wallboard plant in each of Argentina, Brazil and Chile and two plaster plants, one in each of Brazil and Chile.

Reserves

Our policy is to secure both our own natural reserves and long-term supply contracts for synthetic and natural gypsum in order to diversify our supply risk. At December 31, 2002, our consolidated companies operated 17 gypsum quarries worldwide including 11 in Western Europe. We currently estimate we have approximately 115 million tons of proven and authorized reserves of gypsum worldwide. We estimate that we have an additional 170 million tons of identified reserves for which we expect to obtain authorization. In general, we obtain synthetic gypsum through long-term contracts that last approximately 20 years, most of which contain an option to renew. In certain cases, as a function of our supply needs and local market practices, we contract over shorter periods. We have contracts outstanding for the supply of over 55 million tons of synthetic gypsum over the life of the contracts. We believe our current supply of gypsum, both natural and synthetic, is adequate for present operating levels.

CONTENTS

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF INCOME

(in million euros, except per share data)		Years ended December 31,		
	Notes	2002	2001 (a)	2000 (a)
Sales	**3**	**14,610**	**13,698**	**12,216**
Cost of goods sold		(9,734)	(9,258)	(7,980)
Selling and administrative expenses		(1,775)	(1,578)	(1,644)
Gross operating income		**3,101**	**2,862**	**2,592**
Depreciation	3	(969)	(928)	(788)
Operating income on ordinary activities	**3**	**2,132**	**1,934**	**1,804**
Gains on disposals, net	6	216	274	272
Other (expenses) income, net	7	(525)	(152)	(243)
Operating income	**3**	**1,823**	**2,056**	**1,833**
Financial expenses, net	8	(521)	(544)	(468)
Income before income tax, share of net income of equity affiliates, amortization of goodwill and minority interests		**1,302**	**1,512**	**1,365**
Income tax	9	(448)	(368)	(356)
Income before share of net income of equity affiliates, amortization of goodwill and minority interests		**854**	**1,144**	**1,009**
Share of net income of equity affiliates	4	33	18	50
Amortization of goodwill	11	(158)	(142)	(120)
Minority interests	20	(273)	(270)	(213)
Net income		**456**	**750**	**726**
Earnings per share (euros)	**10**	**3.52**	**5.97**	**6.78**
Diluted earnings per share (euros)	**10**	**3.49**	**5.85**	**6.69**
Average number of outstanding shares (in thousands)	**10**	**129,629**	**125,616**	**107,098**

(a) Revised for the change in presentation of equity affiliates (Note 4).

The pro forma statement of income including Blue Circle Industries Plc from January 1, 2000 is set forth in Note 5.

The accompanying Notes are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEETS

ASSETS

(in million euros)	Notes	At December 31, 2002	2001	2000
Goodwill, net	11	4,633	4,974	2,820
Intangible assets, net	11	2,835	3,225	1,127
Property, plant and equipment, net	12	11,667	13,353	8,882
Investments in equity affiliates	13	652	439	420
Other investments	14	462	671	1,716
Long-term receivables	15	919	900	489
Long-term assets		**21,168**	**23,562**	**15,454**
Inventories, net	16	1,591	1,776	1,309
Accounts receivable-trade, net	17	1,816	2,230	1,495
Other receivables		955	1,133	899
Cash and cash equivalents	18	1,109	1,201	1,740
Current assets		**5,471**	**6,340**	**5,443**
Total assets	**3**	**26,639**	**29,902**	**20,897**

SHAREHOLDERS' EQUITY AND LIABILITIES

(in million euros)	Notes	At December 31, 2002	2001	2000
Common stock	19	532	521	429
Additional paid-in capital	19	4,546	4,324	3,028
Retained earnings		3,548	3,389	2,910
Cumulative translation adjustments		(1,645)	(352)	(324)
Shareholders' equity		**6,981**	**7,882**	**6,043**
Minority interests	20	2,155	2,551	1,707
Other equity	21	134	163	162
Total Equity		**9,270**	**10,596**	**7,912**
Deferred taxes	**9**	**979**	**937**	**810**
Provisions	**22**	**1,922**	**1,688**	**1,228**
Long-term debt	**23**	**10,271**	**11,041**	**7,490**
Accounts payable, trade		1,205	1,467	1,114
Other payables		1,938	2,310	1,457
Current portion of long-term debt	23	524	1,350	579
Short-term bank borrowings	23	530	513	307
Current liabilities		**4,197**	**5,640**	**3,457**
Total shareholders' equity and liabilities		**26,639**	**29,902**	**20,897**

The accompanying Notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Years ended December 31,		
(in million euros)	Notes	2002	2001	2000
NET CASH PROVIDED BY OPERATING ACTIVITIES				
Net income		**456**	**750**	**726**
Adjustments to reconcile net income to net cash provided by operating activities:				
Minority interests	20	273	270	213
Depreciation and amortization of goodwill		1,127	1,070	908
Share of net income of equity affiliates less dividends received		(17)	-	(35)
Gains on disposals, net (excluding those of equity affiliates)		(216)	(274)	(272)
Deferred income taxes and tax provisions		92	(59)	31
Other, net		241	(89)	5
Changes in operating working capital items (see analysis below)		(165)	174	(92)
Net cash provided by operating activities		**1,791**	**1,842**	**1,484**
NET CASH USED IN INVESTING ACTIVITIES				
Capital expenditures	3	(1,149)	(1,455)	(1,307)
Investment in consolidated companies (1)*		(337)	(4,537)	(584)
Investment in non-consolidated companies		(27)	(81)	(1,484)
Disposals (2)		725	1,537	991
Net decrease (increase) in long-term receivables		14	(143)	(33)
Net cash used in investing activities		**(774)**	**(4,679)**	**(2,417)**
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES				
Proceeds from issuance of common stock		260	1,513	322
(Increase) decrease in treasury stock		(4)	-	(38)
Increase (decrease) in other equity		-	2	7
Dividends paid (including those paid to minority interests in subsidiaries)		(388)	(337)	(275)
Proceeds from long-term debt		642	5,596	2,802
Repayment of long-term debt		(751)	(4,746)	(1,146)
(Decrease) increase in short-term debt		(685)	282	(70)
Net cash (used in) provided by financing activities		**(926)**	**2,310**	**1,602**
Increase (decrease) in cash and cash equivalents		**91**	**(527)**	**669**
Net effect of foreign currency translation on cash and cash equivalents		(183)	(12)	10
Cash and cash equivalents at beginning of year		1,201	1,740	1,061
Cash and cash equivalents at end of year	**18**	**1,109**	**1,201**	**1,740**
(1) Net of cash and cash equivalents of companies acquired		-	256	34
(2) Net of cash and cash equivalents of companies disposed of		1	2	179
SUPPLEMENTAL DISCLOSURES				
Analysis of changes in operating working capital items				
(Increase) decrease in inventories		(40)	35	307
Decrease (increase) in accounts receivable-trade		446	85	(102)
Decrease (increase) in other receivables		11	(50)	(107)
(Decrease) increase in accounts payable-trade		(532)	(46)	62
(Decrease) increase in other payables		(50)	150	(252)
Cash payments during the period for				
Interest expense		604	503	495
Income taxes		442	234	458

** including BCI (3,804) for the year 2001.*

The accompanying Notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Outstanding shares	Treasury stock	Common stock	Additional paid-in capital	Retained earnings	Cumulative translation adjustments	Shareholders' equity
	(in number of shares)		*(in million euros)*				
Balance at January 1, 2000	**104,978,206**	**1,519,185**	**400**	**2,459**	**3,180**	**(188)**	**5,851**
Cumulative effect of change in accounting for deferred taxes	-	-	-	-	(759)	-	(759)
Net income	-	-	-	-	731	(5)	726
Dividends paid	-	-	-	-	(215)	-	(215)
Issuance of common stock (dividend reinvestment plan)	365,771	-	2	28	-	-	30
Issuance of common stock	3,180,000	-	12	274	-	-	286
Exercise of stock options	154,818	-	1	7	-	-	8
Exercise of stock subscription warrants	3,763,140	-	14	260	-	-	274
Purchase of treasury stock	-	318,655	-	-	(37)	-	(37)
Goodwill previously written off against retained earnings on subsidiaries sold	-	-	-	-	10	-	10
Change in translation adjustments	-	-	-	-	-	(131)	(131)
Balance at December 31, 2000	**112,441,935**	**1,837,840**	**429**	**3,028**	**2,910**	**(324)**	**6,043**
Net income	-	-	-	-	752	(2)	750
Dividends paid	-	-	-	-	(273)	-	(273)
Issuance of rights (conversion to common stock)	14,110,592	-	54	1,059	-	-	1,113
Issuance of common stock (dividend reinvestment plan)	1,125,007	-	5	103	-	-	108
Exercise of stock options	369,455	-	1	16	-	-	17
Exercise of stock subscription warrants	2,098,811	-	8	142	-	-	150
Purchase of treasury stock	-	26,532	-	-	-	-	-
Change in translation adjustments	-	-	24	(24)	-	(26)	(26)
Balance at December 31, 2001	**130,145,800**	**1,864,372**	**521**	**4,324**	**3,389**	**(352)**	**7,882**
Net income	-	-	-	-	460	(4)	456
Dividends paid	-	-	-	-	(297)	-	(297)
Issuance of common stock (dividend reinvestment plan)	1,400,494	-	5	127	-	-	132
Exercise of stock options	171,583	-	1	7	-	-	8
Employee stock purchase plan	708,718	-	3	42	-	-	45
Issuance of common stock (Cementia Exchange offer)	453,838	-	2	46	-	-	48
Purchase of treasury stock	-	56,587	-	-	(4)	-	(4)
Change in translation adjustments	-	-	-	-	-	(1,289)	(1,289)
Balance at December 31, 2002	**132,880,433**	**1,920,959**	**532**	**4,546**	**3,548**	**(1,645)**	**6,981**

The accompanying Notes are an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 BUSINESS DESCRIPTION

As used herein, the terms "Lafarge S.A." or "the parent Company" refers to Lafarge, a "société anonyme" organized under French law, without its consolidated subsidiaries. The terms the "Company" or "Lafarge" refer to Lafarge S.A. together with its consolidated subsidiaries.

The Company is headquartered in France and specializes in the production of materials for the construction industry in all the world's major markets. At December 31, 2002, the Company operated in the following business segments: Cement, Aggregates and Concrete, Roofing, and Gypsum. The Company's customers are from both the private and public sector. Until December 31, 2000, the Company also operated in the Specialty Products segment (Note 3).

Lafarge is listed on the "Premier Marché" of Euronext Paris S.A. and, since July 23, 2001, on the New York Stock Exchange ("NYSE").

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A | Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with the provisions of French accounting legislation and standards ("French GAAP").

French GAAP differs in certain respects from accounting principles generally accepted in the United States of America ("US GAAP"). A description of the main differences is set forth in Note 29.
Effective January 1, 2000, the Company adopted the new accounting standard CRC n° 99-02 on Consolidated Financial Statements published by the French Accounting Standards Committee *("Comité de la Réglementation Comptable")*. The standard requires that the balance-sheet liability method be applied for the recognition of deferred income taxes. The cumulative effect of change in accounting for deferred taxes is presented in Note 9.

B | Principles of consolidation

Investments over which the Company has direct or indirect control of more than 50% of the outstanding voting shares, or over which it exercises effective control, are fully consolidated, except for some companies, not significant in the aggregate, that were not consolidated for practical purposes.
Control exists where the Company has the power directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.
Investments in companies in which the Company and third party investors have agreed to exercise joint control are consolidated by the proportionate consolidation method with the Company's share of the joint ventures results, assets and liabilities recorded in the consolidated financial statements.
Investments in which the Company has an equity interest representing a voting right of more than 20% and over which the Company exercises significant influence, but not control are accounted for under the equity method.

All other investments in affiliates, which are not consolidated, are accounted for at cost.

Revenues and expenses of subsidiaries acquired or disposed of during the year are recognized in the consolidated statements of income as from the date of control or up to the date of transfer of control, respectively.

All significant inter-company balances and transactions have been eliminated on consolidation. With respect to proportionately consolidated companies, intercompany transactions are eliminated on the basis of the Company's interest in the entity involved.

C | Use of estimates

The preparation of financial statements in conformity with French GAAP requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, such as depreciation and provisions, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses. Management reviews its estimates on an ongoing basis using currently available information. Changes in facts and circumstances may result in revised estimates, and actual results could differ from the estimates.

D | Translation of financial statements denominated in foreign currencies

The functional currency of the Company's foreign subsidiaries is the applicable foreign currency except for enterprises operating in hyper-inflationary economies.
The accounts of foreign subsidiairies outside the euro zone are translated into the euro using the year end closing rate of exchange for all balance sheet accounts and the average annual rate of exchange is applied to revenues, expenses and amounts presented on the statements of cash flows. The resulting translation adjustments are included as a separate component of shareholders' equity.

For companies that operate in countries which have been designated as hyper-inflationary, fixed assets, investments and operating supplies are not revalued and the original values are translated to the US dollar which is considered by the Company as the functional currency in these countries, at historical rates of exchange. Revenues and expenses are translated to this functional currency using the exchange rates of the month of the transaction date. Translation gains and losses arising from the translation of revenues and expenses are included in income. In defining hyper-inflationary, the Company employs criteria which include characteristics of the economic environment such as inflation and foreign currency exchange rate fluctuations and evaluates this information in relation to its economic exposure related to the subsidiaries' operations.

The exchange rates for the translation of main currencies were as follows:

	2002		2001		2000	
1 for euro monetary unit	Average rate	Year end rate	Average rate	Year end rate	Average rate	Year end rate
Brazilian real (BRL)	0.3619	0.2690	0.4745	0.4866	0.5908	0.5508
Canadian dollar (CAD)	0.6743	0.6065	0.7209	0.7123	0.7286	0.7170
Chilean Peso (CLP)	0.0015	0.0013	0.0018	0.0017	0.0020	0.0019
Chinese yuan (CNY)	0.1279	0.1152	0.1349	0.1371	0.1307	0.1298
Egyptian pound (EGP)	0.2290	0.2062	0.2768	0.2469	0.3040	0.2854
British pound (GBP)	1.5903	1.5373	1.6081	1.6434	1.6405	1.6023
Moroccan dirham (MAD)	0.0961	0.0937	0.1000	0.0976	0.1019	0.1014
Malaysian ringitt (MYR)	0.2784	0.2509	0.2937	0.2986	0.2847	0.2828
Nigerian naira (NGN)	0.0088	0.0075	0.0096	0.0101	0.0103	0.0097
Philippine peso (PHP)	0.0205	0.0178	0.0219	0.0220	0.0244	0.0215
Polish zloty (PLN)	0.2595	0.2487	0.2725	0.2861	0.2495	0.2598
US dollar (USD)	1.0582	0.9536	1.1165	1.1347	1.0820	1.0747
South African rand (ZAR)	0.1010	0.1110	0.1296	0.0959	0.1557	0.1422

E | Business combinations, goodwill and intangible assets

Since January 1, 1989, all business combinations have been accounted for using the purchase method of accounting. Under this method, assets and liabilities acquired by the Company are recorded at their fair value. Under the purchase method, the excess of the purchase price over the fair value of the net assets of businesses acquired, if any, is allocated to goodwill. Before January 1, 1989, positive and negative goodwill were written off against retained earnings.

When the Company initially acquires a controlling interest in a business, any portion of the assets and liabilities retained by minority shareholders is also recorded at its fair value.

Accordingly, if the Company subsequently acquires the assets and liabilities considered held by minority shareholders, no additional fair value adjustment is recorded at that time.

Initial estimates of fair values are finalized within a one year allocation period. Subsequent to this period, releases of estimated provisions in excess of the actual costs incurred related to the purchase price allocation are applied to goodwill.

Non-amortizable intangible assets, such as market share and trademarks, are recognized through the purchase price allocation to the extent that they can be valued using a sufficiently accurate and objective method based on economic benefits.

The Company amortizes goodwill on a straight-line basis over the estimated period of benefit, not exceeding 40 years.

Negative goodwill is amortized into income on a rational, systematic basis, based upon estimates of future operating results of the acquiree at the date of the acquisition.

F | Revenue recognition

Consolidated revenues represent the value, before sales tax, of goods, products and services sold by consolidated companies in the ordinary activities and after elimination of intra-group sales.

Revenues from the sale of goods, and products are recorded when ownership is transferred.

G | Other income (expenses)

Other income (expenses) results from operations and includes net restructuring costs, provisions for litigation and other non recurring items.

H | Intangible assets

Intangible assets include patents, licenses, and leaseholds which are amortized using the straight-line method over periods not exceeding their estimated useful lives and assets such as market share and trademarks which are not amortized.

I | Property, plant and equipment

Property, plant and equipment is recorded at historical cost.

The Company capitalizes assets financed through capital leases where the lease arrangement transfers to the Company substantially all the benefits and risks of ownership. Lease arrangements are evaluated based upon the leased assets expected period of future benefit in relation to the assets' useful lives, the total future payments in relation to the fair value of the financed asset and whether transfer of ownership or favorable purchase options exist.

Interest on borrowings directly related to the financing of construction projects and incurred during development activities is capitalized to project costs.

Depreciation on property, plant and equipment is calculated as follows:

- Land is not depreciated.
- Mineral reserves consisting of proven and probable limestone, gypsum and aggregates reserves are depleted using the units-of-production method.
- 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.
- Plant, machinery, equipment and installation costs are depreciated using the straight-line method over their estimated useful lives, ranging from 8 to 30 years.

Beginning January 1, 2002, the historical cost of cement plant assets are reclassified into specific cost categories based upon their distinct charasteristics. Each cost category represents cement plant components with specific useful lives. This new definition was based on a detailed technical study performed by the Company. Prior to January 1, 2002, cement plant assets had been depreciated over estimated useful lives, using a broader definition of cost classification. The new system of classifying costs has been applied prospectively as of January 1, 2002. On average, for a new cement plant, this change in estimate has resulted in increasing the depreciable useful life from 20 years to 28 years, which more closely reflects actual experience with modern cement plants.

Accordingly, the new definition of cost categories and related useful lives has reduced the annual depreciation expense. The impact on the current year results are as follows: operating income on ordinary activities improved by € 83 million; income before income tax, share of net income of equity affiliates, amortization of goodwill and minority interests increased by € 58 million; net income increased by € 46 million; basic earnings per share increased by € 0.36.

J | Other investments

Other investments, which consist either of shares held in non consolidated companies or shares in listed companies treated as long-term equity investments are recorded at the lower of historical cost or net realizable value, assessed on an individual investment basis. The net realizable value is measured according to such criteria as the Group share of net assets, the stock price or expected future profitability, weighted by the effects of holding these investments in terms of the Company's strategy, or synergy with existing businesses.

K | Impairment of long-lived assets

Goodwill and intangible assets

The net book value of intangible assets are reviewed annualy for a decrease in the fair value of the assets, due to factors that may affect the assets value and recoverability. The net book value of intangible assets are compared to the fair value of the assets and liabilities to which the intangible asset has been allocated. The Company's measurement of fair value of the related assets and liabilities is based on an evaluation of future discounted cash-flows. If the net book value of an intangible asset is higher than the measured fair value of the related assets and liabilities, the Company records extraordinary amortization to reduce the carrying value of the intangible asset to its determined fair value.

Property, plant and equipment

Whenever events or changes in circumstances indicate that the carrying amount of property, plant and equipment may not be recoverable, the carrying value is compared with the estimated undiscounted future cash-flows expected to result from the use of the assets and their possible disposition. If the sum of expected future cash-flows is less than the carrying amount of these assets, an impairment loss is recognized, based on the fair value of the assets, derived from the present value of expected future cash-flows.

L | Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the weighted average method.

M | Cash and cash equivalents

Cash and cash equivalents consist of cash and highly liquid investments with an original maturity date of generally less than three months from the time of purchase.

N | Financial instruments

The Company enters into financial derivative contracts for hedging purposes only. These transactions are executed in order to reduce its exposure to changes in interest rates and foreign currency exchange rates on firm or highly probable commitments.

Forward exchange contracts and foreign currency swaps are used to hedge foreign currency exchange rate exposures. Unrealized gains and losses on these investments are recorded in the carrying amount of the hedged asset or liability on firm commitments. Contract premiums are amortized rateably over the term of the hedge arrangement.

The Company enters into various interest rate swaps to manage its interest rate exposure. The objective of the swaps are, depending on the circumstances, to modify instruments from fixed rate to floating and floating rate to fixed. The difference between interest payable and receivable is recognized as interest expense or interest income.

O | Pensions, end of service benefits and other post retirement benefits

Defined contribution plans

The Company accounts for pension costs related to defined contribution pension plans as they are incurred.

Defined benefit plans

Estimates of the Company's pension and end of service benefit obligations are calculated annually with the assistance of independent actuaries, using the projected unit credit method. This method considers best estimate actuarial assumptions including, the probable future length of the employees' service, the employees' final pay, and the expected average life span of the employees. The Company's obligations are discounted by country based upon discount rates appropriate in the circumstances. The obligations are recognized based upon the proportion of benefits earned by employees as services are rendered.

Fair values are used to determine the market value of fund assets.

For most defined benefit plans, changes in actuarial assumptions which affect the value of the obligations and the differences between expected and actual long term return on plan assets are accounted for as actuarial gains and losses.

Current period pension expense is comprised of, the increase in the obligation which results from the additional benefit earned by employees in the period and interest expense which results from the outstanding pension obligation. The amounts described above are reduced by the expected return on plan assets. Actuarial gains and losses which exceed a corridor corresponding to 10% of the greater of the fair value of plans assets or plan obligations are amortized to income over future periods.

Modifications of pension plans are amortized over the expected average remaining service lives of the related employees.

Other post retirement benefits

Certain of the Company's subsidiaries offer to employee's supplementary post-retirement medical coverage. These costs are calculated based upon actuarial determinations and are recorded over the expected average remaining service lives of the employees.

P | Restructuring

Reserves for restructuring costs are provided when the restructuring plans have been finalized and approved by the company's management, have been announced before the balance sheet date and result in an obligation to third parties. Where a business combination has occurred, restructuring costs related to capacity reductions of the acquirer which are a consequence of overcapacity and costs related to capacity reductions of the acquiree are included in the cost of the acquisition.

Q | Site restoration

Where the Company is legally or contractually required to restore a quarry site, the estimated costs of site restoration are accrued and amortized to income rateably, on a unit-of-production basis, over the operating life of the quarry. The estimated future costs for known restoration requirements are determined on a site by site basis and, when determinable, are calculated based on the present value of estimated future costs.

R | Product warranties

The Company's warranty policy generally provides a 30-year coverage for roofing tile. The Company's policy is to accrue the undiscounted estimated cost of warranty coverage at the time the sale is recorded.

S | Environmental costs

When the Company determines that it is possible that a liability for environmental costs exists, an undiscounted estimate of the future remediation is recorded as a provision without the offset of potential insurance recoveries. Costs that result in future economic benefits such as extending useful lives, increased capacity, safety or, those costs incurred to mitigate or prevent future environmental contamination are capitalized. Environmental costs, which are not included above, are expensed as incurred.

T | Deferred income taxes

The Company changed its method of accounting for income taxes effective at January 1, 2000. Deferred income taxes are accounted for using the balance-sheet liability method on temporary differences between the tax basis of assets and liabilities and their carrying amounts in the balance-sheet (including tax losses available for carry forward). Deferred taxes are measured by applying currently enacted tax laws. Deferred tax assets are recognized when it is reasonably certain that they will be recovered in future years. Before January 1, 2000, the deferred tax provision was calculated using the partial allocation method whereby deferred taxes are provided only where timing differences were expected to reverse in the foreseeable future. This method only takes into account timing differences arising between the adjusted net accounting profit of consolidated subsidiaries and net taxable income. A cumulative adjustment was recognized for the adoption of the new accounting principle and the effect of this change is shown in the consolidated statements of changes in shareholders' equity (Note 9).

U | Research and development

The Company is committed to improving its manufacturing process, maintaining product quality and meeting existing and future customer needs. These objectives are pursued through various programs. Research and development costs which are expensed as incurred, were € 55 million, € 53 million and € 43 million for 2002, 2001 and 2000, respectively.

V | Recently issued accounting pronouncement

In December 2000, the "Comité de la Réglementation Comptable" issued the regulation (règlement) n° 2000-06 which requires French publicly-traded companies to adopt new accounting rules related to the recognition of liabilities for fiscal years beginning on or after January 1, 2002. The regulation defines a liability as future sacrifices of economic benefits and assets and requires that a liability should be recognized when, and only when an enterprise has a present obligation (legal, regulatory or contractual) with a third party as a result of a past event and it is probable or certain that an outflow of resources embodying economic benefits will be required to settle the obligation. The adoption of this regulation had no effect on the consolidated financial statements.

3 BUSINESS SEGMENT AND GEOGRAPHIC AREA INFORMATION

Operating segments are defined as components of an enterprise for which separate financial information is available that is evaluated regularly by the Company's chief operating decision makers in order to allocate resources and assess performance.

Since January 1, 2001, the Company has operated in the following four business segments: Cement, Aggregates and Concrete, Roofing, and Gypsum which represent separately managed strategic business units that have different capital requirements and marketing strategies. Until December 31, 2000, the Company also operated in the Specialty Products segment which produced and sold a variety of component products used in the construction industry. The Company's retained minority interest in this business is now included in the segment described as "Other".
Each of the business segments are managed separately because each business segment develops, manufactures and sells distinct products.

Company management evaluates internally its performance on operating income on ordinary activities (defined as operating income before net gains on disposals and other expenses, net) and capital employed (defined as the total of goodwill, intangible and tangible assets, investments in equity affiliates and working capital) as disclosed in its business segment and geographic area information.

The Cement segment produces and sells a wide range of cement and hydraulic binders adapted to the needs of the construction industry.
The Aggregates and Concrete segment produces and sells construction aggregates, ready mix concrete and other concrete products.
The Roofing segment produces and sells roof tiles, roofing accessories and chimney systems.
The Gypsum segment mainly produces and sells drywall for the commercial and residential construction sectors.

The accounting policies applied to the segment earnings are in agreement with those described in Note 2.

A | Business segment information

(in million euros)	Cement	Aggregates and Concrete	Roofing	Gypsum	Specialty Products	Other	Total
2002							
Gross sales	7,520	4,787	1,538	1,155	-	210	15,210
Less: intersegment	(572)	(19)	-	(9)	-	-	(600)
Sales	**6,948**	**4,768**	**1,538**	**1,146**	**-**	**210**	**14,610**
Depreciation	(545)	(216)	(116)	(69)	-	(23)	(969)
Operating income on ordinary activities	1,606	336	132	51	-	7	2,132
Operating income	1,694	349	72	8	-	(300)	1,823
Investments in equity affiliates	248	15	72	33	-	284	652
Capital employed	13,584	3,220	2,415	1,177	-	610	21,006
Total assets	15,417	4,835	2,856	1,423	-	2,108	26,639
Capital expenditures	707	212	90	83	-	57	1,149
2001							
Gross sales	6,476	4,824	1,585	1,064	-	243	14,192
Less: intersegment	(481)	(18)	-	8	-	(3)	(494)
Sales	**5,995**	**4,806**	**1,585**	**1,072**	**-**	**240**	**13,698**
Depreciation	(511)	(214)	(118)	(66)	-	(19)	(928)
Operating income on ordinary activities (a)	1,434	378	128	3	-	(9)	1,934
Operating income (a)	1,397	415	75	(7)	-	176	2,056
Investments in equity affiliates	250	20	51	50	-	68	439
Capital employed	14,825	4,058	2,677	1,279	-	514	23,353
Total assets	17,416	5,798	3,182	1,554	-	1,952	29,902
Capital expenditures	894	288	131	117	-	25	1,455
2000							
Gross sales	4,798	3,741	1,685	1,006	1,408	8	12,646
Less: intersegment	(378)	(16)	(1)	(6)	(21)	(8)	(430)
Sales	**4,420**	**3,725**	**1,684**	**1,000**	**1,387**	**-**	**12,216**
Depreciation	(385)	(181)	(116)	(55)	(44)	(7)	(788)
Operating income on ordinary activities (a)	1,104	304	205	52	139	-	1,804
Operating income (a)	1,090	308	148	46	128	113	1,833
Investments in equity affiliates	211	17	46	40	107	(1)	420
Capital employed	6,789	3,235	2,848	1,166	*294	50	14,382
Total assets	9,242	4,767	3,325	1,426	*722	1,415	20,897
Capital expenditures	559	265	145	229	81	28	1,307

** These amounts exclude the part of the Specialty Products segment that was considered sold on December 28, 2000.*
(a) Revised for the change in presentation of equity affiliates (Note 4).

B | Geographic area information

(in million euros)	2002 Sales	2002 Property, plant and equipment net	2002 Capital employed	2001 Sales	2001 Property, plant and equipment net	2001 Capital employed	2000 Sales	2000 Property, plant and equipment net	2000 Capital employed
Western Europe	6,005	4,455	9,113	5,490	4,814	9,945	5,717	3,510	6,159
Of which:									
France	2,007	1,052	1,587	1,945	1,113	1,399	2,367	1,130	1,479
Germany	642	846	1,529	747	944	1,770	962	974	2,046
Spain	616	271	1,074	592	355	833	599	342	959
United Kingdom	1,483	1,166	2,513	1,140	1,229	3,265	852	562	604
North America	4,405	3,077	4,955	4,431	3,598	5,241	3,292	2,356	3,349
Of which:									
United States	3,071	2,373	3,883	2,898	2,785	3,926	2,307	1,533	2,030
Canada	1,334	704	1,072	1,533	813	1,315	985	823	1,319
Mediterranean Basin	562	628	1,031	637	850	1,310	666	746	1,211
Central and Eastern Europe	661	713	1,124	514	623	1,016	501	522	868
Latin America	720	416	892	760	650	1,292	761	450	829
Africa	869	580	969	765	716	1,084	525	239	406
Asia / Pacific	1,388	1,798	2,922	1,101	2,102	3,465	754	1,059	1,560
TOTAL	**14,610**	**11,667**	**21,006**	**13,698**	**13,353**	**23,353**	**12,216**	***8,882**	***14,382**

** These amounts exclude the part of the Specialty Products segment that was considered sold on December 28, 2000.*

4 SHARE OF NET INCOME OF EQUITY AFFILIATES

Presentation of share of net income of equity affiliates

As of January 1, 2002, the share of net income of equity affiliates determined in accordance with equity method consolidation principles is shown in the Group consolidated statement of income on a specific line "share of net income of equity affiliates".

Prior to the adoption of this presentation, the Company's share of net income of equity affiliates was presented in the following line-items: "Operating income on ordinary activities", "Gains on disposals, net", "Other income (expenses), net", "Financial expenses, net" and "Income tax".

The presentation of the consolidated statements of income for 2000 and 2001 have been revised for comparative purposes in the schedule below.

(in million euros)	2001 published	Reclassifi-cations	2001 revised	2000 published	Reclassifi-cations	2000 revised
Sales	13,698	-	13,698	12,216	-	12,216
Cost of goods sold	(9,258)	-	(9,258)	(7,980)	-	(7,980)
Selling and administrative expenses	(1,578)	-	(1,578)	(1,644)	-	(1,644)
Gross operating income	**2,862**	**-**	**2,862**	**2,592**	**-**	**2,592**
Depreciation	(928)	-	(928)	(788)	-	(788)
Share of operating income on ordinary activities of equity affiliates	131	(131)	-	101	(101)	-
Operating income on ordinary activities	**2,065**	**(131)**	**1,934**	**1,905**	**(101)**	**1,804**
Gains on disposals, net	275	(1)	274	272	-	272
Other income (expenses), net	(169)	17	(152)	(250)	7	(243)
Operating income	**2,171**	**(115)**	**2,056**	**1,927**	**(94)**	**1,833**
Financial expenses, net	(595)	51	(544)	(489)	21	(468)
Income before income tax, share of net income of equity affiliates, amortization of goodwill and minority interests	**1,576**	**(64)**	**1,512**	**1,438**	**(73)**	**1,365**
Income tax	(414)	46	(368)	(379)	23	(356)
Income before share of net income of equity affiliates, amortization of goodwill and minority interests	**1,162**	**(18)**	**1,144**	**1,059**	**(50)**	**1,009**
Share of net income of equity affiliates	-	18	18	-	50	50
Amortization of goodwill	(142)	-	(142)	(120)	-	(120)
Minority interests	(270)	-	(270)	(213)	-	(213)
Net income	**750**	**-**	**750**	**726**	**-**	**726**

The following details the Company's share of the operations of equity affiliates:

	Years ended December 31,		
(in million euros)	2002	2001	2000
Operating income on ordinary activities	146	131	101
Gain on disposals, net	-	1	-
Other expenses, net	(21)	(17)	(7)
Financial expenses, net	(41)	(51)	(21)
Income tax	(51)	(46)	(23)
Share of net income of equity affiliates	**33**	**18**	**50**

5 PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma condensed consolidated statements of income present the results of operations for the years ended December 31, 2001 and December 31, 2000 assuming the acquisition of the retained businesses of Blue Circle Industries Plc ("Blue Circle") (Note 11 (c)) and the disposal of the majority portion of the Specialty Products segment had taken place at the beginning of each of those fiscal years. This pro forma information does not purport to be indicative of the historical performance that would have resulted had the acquisition actually occurred at such dates, nor is it necessarily indicative of future operating results. The other purchase and sale transactions that occurred during these fiscal years have no significant effects on these pro forma results. These unaudited pro forma results have been prepared based upon the historical consolidated financial statements of the Company and Blue Circle Industries Plc. The historical consolidated financial statements have been adjusted (see the "pro forma adjustments" columns) in order to reflect increases or decreases in financing costs and other adjustments related to the acquisitions and dispositions of Blue Circle. The pro-forma adjustments reflect the effects of the following acquisitions: acquisition of the Egyptian entity APCC in January 2000, acquisition of the Greek

entities Heracles/Halkis in April 2000, increase in ownership in the Nigerian entities Wapco and Ashaka in April 2000, and the minority interests acquisition in Republic Cement Company in the Philippines in September 2001.
The pro forma adjustments also include the effects of the following disposals: Aalborg in July 2000, North American assets subject to regulatory rulings which were disposed of during the second half of 2001, and the real estate properties disposed of in the UK in 2000 and 2001.
The pro forma disclosures also reflect the amortization of acquisition goodwill and the effects of other adjustments and reclassifications necessary to present the historical accounts of Blue Circle on a basis consistent with the Company's accounting policies.

Condensed consolidated statements of income for the years ended December 31, 2002 and *pro forma* condensed consolidated statements of income for the years ended December 31, 2001 and December 31, 2000

(in million euros, except per share data)	2002	Pro forma 2001 (1)	Pro forma 2000 (1)
Sales	14,610	15,436	14,304
Depreciation	(969)	(1,074)	(1,030)
Operating income on ordinary activities	**2,132**	**2,156**	**2,204**
Gains on disposals, net/other income (expenses), net	(309)	114	27
Financial expenses, net	(521)	(752)	(713)
Income tax	(448)	(388)	(416)
Income before share of net income of equity affiliates, amortization of goodwill and minority interests	**854**	**1,130**	**1,102**
Share of net income of equity affiliates	33	8	56
Amortization of goodwill	(158)	(172)	(163)
Minority interests	(273)	(277)	(249)
Net income	**456**	**689**	**746**
Earnings per share (euros)	3.52	5.40	5.90
Diluted earnings per share (euros)	3.49	5.28	5.76

(1) Unaudited

Additional information on the *pro forma* consolidated statement of income for the year ended December 31, 2001

(in million euros)	Lafarge historical 2001 (a)	Blue Circle historical (6 months period ended June 30, 2001) (1)	Pro forma adjustments (1)	Total pro forma 2001 (1)
Sales	13,698	1,929	(191)	15,436
Depreciation	(928)	(134)	(12)	(1,074)
Share of operating income on ordinary activities of equity affiliates	-	8	(8)	-
Operating income on ordinary activities	**1,934**	**291**	**(69)**	**2,156**
Gains on disposals, net/other income (expenses), net	122	-	(8)	114
Financial expenses, net	(544)	(119)	(89)	(752)
Income tax	(368)	(50)	30	(388)
Income before share of net income of equity affiliates, amortization of goodwill and minority interests	**1,144**	**122**	**(136)**	**1,130**
Share of net income of equity affiliates	18	-	(10)	8
Amortization of goodwill	(142)	-	(30)	(172)
Minority interests	(270)	(11)	4	(277)
Net income	**750**	**111**	**(172)**	**689**

(a) Revised for the change in presentation of equity affiliates (Note 4)
(1) Unaudited

Additional information on the *pro forma* consolidated statement of income for the year ended December 31, 2000

(in million euros)	Lafarge Historical 2000 (a)	Blue Circle Historical 2000 (2)	Pro forma adjustments (1)	Effect of the disposal of the majority portion of the Specialty Products segment	Total pro forma 2000 (1)
Sales	12,216	3,490	(335)	(1,067)	14,304
Depreciation	(788)	(254)	(21)	33	(1,030)
Share of operating income on ordinary activities of equity affiliates	-	38	(38)	-	-
Operating income on ordinary activities	**1,804**	**573**	**(48)**	**(125)**	**2,204**
Gains on disposals, net/other income (expenses), net	29	1	65	(68)	27
Financial expenses, net	(468)	(171)	(78)	4	(713)
Income tax	(356)	(148)	62	26	(416)
Income before share of net income of equity affiliates, amortization of goodwill and minority interests	**1,009**	**255**	**1**	**(163)**	**1,102**
Share of net income of equity affiliates	50	-	(8)	14	56
Amortization of goodwill	(120)	-	(55)	12	(163)
Minority interests	(213)	(30)	(6)	-	(249)
Net income	**726**	**225**	**(68)**	**(137)**	**746**

(a) Revised for the change in presentation of equity affiliates (Note 4)
(1) Unaudited
(2) As published

6 GAINS ON DISPOSALS, NET

Components of gains on disposals are as follows:

	Years ended December 31,		
(in million euros)	2002	2001 (a)	2000 (a)
Gain on disposals of consolidated subsidiaries, net	24	44	120
Gain on sale of shares in listed companies, net	-	205	106
Gain on sale of other long-term assets, net	192	25	46
Gains on disposals, net	**216**	**274**	**272**

(a) Revised for the change in presentation of equity affiliates (Note 4)

7 OTHER INCOME (EXPENSES), NET

Components of other income (expenses) are as follows:

	Years ended December 31,		
(in million euros)	2002	2001 (a)	2000 (a)
Restructuring costs	(89)	(69)	(44)
Depreciation	(47)	(33)	(63)
Other expenses, net	(389)	(50)	(136)
Other income (expenses), net	**(525)**	**(152)**	**(243)**

(a) Revised for the change in presentation of equity affiliates (Note 4).

Depreciation consists principally of increases to depreciation expense resulting from revisions in depreciable lives to reflect changes in operating lives of assets including changes due to planned replacements of assets.

In 2002, "Other expenses, net" includes a provision of € 300 million related to the risk arising from the "Competition" litigation risk (Note 26 - Litigations).

In 2000, "Other expenses, net" includes non-capitalizable costs, totaling approximately € 91 million, associated with the initial tender offer to acquire the shares of Blue Circle. These non-capitalizable costs included non-refundable fees incurred for financing never utilized, the cost of foreign currency exchange contracts and other indirect costs related to acquiring the Blue Circle shares.

8 FINANCIAL EXPENSES, NET

Components of financial expenses are as follows:

	Years ended December 31,		
(in million euros)	2002	2001 (a)	2000 (a)
Interest income	103	116	91
Interest expense	(571)	(647)	(556)
Net interest (expense) income	**(468)**	**(531)**	**(465)**
Other financial expenses, net	(53)	(13)	(3)
Financial expenses, net	**(521)**	**(544)**	**(468)**

(a) Revised for the change in presentation of equity affiliates (Note 4)

Interest expense is reported net of capitalized interest costs for construction projects of € 40 million in 2002, € 16 million in 2001 and € 12 million in 2000.

9 INCOME TAX AND DEFERRED INCOME TAXES

The income tax expense for the year 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.

Pursuant to the provisions of the French Tax Code (Article 209 quinquies) and in accordance with a tax agreement from the French Tax Authorities, the parent company files a world-wide consolidated tax return. This regime provides that the basis for income tax computation of the parent company is not limited to French consolidated subsidiaries but also applies to foreign entities in which Lafarge owns more than 50%. Under this provision, the parent company's consolidated taxable income is calculated based upon the rules of French Tax Law for its operations in France as well as those of its greater than 50 % owned foreign subsidiaries. Within certain limits, the French Tax Code allows for the reduction of the taxable income of profitable companies by the offsetting of taxable losses of other entities. French income tax payable, as determined by the method described above, allows for the application of foreign taxes, due in local jurisdictions and related to greater than 50% owned foreign entities, to be applied as a credit to income taxes due in France. This tax agreement covers the years presented and expires on December 31, 2003.

A | Cumulative effect of change in accounting for deferred taxes

As discussed in Note 2(t), effective January 1, 2000, the Company changed its method of accounting for income taxes from the partial allocation method to the balance-sheet liability method. Prior years' financial statements have not been revised to apply the new method.

As a result of adoption, the Company decreased retained earnings by € 759 million, representing the cumulative effect of the change for years prior to January 1, 2000.

B | Income tax

Components of the income tax are as follows:

	Years ended December 31,		
(in million euros)	2002	2001 (a)	2000 (a)
Current income tax	346	367	321
Deferred income tax	102	1	35
Income tax	**448**	**368**	**356**

(a) Revised for the change in presentation of equity affiliates (Note 4)

C | Deferred tax assets and liabilities

Components of the deferred tax balances are as follows:

	At December 31,		
(in million euros)	2002	2001	2000
Pensions and other post-retirement benefits	177	99	137
Property, plant and equipment	361	409	99
Provisions and other current liabilities	195	171	67
Restructuring provisions	61	23	16
Net operating loss carryforwards	196	176	-
Deferred tax assets	**990**	**878**	**319**
Property, plant and equipment	1,522	1,509	891
Prepaid pension assets	205	169	105
Other, net	242	137	133
Deferred tax liabilities	**1,969**	**1,815**	**1,129**
Net deferred tax liabilities	**979**	**937**	**810**

D | Effective tax rate

A reconciliation of the world-wide tax consolidation rate to the Company's effective tax rate is as follows:

	Years ended December 31,		
	2002 %	2001 (a) %	2000 (a) %
World-wide tax consolidation rate	33.3	33.3	33.3
Capital gains taxed at a reduced rate	(1.3)	(4.9)	(5.8)
Provision for "Competition" litigation risk	7.6	-	-
Effect of foreign tax rate differentials	-	0.8	1.5
Changes in enacted tax rates in France and Germany (in 2000) and Canada (in 2001)	-	(1.0)	(2.7)
Change in valuation allowance on deferred tax assets	(1.8)	-	-
Other	(3.4)	(3.9)	(0.2)
Effective tax rate	**34.4**	**24.3**	**26.1**

(a) Revised for the change in presentation of equity affiliates (Note 4)

10 EARNINGS PER SHARE

Basic earnings per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding during the year.

Diluted earnings per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding during the year adjusted to include any dilutive potential common shares.

Potential common shares include share options, warrants, and convertible securities issued by the Company on its own common shares.

The computation and reconciliation of basic and diluted earnings per share for the years ended December 31, 2002, 2001 and 2000 are as follows:

	Years ended December 31,		
	2002	2001	2000
NUMERATOR *(in million euros)*			
Net income	**456**	**750**	**726**
Interest expense on convertible debt (OCEANE)	-	23	-
Adjusted net income	**456**	**773**	**726**
DENOMINATOR *(share amounts)*			
Weighted average number of shares outstanding	129,629,000	125,616,000	107,098,000
Effect of dilutive securities - stock options	918,000	1,241,000	726,000
Effect of dilutive securities - stock subscription warrants	-	100,000	777,000
Effect of dilutive securities - convertible debt (OCEANE)	-	5,118,000	-
Total potential dilutive shares	918,000	6,459,000	1,503,000
Weighted average number of shares outstanding - fully diluted	130,547,000	132,075,000	108,601,000
Basic earnings per share (euros)	**3.52**	**5.97**	**6.78**
Diluted earnings per share (euros)	**3.49**	**5.85**	**6.69**

11 GOODWILL AND INTANGIBLE ASSETS, NET

A | Changes in goodwill, net

(in million euros)	2002	2001	2000
Goodwill, net, at January 1	**4,974**	**2,820**	**3,157**
Amortization	(158)	(142)	(120)
Additions	145	2,284	309
Disposals	(35)	(6)	(185)
Acquisition adjustments	134	(14)	(352)
Translation adjustments	(427)	32	11
Goodwill, net, at December 31	**4,633**	**4,974**	**2,820**

The acquisition adjustments include the adjustments which arise from the finalization of the purchase price allocation to the fair value of acquired assets and liabilities assumed on business combinations.

Goodwill recognized before January 1, 1989 was written off against retained earnings. The analysis of the residual net amount of this goodwill had it been recorded in the balance sheet and subsequently amortized, is as follows:

(in million euros)	2002	2001	2000
Goodwill, net, at January 1	**63**	**66**	**79**
Amortization	(3)	(3)	(3)
Disposals	-	-	(10)
Goodwill, net, at December 31	**60**	**63**	**66**

B | Changes in intangible assets, net

(in million euros)	Market share and trademarks	Other	Total
At January 1, 2000	**877**	**343**	**1, 220**
Additions	76	79	155
Disposals	(52)	(28)	(80)
Other changes	9	(25)	(16)
Translation adjustments	(7)	5	(2)
At December 31, 2000	**903**	**374**	**1, 277**
Accumulated amortization	-	(150)	(150)
Net book value at December 31, 2000	**903**	**224**	**1, 127**
At January 1, 2001	**903**	**374**	**1,277**
Additions	2,070	100	2,170
Disposals	(1)	(24)	(25)
Other changes	(13)	32	19
Translation adjustments	(10)	4	(6)
At December 31, 2001	**2,949**	**486**	**3,435**
Accumulated amortization	-	(210)	(210)
Net book value at December 31, 2001	**2,949**	**276**	**3,225**
At January 1, 2002	**2,949**	**486**	**3,435**
Additions	6	52	58
Disposals	(58)	(56)	(114)
Other changes	(42)	6	(36)
Translation adjustments	(252)	(33)	(285)
At December 31, 2002	**2,603**	**455**	**3,058**
Accumulated amortization	-	(223)	(223)
Net book value at December 31, 2002	**2,603**	**232**	**2,835**

C | Acquisitions

Acquisition of Kedah Cement Group

In December 2002, the Company through its 60.83% owned subsidiary Malayan Cement Berhad (MCB), acquired the remaining 22.59% equity interest in Kedah Cement group not already owned by MCB, for approximately € 57 million. Kedah Cement is a group based in Malaysia and engaged in the production of cement.

This transaction has been accounted for using the purchase method of accounting . The resulting goodwill arising from this transaction was € 37 million.

Acquisition of Cementia Holding AG minorities

In May 2002, Lafarge proposed to acquire the residual 2.95% interest in the shares of its subsidiairy Cementia Holding AG, a Swiss publicly-traded company, pursuant to an offer to exchange shares and a minority interest buy-out as required by Swiss law. The Company issued 453,838 new shares, with a fair value of € 49 millions for all the outstanding shares.

As a consequence, the Company owns 100% of Cementia Holding AG shares as of December, 31, 2002. This transaction has been accounted for using the purchase method of accounting. The resulting goodwill arising from this transaction was € 19 million.

Acquisition of Cementarna Trbovlje

In April and November 2002, our wholly owned Austrian subsidiary, Lafarge Perlmooser acquired an additional 76.9% of Cementarna Trbovlje, increasing its interest to 99.8%. The purchase price totaled € 40 million.

This transaction has been accounted for using the purchase method of accounting. The purchase price, at December 31, 2002, has been allocated as follows (in million euros):

Purchase price	**40**
Fair value of the net assets acquired	39
Goodwill, net	**1**

Acquisition of Beocinska Fabrika Cementa

In April 2002, in connection with the Serbian government's privatization policy, the company acquired a 69.4% interest in the Beocinska Fabrika Cementa Company for € 60 million.

This transaction has been accounted for using the purchase method of accounting . The purchase price, at December 31, 2002, has been allocated as follows (in million euros):

Purchase price	**60**
Fair value of the net assets acquired	12
Goodwill, net	**48**

Subsequently to the acquisition, the Company sold 49.98% of its interest in 2002. The Company's indirect ownership interest at December 31, 2002 is 34.72%.

Acquisition of PT Semen Andalas Indonesia

In January 2002, the Company acquired for approximately € 11 million, an additional 12.33% interest in PT Semen Andalas Indonesia, a company based in Indonesia and engaged in the production of cement. Previously, the Company held an 87.66% interest in PT Semen Andalas Indonesia. Following the transaction, the Company's interest increased to 99.99 %.

This transaction has been accounted for using the purchase method of accounting. The resulting goodwill arising from this transaction was € 7 million.

Acquisition of Continental Gypsum

In January 2002, Lafarge North America acquired Continental Gypsum. Continental Gypsum is an independent drywall manufacturer based in Newark, New Jersey. The purchase price for the Continental Gypsum plant and other assets was approximately € 32 million.

This transaction has been accounted for using the purchase method of accounting . The purchase price, at December 31, 2002, has been allocated as follows (in million euros):

Purchase price	**32**
Fair value of the net assets acquired	20
Goodwill, net	**12**

Acquisition of Blue Circle Industries Plc

On July 11, 2001, pursuant to a merger agreement between the Company and the Board of Directors of Blue Circle Industries Plc (BCI) dated January 8, 2001, which was approved by the shareholders of Blue Circle on February 19, 2001, and after the completion of regulatory approvals in Europe and North America, the Company consummated the acquisition of Blue Circle, an international producer of cement and related construction materials headquartered and publicly listed in the United Kingdom.

The Company initiated this acquisition when it acquired approximately 20% of the common stock of Blue Circle, in April 2000, through an unsolicited tender offer which was subsequently rejected by the shareholders of Blue Circle. In conjunction with that offer, Dresdner Bank ("Dresdner") acquired, for its own account, approximately 10% of BCI's outstanding common stock. Based upon a contractual agreement between the Company and Dresdner, any profits resulting from Dresdner's disposal of its holding in BCI's common stock were to be shared between Dresdner and the Company.

Total consideration for the acquisition of Blue Circle amounted to € 5,322 million at December 31, 2002 (€ 5,280 million at December 31, 2001). It mainly includes:

- the shares acquired in 2000 for € 1,022 million,
- the shares acquired in 2001 for € 3,804 million (net of cash acquired),
- the cash acquired for € 248 million,
- additional minority interests acquisition for € 147 million.

It was substantially financed from the proceeds of the February 9, 2001 rights offering (Note 19(b)), the issuance of a convertible note (Note 23), the Company's short term credit facilities and short term borrowings.

The acquisition was accounted for using the purchase method of accounting with the results of operations of BCI, other than those entities referred to below, included in the Company's consolidated statements of income from the date of acquisition.
As a consequence of the regulatory approval process in North America, the Company was required by the Canadian Competition Bureau and by the U.S. Federal Trade Commission to dispose of certain Blue Circle operations in Canada and in the United States, primarily in the Great Lakes region. The Company, for accounting purposes, has treated these assets as held for sale from the date of acquisition. The results of operations associated with these entities, for the period from acquisition to disposal, are not reflected in the Company's consolidated income statement.

The carrying value of these assets on acquisition was recorded at an amount which reflected the expected proceeds of disposition after taking into consideration the net effect of operations during the hold period and interest costs associated with the incremental borrowings related to the acquisition of these entities. As a consequence of the above accounting, no gain or loss was recorded on the disposal of these operations subsequent to the acquisition date. These dispositions have resulted in net proceeds to the Company of € 882 million which was used to reduce the Company debt at December 31, 2001.

All required dispositions resulting from the rulings of the Canadian and American regulatory authorities were completed as of December 31, 2001.

Restructuring provision

Management has adopted formal plans to reduce the capacity of specific operations acquired as well as its own operations. These costs most significantly relate to impairment charges, employee relocation and severance, facility closure costs, and contract terminations. In some regions, the acquisition resulted in overcapacity for the combined entities. In order to reduce overcapacity, some plants owned by the Company before the acquisition were closed. Future costs associated with the cessation of these activities are recorded as obligations related to the acquisition and included in the cost of acquisition.

Purchase price allocation

In 2002, the Company finalized the allocation of the purchase price. The purchase price has been allocated as follows (in million euros):

	At Dec. 31 2001	Variation	At Dec. 31 2002
Purchase price	**5,280**	**42**	**5,322**
Intangible assets (Market share)	(1,995)	-	(1,995)
Property, plant and equipment	(5,445)	(189)	(5,634)
Inventories, net	(464)	18	(446)
Accounts receivable-trade, net	(738)	22	(716)
Other receivables	(201)	7	(194)
Cash and cash equivalents	(248)	-	(248)
Minority interests	635	(80)	555
Provisions	761	224	985
Long term debt	746	-	746
Accounts payable, trade	381	8	389
Other payables	627	76	703
Current liabilities	2,737	-	2,737
Fair value of the net assets acquired	(3,204)	86	(3,118)
Goodwill, net	**2,076**	**128**	**2,204**

Acquisition of Cementos El Monte

On September 8, 2001, the Company acquired 100% of Cementos El Monte for a total consideration of € 43 million. The company owns grinding plants in the South of Spain. Cementos El Monte is fully consolidated since September 8, 2001.

Cementos El Monte has been accounted for using the purchase method of accounting. The purchase price, at December 31, 2001, has been allocated as follows (in million euros):

Purchase price	**43**
Fair value of the net assets acquired	(15)
Goodwill	**28**

In conjunction with a disposal plan the Company sold its entire interest in Cementos El Monte in December 2002.

Acquisition of Kloeber

On September 4, 2001, the Company announced the acquisition of the Kloeber Group, a German manufacturer of roofing components. Kloeber owns two plants in Germany, a joint venture in South Africa and distribution channels in various European countries. The purchase price totaled € 16 million.

This transaction has been accounted for using the purchase method of accounting. The purchase price, at December 31, 2001, has been allocated as follows (in million euros):

Purchase price	**16**
Fair value of the net assets acquired	(6)
Goodwill	**10**

Acquisition of Pan African Cement Limited

At the end of April 2001, the Company acquired, jointly with Blue Circle Industries, 100% of Pan African Cement Ltd (PAC). PAC owns 84% of Chilanga Cement in Zambia, 75.2% of Portland Cement in Malawi and 63% of Mbeya Cement in Tanzania. These three companies are fully consolidated since April 2001 and have been accounted for using the purchase method of accounting.
The purchase price, at December 31, 2001, has been allocated as follows (in million euros):

Purchase price	**52**
Fair value of the net assets acquired	(23)
Market share	(23)
Goodwill	**6**

Acquisition of the Cement division of Raymond Limited

On August 26, 2000, the Company signed an agreement with Raymond Ltd, to acquire a cement plant located in the East of India. The acquisition of 65.26% became effective on January 22, 2001 for a total consideration of € 112 million.
Raymond is fully consolidated since January 2001. This transaction has been accounted for using the purchase method of accounting. The purchase price, at December 31, 2001, has been allocated as follows (in million euros):

Purchase price	**112**
Fair value of the net assets acquired	(72)
Market share	(37)
Goodwill	**3**

On December 31, 2001, the Company has increased its interests in Raymond assets (merged with Tisco assets) to 73.13 %. This additional acquisition has resulted in a goodwill of € 12 million.

Acquisition of the Warren Paving Materials Group Limited ("Warren")

In October 2000, the Company acquired Warren, a Kilmer Van Nostrand Co. Limited's wholly owned subsidiary, for a total consideration of € 280 million in cash and preferred stock. Warren is a supplier of

construction aggregates and provides asphalt and paving services in five Canadian provinces.
This transaction has been accounted for using the purchase method of accounting.
The purchase price, at December 31, 2001, has been allocated as follows (in million euros):

Purchase price	280
Property, plant and equipment	(173)
Working capital	(44)
Long-term liabilities	48
Goodwill	111

Acquisition of Presque Isle Corporation

In June, 2000, the Company, through its 54% owned subsidiary Lafarge North America, formerly Lafarge Corporation, acquired 100% of Presque Isle Corporation, a Michigan-based company engaged in the production of aggregates for a total cash consideration of approximately € 67 million.
This transaction has been accounted for using the purchase method of accounting. The purchase price, at December 31, 2001, has been allocated as follows (in million euros):

Purchase price	67
Property, plant and equipment	(40)
Working capital	16
Long-term liabilities	6
Goodwill	49

Acquisition of La Habra Products

In June 2000, the Company acquired 100% of La Habra Products a company based in the United States engaged in the production of stucco products. Total cash consideration was € 26 million. The Company has accounted for this transaction using the purchase method of accounting. The allocation of the purchase price resulted in a step-up primarily to fixed assets of € 8 million and a goodwill of € 13 million. Since the majority of the Specialty Products Division was sold on December 2000, the Company has no majority interests.

Acquisition of Baldini

In March 2000, the Company acquired 100% of Baldini, a company based in Italy engaged in the production of paint products. The total cash consideration was € 19 million. The Company has accounted for this transaction using the purchase method of accounting. The purchase price allocation resulted in € 8 million being allocated to trademarks not previously valued and € 11 million to goodwill. Since the majority of the Specialty Products Division was sold on December 2000, the Company has no majority interests.

Acquisition of Beni Suef Cement Company

In February, 2000, the Company acquired for cash consideration of approximately € 15 million, an additional 9.5% interest in the former Beni Suef cement facilities, following a former acquisition of shares made jointly with the cement Greek group Titan, for cash consideration of approximately € 57 million. In July 1999, the Company's share of this investment increased to 47.5% and was subsequently accounted for on the proportionate consolidation method. This transaction has been accounted for using the purchase method of accounting.
The purchase price, at December 31, 2001, has been allocated as follows (in million euros):

Purchase price	72
Market share	(60)
Property, plant and equipment	(71)
Debt	94
Working capital	(16)
Cash and cash equivalents	(20)
Provisions	1
Goodwill	-

Acquisition of RH Cement Corporation renamed Lafarge Halla Cement

In January, 2000, the Company acquired for a total cash consideration of approximately € 110 million, 39.9% of RH Cement Corporation, a company based in Korea and engaged in the production of cement. Lafarge Halla Cement is consolidated under the proportionate consolidation method.
This transaction has been accounted for using the purchase method of accounting.
The allocation of the purchase price to the individual assets and liabilities purchased resulted in a step-up primarily to fixed assets of € 96 million. The Company did not record an asset for market share or goodwill in connection with this acquisition.

Other acquisitions

In addition to the acquisitions described separately in this Note, several other relatively minor acquisitions in all of the Company's segments were consummated in 2002, 2001 and 2000. All such acquisitions were accounted for using the purchase method of accounting. The aggregate cost of these acquisitions was € 88 million, € 377 million and € 83 million in 2002, 2001 and 2000, respectively.

12 PROPERTY, PLANT AND EQUIPMENT, NET

A | Changes in property, plant and equipment

(in million euros)	Mineral reserves and land	Buildings	Machinery, equipment, fixtures and fittings	Construction in progress	Total
At January 1, 2000	**1,569**	**2,328**	**9,268**	**718**	**13,883**
Additions	61	250	332	583	1,226
Disposals	(21)	(44)	(270)	(12)	(347)
Change in scope of consolidation	144	(37)	192	(26)	273
Other changes	45	118	338	(473)	28
Translation adjustments	28	28	157	13	226
At December 31, 2000	**1,826**	**2,643**	**10,017**	**803**	**15,289**
Accumulated depreciation	(200)	(1,025)	(5,182)	-	(6,407)
Net book value at December 31, 2000	**1,626**	**1,618**	**4,835**	**803**	**8 882**
At January 1, 2001	**1,826**	**2,643**	**10,017**	**803**	**15,289**
Additions	55	62	561	845	1,523
Disposals	(72)	(68)	(474)	(20)	(634)
Change in scope of consolidation	369	699	4,252	684	6,004
Other changes	46	(99)	678	(652)	(27)
Translation adjustments	20	18	(1)	(5)	32
At December 31, 2001	**2,244**	**3,255**	**15,033**	**1,655**	**22,187**
Accumulated depreciation	(269)	(1,503)	(7,058)	(4)	(8,834)
Net book value at December 31, 2001	**1,975**	**1,752**	**7,975**	**1,651**	**13,353**
At January 1, 2002	**2,244**	**3,255**	**15,033**	**1,655**	**22,187**
Additions	17	39	240	801	1,097
Disposals	(90)	(133)	(496)	(3)	(722)
Change in scope of consolidation	(9)	10	(148)	(1)	(148)
Other changes	84	206	1,089	(1,263)	116
Translation adjustments	(276)	(311)	(1,504)	(211)	(2,302)
At December 31, 2002	**1,970**	**3,066**	**14,214**	**978**	**20,228**
Accumulated depreciation	(280)	(1,486)	(6,776)	(19)	(8,561)
Net book value at December 31, 2002	**1,690**	**1,580**	**7,438**	**959**	**11,667**

B | Depreciation of property, plant and equipment

Depreciation on property plant and equipment is as follows:

	Years ended December 31,		
(in million euros)	2002	2001	2000
Depreciation	897	857	741
Impairment charges	48	26	23
Total	**945**	**883**	**764**

C | Capital leases

The gross value of property, plant and equipment includes € 21 million, € 37 million and € 41 million of assets under capital leases for the years ended December 31, 2002, 2001 and 2000, respectively. The remaining obligations on such assets total € 14 million, € 20 million and € 22 million for the years ended December 31, 2002, 2001 and 2000, respectively.

13 INVESTMENTS IN EQUITY AFFILIATES

A | Changes in the balance of equity affiliates

(in million euros)	2002	2001	2000
Balance of equity affiliates at January 1	**439**	**420**	**333**
Share in net income of affiliates	33	18	50
Dividends received from equity affiliates	(16)	(20)	(15)
New investments or share capital increases	88	42	32
Disposals and reduction in ownership percentage	(22)	1	(1)
Change from equity method to consolidation	(20)	-	(28)
Change from consolidation method to equity	-	-	39
Other changes (includes translation adjustments) (*)	150	(22)	10
Balance of equity affiliates at December 31,	**652**	**439**	**420**

(*) Including € 240 million generated by BCI opening balance sheet finalization

B | Summarized combined balance sheet and income statement information of equity affiliates

Combined balance sheet information

	At December 31									
(in million euros)	2002				2001			2000		
	Total	Of which Molins	Of which Materis	Of which Tong Yang	Total	Of which Molins	Of which Materis	Total	Of which Molins	Of which Materis
Long-term assets	3,802	318	565	1,159	2,341	348	606	2,272	340	594
Current assets	1,656	367	477	189	1,691	322	598	1,772	325	795
Total assets	**5,458**	**685**	**1,042**	**1,348**	**4,032**	**670**	**1,204**	**4,044**	**665**	**1,389**
Total equity	2,182	338	173	488	1,323	384	181	1,389	389	182
Long-term liabilities	2,061	164	614	765	1,539	81	719	964	100	163
Current liabilities	1,215	183	255	95	1,170	205	304	1,691	176	1,044
Total shareholders' equity and liabilities	**5,458**	**685**	**1,042**	**1,348**	**4,032**	**670**	**1,204**	**4,044**	**665**	**1,389**

Combined income statement information

	Years ended December 31,		
(in million euros)	2002	2001	2000
Sales	3,504	3,030	1,708
Operating income on ordinary activities	452	372	254
Operating income	405	324	193
Net income	**86**	**54**	**135**

14 OTHER INVESTMENTS

Components of other investments are as follows:

	At December 31,		
(in million euros)	2002	2001	2000
Blue Circle (1)	-	-	1,031
Cimpor	319	317	311
Other investments in non-consolidated companies	143	354	264
Long-term equity investments	-	-	110
Total	**462**	**671**	**1,716**

(1) Notes 5 and 11 (c)

A | Cimpor

At December 31, 2002, Lafarge owns 13,433,000 shares of the Portuguese cement producer Cimpor, which represents 9.99% of its common shares. The market value of these shares amounted to € 215 million based upon the stock-market price at December 31, 2002.

B | Long-term equity investments

Long-term equity investments represent interests of between 0.5% and 3% in several listed companies. Changes in the balance of long-term equity investments are as follows:

(in million euros)	Gross book value	Net book value	Net realizable value
At January 1, 2000	120	120	197
Net disposals	(10)	(10)	(41)
Change in net realizable value	-	-	18
At December 31, 2000	110	110	174
Net disposals	(110)	(110)	(315)
Change in net realizable value	-	-	141
At December 31, 2001	-	-	-
At December 31, 2002	-	-	-

15 LONG-TERM RECEIVABLES

	At December 31,		
(in million euros)	2002	2001	2000
Prepaid pension expenses	617	653	351
Other	302	247	138
Long-term receivables	**919**	**900**	**489**

16 INVENTORIES

Components of inventories are as follows:

	At December 31,		
(in million euros)	2002	2001	2000
Raw materials	327	473	288
Work-in-progress	178	303	71
Finished and semi-finished goods	632	556	638
Maintenance and operating supplies	611	609	397
Inventories, gross	**1,748**	**1,941**	**1,394**
Valuation allowance	(157)	(165)	(85)
Inventories, net	**1,591**	**1,776**	**1,309**

17 ACCOUNTS RECEIVABLE-TRADE, NET

Components of accounts receivable-trade, net are as follows:

	At December 31,		
(in million euros)	2002	2001	2000
Accounts receivable-trade	2,019	2,451	1,628
Valuation allowance	(203)	(221)	(133)
Accounts receivable-trade, net	**1,816**	**2,230**	**1,495**

The change in the valuation allowance for doubtful receivables is as follows:

(in million euros)	2002	2001	2000
At January 1	**(221)**	**(133)**	**(142)**
Current year addition	(105)	(90)	(76)
Current year release	77	56	65
Cancellation	22	12	5
Other changes	-	(65)	17
Translation adjustments	24	(1)	(2)
At December 31	**(203)**	**(221)**	**(133)**

In January 2000, the Company entered into multi-year securitization agreements with respect to trade receivables, without recourse. Accounts receivable are presented net of securitized receivables of € 399 million, € 438 million and € 410 million at December 31, 2002, 2001 and 2000, respectively.

The agreements are guaranteed by subordinated deposits classified in long-term receivables for € 85 million, € 125 million and € 66 million at December 31,2002, 2001 and 2000, respectively.

18 CASH AND CASH EQUIVALENTS

In order to give a true and fair view of the accounts, in accordance with Article L. 123-14 (formerly Art. 9) of the French Commercial Code for the year ended December 31, 2000, the Company included in cash and cash equivalents a receivable of € 667 million representing the cash received on January 22, 2001, related to the sale of the major part of the Specialty Products Division. The agreement between the Company and the counterpart to the sale was effectively a note with a 30-day maturity period. Due to the imminent maturity of the note, the Company believes that the presentation as a cash equivalent more accurately depicts its financial position at December 31, 2000. This presentation is consistent with that of previous major acquisitions occurring immediately prior to and after the end of the Company's year.

19 SHAREHOLDERS' EQUITY

A | Common stock

At December 31, 2002, Lafarge common stock comprised 132,880,433 shares with a stated value of € 4 each. At December 31, 2002, voting rights attributed to the outstanding shares totaled 141,566,324 after inclusion of the double voting rights attached to registered shares held at least two years and cancellation of the voting rights associated with treasury stock.

B | Stock rights issue

On June 11, 2002, the Company issued 708,718 shares pursuant to its employee stock purchase plan. Proceed totaled of approximately € 45 million, net of issuance costs.

On February 9, 2001, the Company issued stock rights in a 1 for 8 underwritten rights offering to shareholders at a price of € 80 per share. These rights were subsequently converted to 14,110,592 shares. The total proceeds from this offering, net of issuance costs, approximated € 1,113 million.

C | Warrants

At December 31, 2000, the Company had 8,279,784 warrants outstanding. These warrants resulted from the issuance, on March, 20, 2000, of debt redeemable in shares. The warrants were convertible into common stock of the Company at a conversion ratio of 4 warrants per common share and expired on March 20, 2001. The warrants were converted into approximately 2,098,811 common shares.

D | Public exchange offer Cementia

On May 14, 2002, the Company tendered a public exchange offer for all the outstanding shares of its Swiss publicly-traded subsidiairy Cementia Holding AG. The offer consisted of exchange of 1 share or 1 warrant for 11 shares of the Company. The offer resulted in the issuance of 401,775 Lafarge shares at € 104.94 each, with a total market value of approximately € 42.2 million. Following the public exchange offer and in accordance with the Swiss law, the Company initiated a minority interest buy out to acquire remaining outstanding shares.
As a result, 52,063 additional shares were issued with a total market value of approximately € 5.5 million.

20 MINORITY INTERESTS

(in million euros)	2002	2001	2000
At January 1	**2,551**	**1,707**	**1,598**
Share of net income	273	270	213
Translation adjustments	(368)	16	61
Dividends paid	(91)	(65)	(60)
Other changes	(210)	623	(41)
Effect of the change in accounting for deferred taxes	-	-	(64)
At December 31	**2,155**	**2,551**	**1,707**

21 OTHER EQUITY

Other equity includes investment subsidies.

22 PROVISIONS

A | Changes in the balance of provisions

(in million euros)	Pensions and other post-retirement benefits	Restructuring provisions	Site restoration and environmental provisions	Other provisions	Total
At January 1, 2000	**587**	**95**	**190**	**296**	**1,168**
Current year addition, net	74	28	22	79	203
Current year release	(56)	(52)	(32)	(77)	(217)
Other changes	(19)	27	9	40	57
Translation adjustments	13	3	1	-	17
At December 31, 2000	**599**	**101**	**190**	**338**	**1,228**
Current year addition, net	88	39	42	136	305
Current year release	(80)	(148)	(42)	(217)	(487)
Other changes	164	219	(8)	259	634
Translation adjustments	7	-	2	(1)	8
At December 31, 2001	**778**	**211**	**184**	**515**	**1,688**
Current year addition, net	105	45	46	395	591
Current year release	(95)	(179)	(37)	(86)	(397)
Other changes	8	94	28	61	191
Translation adjustments	(74)	(17)	(16)	(44)	(151)
At December 31, 2002	**722**	**154**	**205**	**841**	**1,922**

B | Pension plans, end of service benefits and other post retirement benefits

The Company sponsors both defined benefit and defined contribution plans, in accordance with local legal requirements and each specific subsidiaries benefit policies.

For defined contribution plans, the Company's obligations are limited to periodic payments to third party organizations, which are responsible for the financial and administrative management of the funds.

Only defined benefit plans create future obligations for the Company. Defined benefit pension plans and end of service benefits constitute 93% of the Company's post-retirement obligations while the remaining 7% relates to other post retirement benefits mainly post employment medical plans. For these plans, the Company's obligations are estimated with the assistance of independent actuaries using assumptions, which may vary over time. The obligations related to these plans are often funded through Company and employee contributions to third party legal entities and are then invested in equity and bond portfolios, which are subject to fluctuations in the financial markets.

The following schedule shows the accounting treatment for defined benefit pension plans and end of service benefits under the column "pension benefits" and the accounting treatment for other post retirement benefits under the column "other benefits".

(in million euros)	At December 31								
	Pension benefits			Other Benefits			Total		
AMOUNTS RECOGNIZED IN THE STATEMENT OF FINANCIAL POSITION CONSIST OF									
	2002	2001	2000	2002	2001	2000	2002	2001	2000
Prepaid pension asset	617	653	351	-	-	-	617	653	351
Accrued pension liability	(478)	(511)	(374)	(244)	(267)	(225)	(722)	(778)	(599)
Net amount recognized at end period	**139**	**142**	**(23)**	**(244)**	**(267)**	**(225)**	**(105)**	**(125)**	**(248)**
COMPONENTS OF NET PERIODIC PENSION COST									
	2002	2001	2000	2002	2001	2000	2002	2001	2000
Prior service cost	98	92	52	8	6	5	106	98	57
Interest cost	226	186	115	19	16	14	245	202	129
Expected return on plan assets	(281)	(247)	(154)	-	-	-	(281)	(247)	(154)
Amortization of prior service cost	3	2	2	(1)	-	(1)	2	2	1
Amortization of transition (asset) obligation	1	1	1	-	-	-	1	1	1
Amortization of actuarial (gain) loss	7	(4)	(8)	1	-	-	8	(4)	(8)
Actuarial (gain) loss	10	(2)	3	1	6	(7)	11	4	(4)
Special termination benefits	1	5	-	-	-	-	1	5	-
Curtailment (gain) loss	-	-	(1)	-	-	-	-	-	(1)
Settlement (gain) loss	(5)	-	(3)	-	-	-	(5)	-	(3)
Divestitures	-	(2)	-	(1)	-	-	(1)	(2)	-
Net periodic pension cost	**60**	**31**	**7**	**27**	**28**	**11**	**87**	**59**	**18**
CHANGE IN PROJECTED BENEFIT OBLIGATION									
	2002	2001	2000	2002	2001	2000	2002	2001	2000
Projected benefit obligation at January 1	**4,206**	**2,015**	**1,839**	**291**	**226**	**184**	**4,497**	**2,241**	**2,023**
Foreign currency translations	(324)	83	35	(43)	10	10	(367)	93	45
Service cost	98	92	45	8	6	5	106	98	50
Interest cost	226	186	116	19	16	14	245	202	130
Employee contributions	11	10	6	-	-	-	11	10	6
Plan amendments	15	-	-	(1)	1	(1)	14	1	(1)
Curtailments	-	1	(1)	-	-	-	-	1	(1)
Settlements	(21)	-	(20)	-	-	-	(21)	-	(20)
Business combinations	3	2,024	38	5	23	18	8	2,047	56
Divestitures	-	(16)	(4)	-	-	-	-	(16)	(4)
Special termination benefits	1	5	-	-	2	-	1	7	-
Benefits paid	(236)	(182)	(102)	(19)	(20)	(15)	(255)	(202)	(117)
Actuarial (gain) loss	(87)	(12)	63	37	27	11	(50)	15	74
Projected benefit obligation at December 31	**3,892**	**4,206**	**2,015**	**297**	**291**	**226**	**4,189**	**4,497**	**2,241**
CHANGE IN PLAN ASSETS									
	2002	2001	2000	2002	2001	2000	2002	2001	2000
Fair value of plan assets at January 1	**3,842**	**2,008**	**1,959**	**2**	**2**	**2**	**3,844**	**2,010**	**1,961**
Foreign currency translations	(309)	90	46	-	-	-	(309)	90	46
Actual return on plan assets	(396)	(274)	21	-	-	-	(396)	(274)	21
Employer contributions	105 (a)	54	25	19	20	-	124	74	25
Employee contributions	11	10	6	-	-	-	11	10	6
Benefits paid	(236)	(175)	(89)	(19)	(20)	-	(255)	(195)	(89)
Settlements	(21)	-	(17)	-	-	-	(21)	-	(17)
Business combinations	-	2,142	59	-	-	-	-	2,142	59
Divestitures	-	(9)	-	-	-	-	-	(9)	-
Administrative expenses	(5)	(4)	(2)	-	-	-	(5)	(4)	(2)
Fair value of plan assets at December 31	**2,991**	**3,842**	**2,008**	**2**	**2**	**2**	**2,993**	**3,844**	**2,010**
RECONCILIATION OF PREPAID (ACCRUED) BENEFIT COST									
	2002	2001	2000	2002	2001	2000	2002	2001	2000
Funded status of the plan	**(901)**	**(364)**	**(7)**	**(295)**	**(289)**	**(224)**	**(1,196)**	**(653)**	**(231)**
Unrecognized actuarial (gain) loss	1,019	493	(33)	52	23	-	1,071	516	(33)
Unrecognized actuarial transition (asset) obligation	1	3	13	-	(1)	-	1	2	13
Unrecognized actuarial prior service cost	20	10	4	(1)	-	(1)	19	10	3
Prepaid (accrued) pension cost at December 31	139	142	(23)	(244)	(267)	(225)	(105)	(125)	(248)

(a) Including contributions paid in 2002 for the establishment of a separate legal entity pension fund and annuity contract in Spain for € 39 million

The primary assumptions made to account for pension and end of service benefits are as follows:

	USA			Canada			UK			Euro zone (except France, Spain, Greece)			France			Spain			Greece		
	2002 %	2001 %	2000 %	2002 %	2001 %	2000 %	2002 %	2001 %	2000 %	2002 %	2001 %	2000 %	2002 %	2001 %	2000 %	2002 %	2001 %	2000 %	2002 %	2001 %	2000 %
Discount rate	6.80	7.75	7.75	6.35	6.50	6.95	5.75	5.50	5.50	5.50	5.75	6.00	5.50	5.75	6.00	5.50	5.75	6.00	5.75	6.25	N/A
Expected return rate on assets	9.00	9.00	9.00	9.00	9.00	9.00	7.50	7.50	7.50	7.00	8.00	N/A	5.82	5.82	4.50	4.85	5.75	5.50	N/A	N/A	N/A
Salary increase	4.00	4.50	4.50	3.50	3.50	3.50	4.25	4.50	5.00	2.00 to 3.50	2.00 to 3.50	2.50	2.00 to 3.50	2.00 to 3.50	2.50	2.40	2.40	2.40	4.25	4.75	N/A

For the year 2003, the expected return rates on assets are as follows:

USA	8.50%
Canada	8.50%
UK	7.00%
Euro zone	7.00%
France	5.82%
Spain	4.85%

The expected rates of investment return on pension assets and the discount rates used to calculate the Company's pension related obligations are established in close consultation with independent advisors.

Pension plans

The main defined benefit pension plans provided to employees by the Company are in the United Kingdom, North America (The United States of America and Canada) and Germany. The related pension obligations represent 67%, 20% and 5%, respectively, of the Company's total defined benefit plan obligations.

In the United Kingdom, pension related obligations result primarily from three pension plans. Two of these plans result from the acquisition of Blue Circle Industries in 2001. Pension benefits generally incorporate linear formulas and are based upon employee's final career pay and the length of employment with the Company. The resulting pension obligations are funded through employee and employer contributions to legally separate entities managed by representatives of both management of the Company and its employees. The contribution rate of both the Company and its employees are revised every three years by independent actuarial consultants. Funding of the obligation is based upon both local minimum funding requirements as well as long term funding objectives to settle the future statutory pension obligations. Historically, approximately 65% of the pension fund assets are invested in equity instruments based upon the fact that equities have historically provided a superior long- term rate of return, which is consistent with the long-term nature of the pension obligations. The residual 35% of these funds are invested in bond portfolios.

In the United States and Canada defined pension benefits are granted through various distinct plans. Contributions are based upon required amounts to fund the various plans as well as tax-deductible minimum and maximum amounts. At the end of 2002, in the United States, 70% of the pension fund assets were invested in equity instruments and 30% in bond portfolios and in Canada 55% were invested in equity instruments and 45% in bond portfolios.

For all funded plans in the United Kingdom and in North America, the recent poor performance of financial markets will result in a moderate increase in 2003 of approximately € 25 million in the Company's cash contributions.

In Germany, defined benefit pension plans are based upon the employees' final career pay and the length of employment with the Company. German law does not require that pension obligations be funded through employer contributions to external third party funds. In case of corporate insolvency by an employer the employees' vested benefits are guaranteed by an insurance fund sponsored by German companies with defined benefit pension plans. These defined benefit plans in Germany have been closed to new entrants since 2001. The Company now provides defined contribution pension arrangements to new employees who will be entitled to future pension benefits. Accordingly, the Company believes that the future amount of pension expense in Germany will progressively decline.

In conformity with the Company's accounting policies, (Note 2 (o)) the difference between actual and expected returns on fund assets is treated as actuarial losses. At the end of 2002, these actuarial losses are particularly significant due to the recent poor performance of financial markets. The losses in excess of the "10% corridor" will be amortized and reflected in the 2003 pension expense.
Should equity market markets improve the amount of actuarial losses to be recognized would reduce. In 2003, pension expense is also expected to increase as a result of the decrease in fund assets at the end of 2002 and the downward revisions in actuarial assumptions related to expected return. The Company expects that the pension expense for 2003 will increase to approximately € 100 million with an unfavorable effect on net income of € 55 million.

End of service benefits

End of service benefits are generally lump sum payments based upon an individual's years of credited service and annual salary at retirement or termination of employment. The primary obligations for end of service benefits are in France, Italy, Greece and Chile.

Other post retirement benefits

In the United States and to some extent in France, certain subsidiaries provide healthcare and insurance benefits to retired employees. These obligations are not funded.

23 DEBT

A | Analysis of debt by type

	At December 31,		
(in million euros)	2002	2001	2000
Debenture loans and senior notes	6,780	6,828	3,466
Bank loans and credit facilities	1,929	3,284	3,138
Commercial paper	1,681	1,590	743
Other notes	483	798	738
Other	452	404	291
Total debt	**11,325**	**12,904**	**8,376**
Current portion of long-term debt	(524)	(1,350)	(579)
Short-term borrowings	(530)	(513)	(307)
Total long-term debt	**10,271**	**11,041**	**7,490**

Debenture loans and senior notes

At December 31, 2002, debentures consist of fixed rate bonds which bear a weighted average interest rate of 5.6%. The maturities on debenture loans range from 2004 to 2017, with the average maturity being 2008. In November 2002, in order to re-finance part of the short term debt, the Company issued 200 million British pound sterling bonds bearing a fixed interest rate of 6.625% with a 15- year maturity.

The Company has also set up an Euro Medium-Term Note program (EMTN), which allows for a maximum issuable amount of € 7 billion in 2002. At December 31, 2002, Euro Medium-Term Notes issuance amounts to € 3.465 billion, including € 3.295 billion of debenture loans and € 170 million of private placement debt included in other notes.

Bank loans and credit facilities

At December 31, 2002, bank loans total € 1.8 billion and drawdowns on medium and long term committed credit facilities amount to € 0.1 billion out of a maximum amount available of € 4.0 billion. The credit facilities are used primarily as a hedging for short term financing of the Company and contribute to secure its liquidity.

The weighted average interest rate on these credit facilities and bank loans is approximately 5.5%.

Commercial paper

The Company's euro denominated commercial paper program at December 31, 2002 allows for a maximum issuable amount of € 4 billion . Commercial paper can be issued in euros, US dollars, Canadian dollars, Swiss francs and British pounds sterling. At December 31, 2002, the commercial paper issued under this program totals € 1.5 billion. The commercial paper, mainly issued in euros, bears an average interest rate based upon the European inter-bank offer rate ("Euribor"), plus an average of about 3 basis points and has initial maturities ranging from 3 to 6 months. At year end, the average interest rate of the euro denominated commercial paper is 3.2%.

The Company also has a US dollar denominated commercial paper program issued through its subsidiary Lafarge North America. This program allows for a maximum issuable amount of 300 million US dollars (€ 286 million). At December 31, 2002, the commercial paper issued under this program totals € 119 million. The interest rate is based upon the London inter-bank offer rate ("Libor"), plus an average of approximately 32 basis points and has initial maturities ranging from 2 to 4 weeks. At December 31, 2002, the average interest rate on this commercial paper program is 1.7%.

Other notes

Other notes principally consist of euro notes with a weighted average interest rate of 5.1%. The average date of maturity is 2005.

B | Analysis of debt by maturity

(in million euros)	**At December 31, 2002**
2003	1,054
2004	1,208
2005	1,646
2006	2,619
2007	1,613
Beyond 5 years	3,185
	11,325

At December 31, 2002, € 1,664 million of short-term debt (mainly commercial paper) have been classified as long-term based upon the Company's ability to refinance at any moment these obligations on a long-term basis.

C | Analysis of debt by currency

	At December 31,					
(in million euros)	2002		2001		2000	
	Before swaps	**After swaps**	**Before swaps**	**After swaps**	**Before swaps**	**After swaps**
Euro (EUR)	7,714	5,275	8,498	5,850	5,087	3,988
US dollar (USD)	1,048	3,062	1,872	3,647	1,208	2,308
British pound sterling (GBP)	1,391	1,670	1,221	2,064	1,455	1,364
Malaysian ringgit (MYR)	259	259	282	282	-	-
Japanese yen (JPY)	94	111	122	118	132	155
Other	819	948	909	943	494	561
Total	**11,325**	**11,325**	**12,904**	**12,904**	**8,376**	**8,376**

D | Analysis of debt by category

	At December 31,					
(in million euros)	2002		2001		2000	
	Before swaps	**After swaps**	**Before swaps**	**After swaps**	**Before swaps**	**After swaps**
Floating rate	3,523	2,891	5,170	4,128	4,127	3,123
Fixed rate below 6%	4,726	4,917	4,531	5,015	1,964	2,355
Fixed rate between 6% and 10%	2,641	3,054	2,707	3,231	1,923	2,516
Fixed rate 10% and over	435	463	496	530	362	382
Total	**11,325**	**11,325**	**12,904**	**12,904**	**8,376**	**8,376**

The average spot interest rate of the gross indebtedness, as at December 31, 2002, is 5.2% (5.4% as at December 31, 2001 and 6.6% as at December 31, 2000).

Some of our debt agreements contain a number of terms that require permanent compliance with covenants. As at December 31, 2002, no significant financing contract contains covenants which might have a material impact on the Company's financial position.

24 FINANCIAL INSTRUMENTS

The Company uses derivative financial instruments with off-balance sheet risk to manage market risk exposures. Financial instruments are entered into by the Company solely to hedge such exposures on anticipated transactions or firm commitments. The Company does not enter into derivative contracts for speculative purposes.

A | Foreign currency risk

In the course of its operations, the Company's policy is to hedge all material foreign currency exposures arising from its transactions, using derivative instruments as soon as a firm or highly probable commitment is entered into or known. These derivative instruments are limited to forward contracts and foreign currency options, with a term generally less than one year.

This policy is implemented in all the Company's subsidiaries which have to follow through and, when allowed by the local regulations and when necessary, hedge their exposures with the Company's central treasury.

The Company's operating policies reduce potential foreign currency exposures by requiring all liabilities and assets of controlled companies to be denominated in the same currency as the cash flows generated from operating activities, the functional currency. The Company may amend this general rule under special circumstances in order to take into account specific economic conditions in a specific country such as inflation rates, interest rates, and currency related issues such as convertibility and liquidity. When needed, currency swaps are used to convert debts most often incurred in euros, into foreign currencies.

Foreign currency hedging activity

At December 31, 2002, most forward contracts had a maturity date less than one year. The nominal value of hedging instruments outstanding at year-end is as follows:

	At December 31,		
(in million euros)	2002	2001	2000
Forward contract purchases			
US dollar (USD)	47	37	33
British pound sterling (GBP)	74	264	264
Other currencies	13	49	28
Total	**134**	**350**	**325**

	At December 31,		
(in million euros)	2002	2001	2000
Forward contract sales			
US dollar (USD)	2,040	1,794	1,085
British pound sterling (GBP)	443	1,189	168
Other currencies	172	72	111
Total	**2,655**	**3,055**	**1,364**

B | Interest rate risk

The Company is primarily exposed to fluctuations in interest rates based upon the following:

- price risk with respect to fixed-rate financial assets and liabilities. Interest rate fluctuations impact the market value of fixed-rate assets and liabilities.
- cash flow risk for floating rate assets and liabilities.

Interest rate fluctuations have a direct effect on the financial income or expense of the Company.

In accordance with established policies, the Company seeks to mitigate these risks, using to a certain extent interest rate swaps when necessary.

Interest rate hedging activity

The notional value of hedging instruments outstanding at year-end is as follows:

		At December 31, 2002						
Interest rate swaps		Maturities of notional contract values						
(in million euros)	Average fixed rate	2003	2004	2005	2006	2007	> 5 ans	Total
Pay fixed euro	8.1%	77	-	865	119	151	70	1,282
Other interest rate swaps	-	77	5	54	12	11	-	159
Total		**154**	**5**	**919**	**131**	**162**	**70**	**1,441**

		At December 31, 2001						
Interest rate swaps		Maturities of notional contract values						
(in million euros)	Average fixed rate	2002	2003	2004	2005	2006	> 5 ans	Total
Pay fixed euro	7.7%	234	77	-	865	119	221	1,516
Other interest rate swaps	-	286	52	2	53	14	13	420
Total		**520**	**129**	**2**	**918**	**133**	**234**	**1,936**

		At December 31, 2000						
Interest rate swaps		Maturities of notional contract values						
(in million euros)	Average fixed rate	2001	2002	2003	2004	2005	> 5 ans	Total
Pay fixed euro	7.1%	99	234	77	-	835	221	1,466
Other interest rate swaps	-	74	254	6	5	47	-	386
Total		**173**	**488**	**83**	**5**	**882**	**221**	**1,852**

The notional amounts of derivatives represent the face value of financial instruments. They do not represent actual amounts exchanged by the counterparties and thus are not a direct measure of the Company's exposure to interest rate risk. Notional amounts in foreign currency are expressed in euros at the year-end exchange rate.

The financial assets of the Company mainly comprise short term investments managed on a short term basis, either through bank deposits, or negotiable instruments.
A 1% increase or decrease in short term interest rates would have a maximum impact on the consolidated pre-tax income (taking into account financial assets and swap arrangements) of approximately € 18 million.

A 1% increase or decrease in the rate curves related to the currencies in which the Company has significant fixed rate debts would have an estimated maximum impact on their fair value (calculated after derivatives instruments' impact) of approximately € 345 million.

C | Commodity risk

The Company is subject to risk of price changes in certain commodities principally in the coal, pet coke, gas, clinker and electricity markets. The Company may, from time to time, use derivatives to manage its exposure to commodity risk. At December 31, 2002, such commitments were limited to forward purchase contracts for electricity and were not significant.

D | Counterparty risk

The Company is exposed to credit risk in the event of a counterparty's default. The Company limits its exposure to counterparty risk by rigorously selecting the counterparties with which it executes agreements. Counterparty risk is monitored by using exposure limits calculated according to several criteria (rating assigned by rating agencies, assets and equity), as well as the nature and maturity of operations. The Company's exposure to credit risk is limited and the Company believes that there is no material concentration of risk with any counterparty. The Company does not anticipate any third party default that might have a significant impact on the Company's financial statements.

E | Share risk

The Company is subject to risk of price changes in certain of its investments in common shares. The Company may, from time to time, use derivatives to manage its exposure to share risk. At December 31, 2002, such commitments were limited to equity swaps for € 155 million with a fair value of € (22) million and which is fully provided for.

F | Fair values

The fair values of financial instruments have been estimated on the basis of available market quotations, or using various valuation techniques, such as present value of future cash flows. However, the methods and assumptions followed to disclose fair values are inherently judgmental. Thus, estimated fair values do not necessarily reflect amounts that would be received or paid in case of immediate settlement of these instruments. The use of different estimations, methodologies and assumptions may have a material effect on the estimated fair value amounts. The methodologies used are as follows:

Cash and cash equivalents, accounts receivables, accounts payable, short-term bank borrowings: due to the short-term nature of these balances, the recorded amounts approximate fair values.

Marketable securities and investment securities: estimated fair value of publicly traded securities are based on quoted market prices at December 31, 2002, 2001 and 2000. For other investments for which there is no quoted price, a reasonable estimate of fair value could not be made without incurring excessive costs.

Debenture loans: the fair values of the debenture loans were estimated at the quoted value for borrowings listed on a sufficiently liquid market.

Long-term debt: the fair values of long-term debt were determined by estimating future cash flow on a borrowing-by-borrowing basis, and discounting these future cash flows using an interest rate which takes into consideration the Company's incremental borrowing rate at year end for similar types of debt arrangements.

Derivative instruments: the fair values of forward exchange contracts and interest and currency swaps were calculated using market prices that the Company would pay or receive to settle the related agreements. Primarily, dealer quotes have been used to estimate the fair values of these instruments at the reporting dates.

The following details the cost and fair values of recorded and unrecorded financial instruments:

	At December 31,					
	2002		2001		2000	
(in million euros)	Carrying amount	Net Fair value	Carrying amount	Net Fair value	Carrying amount	Net Fair value
Balance sheet financial instruments						
ASSETS						
Cash and cash equivalents	1,109	1,109	1,201	1,201	1,740	1,740
Accounts receivable-trade, net	1,816	1,816	2,230	2,230	1,495	1,495
Other investments	462	359	671	621	1,716	1,916
LIABILITIES						
Short-term bank borrowings	530	530	513	513	307	307
Accounts payable, trade	1,205	1,205	1,467	1,467	1,114	1,114
Debenture loans	6,640	6,908	6,633	6,679	3,219	3,140
Other long-term debt	4,155	4,189	5,758	5,771	4,850	4,875
DERIVATIVE INSTRUMENTS						
Interest rate swaps and forward rate agreements	-	(200)	-	(211)	-	(211)
Forward exchange contracts	-	91	-	(37)	-	59

25 COMMITMENTS AND CONTINGENCIES

The following details collateral guarantees and other guarantees provided by the Company.

	At December 31,		
(in million euros)	2002	2001	2000
Securities and assets pledged	77	161	264
Property collateralizing debt	766	566	214
Guarantees given	166	404	223
Total	**1,009**	**1,131**	**701**

The following details the Company's significant commitments.

	At December 31,		
(in million euros)	2002	2001	2000
Capital expenditure commitments	139	289	98
Operating leases	735	400	205
Other commitments	138	49	44
Total	**1,012**	**738**	**347**

The Company has entered into supply agreements for the procurement of various commodities used in the normal course of its businesses. These agreements call for minimum annual purchases over periods up to 20 years. At December 31, 2002, commitments related to these contracts amount to € 474 million and the related maturity of these contracts is as follows: 15% within 1 year, 48% between 1 and 5 years and 37% after 5 years.
The Company leases certain land, building and equipment. Total rental expense under operating leases was € 84 million , € 41 million and € 64 million for each of the three years ended December 31, 2002, 2001 and 2000, respectively. The table below shows the future minimum lease payments due under non-cancelable operating leases. At December 31, 2002, such payments total € 735 million:

Year ended December 31,							
(in million euros)	2003	2004	2005	2006	2007	There-after	Total
Operating leases	133	107	83	67	54	291	**735**

The Company, as part of its activities in purchasing certain entities, has granted co-investors put options. The exercise of these options would result in the third parties requiring the Company to purchase, at a predetermined price, the shares held by them. The result would increase the Company's percentage of ownership interest in these companies. Assuming that all of these options were exercised, the additional purchase price to be paid in cash by the Company resulting from such exercise would amount to € 745 million as of December 31, 2002. Based upon the terms of these agreements, a portion of the total amount could be exercised in 2003 and 2004 for € 183 million and € 101 million respectively. The residual can be exercised commencing in 2005.

26 LITIGATION

Litigation

The European Commission decided on December 3, 2002 to fine the Company on the grounds that it allegedly colluded on market shares and sales prices with its competitors between 1992 and 1998 for plasterboard, in particular in the United Kingdom and Germany. On that basis, the European Commission has ordered the Company to pay a fine of € 250 million. Lafarge vigorously challenges this decision and has brought the case before the Court of First Instance (CFI) in Luxembourg, which has jurisdiction over such matters. The resolution procedure usually takes several years based upon comparable cases. As the Company has given a bank guarantee, no payment will have to be made before the decision of the Court.

In 2002, the German competition authorities commenced an investigation concerning German cement companies, including our wholly owned subsidiary, Lafarge Zement. Lafarge Zement has fully cooperated with the investigation, has provided all relevant documentation and has answered, during the course of several meetings, to the questions of the authorities. The investigation is still pending.

In the financial statements for the year ended December 31, 2002 a provision of € 300 million has been recorded in connection with the two matters above.

On March 28, 2001, Dunn Industrial Group, Inc. ("Dunn Industrial") filed a lawsuit against Lafarge North America and the City of Sugar Creek, Missouri in the Circuit Court of Jackson County, Missouri at Kansas City. In the suit, Dunn Industrial, the general contractor for the construction of our new cement plant in Sugar Creek, Missouri, alleges that we expanded the scope of work expected of Dunn Industrial in the construction of the plant without commensurate increases in time required for performance and amounts to be paid to Dunn Industrial. In connection therewith, the suit alleges breach of contract, quantum meruit, breach of warranty and negligent misrepresentation and seeks foreclosure of mechanic's liens against Lafarge North America and the City of Sugar Creek, Missouri. Dunn Industrial appears to be seeking in excess of $67 million in damages. The amount of the liability of Lafarge North America in connection with this suit remains uncertain.

The trial court ruled that the issues raised by Dunn Industrial need not be arbitrated but rather could be litigated. In December 2002, the Missouri appellate court reversed the trial court's ruling and agreed with Lafarge North America that Dunn Industrial must arbitrate its claims. Dunn filed a Transfer Motion to the Missouri Supreme Court seeking appeal of the Court of Appeals ruling, which motion the Missouri Supreme Court has granted. Lafarge North America believes Dunn Industrial's claims are without merit and intends to vigorously defend the suit.

Environment

In The Netherlands, a former subsidiary of the Group, Tollens Coatings B.V., is one of the defendants in an action brought in 1990 by the government in connection with the discharge of certain waste in the Lekkerkerk canal between 1968 and 1971. At that time, Tollens Coatings B.V. operated a paint manufacturing plant and had hired another Company to carry and dispose of waste produced by the plant. The government is seeking Dutch guilders 160,000,000 (approximately € 72.6 million) in damages, plus interest. Tollens Coatings B.V. contends that it did not instruct the disposal Company to dump the waste in the Lekkerkerk canal and that it had no knowledge of the disposal Company's conduct. With the consent of the parties, the proceedings, which are still at the level of first instance, have been postponed several times by the court and since late 1993 no proceedings on the merits have taken place. In July 2001, the Dutch government took sufficient action to delay the running of the statute of limitations, without any other consequence. As a result, the case is still pending. Tollens Coating B.V. was disposed of with the Specialty Products Division. However, pursuant to the disposition arrangements, the Company has agreed to indemnify the acquirers for any damages incurred in connection with this litigation.

Finally, 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 material adverse effect on the Company's financial position or results of operations.

27 RELATED PARTY TRANSACTIONS

Transactions with equity affiliates were not material in 2002. The transactions entered into with other related parties were made under normal terms and conditions, similar to those normally granted to comparable groups.

With respect to the acquisition of Blue Circle on July 11, 2001, Lafarge S.A. granted Lafarge North America (formerly Lafarge Corporation) the right to buy certain cement and construction material activities in North America formerly owned by Blue Circle. The option to purchase these assets can be exercised between July 1, 2002 and December 31, 2004 at a purchase price of USD 1,400 million, subject to certain adjustments as of the date of acquisition.
In addition, pursuant to an agreement signed between Lafarge North America and Blue Circle North America, Lafarge North America manages in exchange for a management fee, the aforementioned assets subsequent to December 31, 2002, the agreement is subject to annual renewal.

28 EMPLOYEES COSTS AND DIRECTORS' AND EXECUTIVE OFFICERS' COMPENSATION FOR SERVICES

A | Employees and employees costs

	2002	2001	2000
Management staff	11,647	10,811	7,546
Non-management staff	65,900	72,081	58,407
Total number of employees	**77,547**	**82,892**	**65,953**

	Years ended December 31,		
(in million euros)	2002	2001	2000
Employees costs	**2,749**	**2,550**	**2,253**

B | Directors' and executive officers' compensation for services

	Years ended December 31,		
(in million euros)	2002	2001	2000
Board of Directors*	0.5	0.6	0.5
Senior Executives	7.4	8.6	8.1
Total	**7.9**	**9.2**	**8.6**

** Directors' fees*

29 MAIN DIFFERENCES BETWEEN THE COMPANY'S ACCOUNTING POLICIES AND US GAAP

Since the Company's shares are listed on the New York Stock Exchange (NYSE), Lafarge prepares its financial statements in accordance with US GAAP and files a Form 20-F with the United States Securities and Exchange Commission ("SEC") which includes these financial statements published in France as well as a reconciliation between the net income and shareholders' equity prepared in accordance with French GAAP and their equivalent under US GAAP.

The Company's reconciliation to US GAAP is completed and filed subsequent to the reference document filed with the French regulatory agency, the Commission des Opérations Boursières. The main differences between these two sets of accounting principles with respect to the income statement and shareholders' equity result from the accounting treatment of negative goodwill, the amortization of goodwill, business combinations in hyper-inflationary countries, restructuring provisions, provision for unrealized foreign exchange losses, site restoration provisions, stock based compensation, employees stock purchase plan, marketable securities and from additionnal impairment charges which are not due to the methodology used to assess impairment but from the fact that the carrying value of certain assets differ between the two accounting standards. The goodwill is not amortized under US GAAP but is subject to impairment test.

The reconciliation between the net income and the net equity under the two accounting standards for 2002 presented in Form 20-F will be available at the end of April 2003 on the Company's Internet site: www.lafarge.com subsequent to the filing with the SEC and can be requested by shareholders from the Company's registered office.

30 SCOPE OF CONSOLIDATION

	Divisions					Consolidation method and percentage as of 12/31/2002		
Country and companies	Cement	Aggregates & Concrete	Roofing	Gypsum	Others	Method	% Control	% Interest
Algeria								
Colpa				■		Full	100.00	57.15
Argentina								
Durlock SA				■		Proportionate	40.00	40.00
Australia								
Lafarge Australia (Pty) Ltd				■		Full	100.00	100.00
Austria								
Lafarge Perlmooser AG	■	■				Full	100.00	100.00
Schiedel Kaminwerke GmbH			■			Full	100.00	100.00
Bramac Dachsysteme International GmbH			■			Proportionate	50.00	50.00
Tondach Gleinstätten AG			■			Equity	25.00	25.00
Bangladesh								
Lafarge Surma Cement limited	■					Full	100.00	100.00
Belgium								
RBB NV			■			Full	100.00	100.00
Bosnia								
Schiedel Sistemi Dimnjaka d.o.o			■			Full	100.00	100.00
Bramac Krovni Sistemi d.o.o			■			Proportionate	50.00	50.00
Brazil								
Companhia Nacional de Cimento Portland	■					Full	99.75	99.75
Lafarge Brasil SA	■	■				Full	99.52	90.46
Gipsita SA Mineraçào, Industria e Commercio				■		Proportionate	60.00	60.00
Cimento Tupi SA	■					Equity	20.00	19.95
Lafarge Roofing Brazil Ltda			■			Full	100.00	100.00
Bulgaria								
Bramac Pokrovni Sistemi EOOD			■			Proportionate	50.00	50.00
Cambodia								
CPAC Monier (Cambodia) Co Ltd			■			Equity	25.00	25.00
Cameroon								
Cimenteries du Cameroun	■					Full	56.73	56.73
Chile								
Sociedad Industrial Romeral SA				■		Proportionate	40.00	40.00
Empresas Melon SA	■	■			Mortars	Full	84.21	84.14
China								
Beijing Chinefarge Cement Limited Liability Company	■					Full	65.00	57.25
Beijing Ycheng Lafarge Concrete		■				Full	76.71	67.57
Lafarge Onoda Gypsum Shanghai				■		Proportionate	50.00	31.29
Dujiangyan	■					Full	75.00	66.05
Lafarge Roofing System China Ltd			■			Full	100.00	100.00
Czech Republic								
Lafarge Cement AS	■	■				Full	96.37	96.36

	Divisions					Consolidation method and percentage as of 12/31/2002		
Country and companies	Cement	Aggregates & Concrete	Roofing	Gypsum	Others	Method	% Control	% Interest
Denmark								
Lafarge Tekkin A/S			■			Full	100.00	100.00
Egypt								
Beni Suef Cement Company	■					Proportionate	47.50	47.50
Alexandria Portland Cement Company	■					Proportionate	44.50	44.50
Finland								
Lafarge Tekkin OY			■			Full	100.00	100.00
Schiedel Savuhormistot OY			■			Full	100.00	100.00
France and Overseas								
Lafarge Ciments	■					Full	100.00	100.00
Société des Ciments Antillais	■	■				Full	69.44	69.44
Lafarge Bétons		■				Full	100.00	100.00
Lafarge Granulats		■				Full	100.00	100.00
Lafarge Plâtres				■		Full	100.00	100.00
Lafarge Couverture SA			■			Full	100.00	100.00
Germany								
Lafarge Zement GmbH	■	■				Full	100.00	100.00
Lafarge Gips GmbH				■		Full	100.00	100.00
Lafarge Roofing GmbH			■			Full	100.00	100.00
Lafarge Dachsysteme GmbH			■			Full	100.00	100.00
Lafarge Roofing Components GmbH & Co KG			■			Full	100.00	100.00
RuppKeramik GmbH			■			Full	100.00	100.00
Schiedel GmbH & Co			■			Full	100.00	100.00
Kloeber GmbH & Co KG			■			Full	100.00	100.00
Greece								
Hellamat		■				Full	53.17	53.12
Heracles General Cement	■	■				Full	53.17	53.12
Honduras								
Industria Cementera Hondurena	■					Full	53.00	52.80
India								
Lafarge India Ltd	■					Full	70.78	70.78
Indonesia								
P.T. Semen Andalas Indonesia	■					Full	100.00	100.00
P.T. Lafarge Roofing Indonesia			■			Full	100.00	100.00
P.T. Petrojaya Boral Plasterboard Indonesia				■		Proportionate	50.00	42.90
Ireland								
Lafarge Plasterboard Ireland Ltd				■		Full	100.00	100.00
Schiedel Chimneys Systems Ireland Ltd			■			Full	100.00	100.00
Italy								
Lafarge Adriasebina	■	■				Full	100.00	99.62
Lafarge Gessi SpA				■		Full	100.00	100.00
Lafarge Roofing Italia SpA			■			Full	100.00	100.00
Japan								
Lafarge Braas Roofing Japan Co. Ltd			■			Full	75.10	75.10
ASO Cement	■	■				Equity	39.40	22.45
Jordan								
Jordan Cement Factory	■					Full	48.01	48.01

	Divisions					Consolidation method and percentage as of 12/31/2002		
Country and companies	Cement	Aggregates & Concrete	Roofing	Gypsum	Others	Method	% Control	% Interest
Kenya								
Bamburi Cement Ltd	■					Full	73.31	58.61
Korea								
Lafarge Buycksan Gypsum				■		Proportionate	65.86	49.70
Lafarge Halla Cement	■					Proportionate	39.90	39.90
Tong Yang	■					Equity	25.00	9.78
Lafarge Roofing (Korea) Ltd			■			Full	100.00	100.00
Lituania								
Lafarge Tekkin SIA			■			Full	100.00	100.00
Luxembourg					Specialty Products	Equity	33.36	33.36
Materis								
Malawi								
Portland Malawi	■					Full	75.17	75.17
Malaysia								
Lafarge Roofing Malaysia Sdn Bhd			■			Full	100.00	100.00
Associated Pan Malaysia Cement Sdn Bhd	■					Full	100.00	60.83
Kedah Cement Sdn Bhd	■					Full	100.00	60.83
Supermix Concrete Malaysia Sdn Bhd		■				Full	70.00	37.55
Boral Plasterboard Malaysia				■		Proportionate	50.00	30.03
Mexico								
California Clay Tile de Mexico SA de C.V.			■			Equity	50.00	50.00
Lafarge Cementos SA de C.V.	■					Full	100.00	99.62
Morocco								
Lafarge Maroc	■	■				Proportionate	50.00	49.99
Netherlands								
Gyvlon BV				■		Full	100.00	100.00
Lafarge Gips BV				■		Full	100.00	100.00
Lafarge Roofing Benelux BV			■			Full	100.00	100.00
Nigeria								
West African Portland Cement Company	■					Full	50.01	49.96
Ashakacem Plc	■					Full	50.16	50.11
North America								
Lafarge Canada	■	■		■		Full	53.52	53.52
Lafarge North America	■	■		■		Full	53.52	53.52
Carmeuse North America					Lime	Equity	40.00	40.00
Monier Inc			■			Full	100.00	100.00
Lafarge Road Marking System					Road Markings	Full	100.00	100.00
Blue Circle North America	■	■				Full	100.00	99.91
Bulk Materials Inc Blue Circle North America	■					Equity	48.24	48.24
Norway								
Lafarge Tekkin AS			■			Full	100.00	100.00
Schiedel Skorsteiner AS			■			Full	100.00	100.00
Philippines								
Lafarge Philippines	■					Full	100.00	100.00
CPAC Monier Philippines Inc.			■			Proportionate	50.00	50.00
Boral Philippines				■		Proportionate	50.00	42.90

	Divisions					Consolidation method and percentage as of 12/31/2002		
Country and companies	**Cement**	**Aggregates & Concrete**	**Roofing**	**Gypsum**	**Others**	**Method**	**% Control**	**% Interest**
Poland								
Lafarge Polska Spolka Akcyja	■	■			Lime	Full	77.57	77.57
Braas Polska Sp z.o.o			■			Full	100.00	100.00
Rupp Ceramika Polska Sp z.o.o			■			Full	100.00	100.00
Lafarge Gips Polska				■		Full	100.00	100.00
Romania								
Lafarge Romcim SA	■	■			Lime	Full	91.24	72.03
Arcom Gips				■		Proportionate	50.00	50.00
Russia								
OAO Voskresenskcement	■					Full	83.85	83.85
OOO Braas DSK 1			■			Full	67.10	67.10
Serbia								
Beocinska Fabrika Cementa	■					Full	69.41	34.72
Schiedel Dimnjacki Sistemi d.o.o			■			Full	100.00	100.00
Singapore								
Blue Circle Materials Singapore	■					Full	100.00	60.83
Supermix Singapore		■				Full	51.00	33.83
Boral Singapore				■		Proportionate	50.00	30.03
Slovenia								
Schiedel d.o.o			■			Full	100.00	100.00
Cementarna Trbovlje	■					Full	99.80	99.80
South Africa								
Lafarge South Africa Limited	■	■				Full	100.00	100.00
Lafarge Roofing (Pty) Ltd			■			Full	100.00	100.00
Spain								
Lafarge Asland SA	■	■				Full	99.62	99.62
Yesos Ibericos				■		Equity	40.69	40.69
Cementos Molins	■					Equity	40.91	40.75
Redland Ibérica SA			■			Equity	47.00	47.00
Sweden								
Orebrö Kartongbruck AB				■		Full	100.00	100.00
Lafarge Tekkin AB			■			Full	100.00	100.00
Switzerland								
Cementia Trading Ltd AG	■					Full	100.00	100.00
Marine Cement Ltd	■					Full	100.00	99.96
Braas Schweiz AG			■			Full	100.00	100.00
Tanzania								
M'Beya	■					Full	62.76	62.76
Thaïland								
Lafarge Prestia Co Ltd				■		Proportionate	50.00	42.90
CPAC Roof Tile Co. Ltd			■			Equity	24.90	24.90
Siam Gypsum Industry				■		Proportionate	50.00	30.46
Thailand Interroof Holding			■			Equity	25.00	25.00
Thailand Interroof			■			Full	100.00	75.00

	Divisions					Consolidation method and percentage as of 12/31/2002		
Country and companies	Cement	Aggregates & Concrete	Roofing	Gypsum	Others	Method	% Control	% Interest
Turkey								
Lafarge Aslan Cimento AS	■	■				Full	96.84	96.72
Agretas Agrega Insaat San.ve Tic. AS	■	■				Full	100.00	99.85
Dalsan Alçy AS				■		Proportionate	50.00	50.00
Lafarge Entegre Harç Sanayi ve Ticaret AS					Mortars / Lime	Proportionate	50.00	50.00
Lafarge Cati Cozumleri Sanayi ve Ticaret AS			■			Full	100.00	100.00
Uganda								
Hima Cement Ltd	■					Full	100.00	71.01
Ukraine								
Mykolaivcement	■					Full	98.10	98.10
Lafarge Gypsum Ukraine				■		Full	100.00	100.00
Stromgyps				■		Full	100.00	81.44
United Kingdom								
Lafarge Redland Aggregates Ltd		■			Lime	Full	100.00	100.00
Lafarge Plasterboard Ltd				■		Full	100.00	100.00
Redland Roofing Systems Ltd			■			Full	100.00	100.00
Blue Circle Industries Plc	■					Full	99.91	99.91
Scotcem Roof Tiles Ltd			■			Full	100.00	100.00
Venezuela								
Fabrica Nacional de Cementos	■					Full	61.14	60.93
Cementos Catatumbo CA	■					Equity	23.32	23.32
Induconagre		■				Full	100.00	60.93
Vietnam								
Supermix Concrete Co Ltd		■				Full	70.00	23.68
Zambia								
Chilanga	■					Full	84.00	84.00
Zimbabwe								
Circle Cement	■					Full	76.45	76.39

AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2002

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, 2002.

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 of December 31, 2002 and the results of its operations for the year then ended in accordance with accounting principles generally accepted in France.

We also performed procedures on the information presented in the Group management report. 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, February 27, 2003

The Auditors

Deloitte Touche Tohmatsu

Arnaud de Planta

Jean-Paul Picard

Thierry Karcher

(Free translation of a French language original for convenience purpose only).

FINANCIAL STATEMENTS OF THE LAFARGE COMPANY

The full version of the Lafarge financial statements is available on demand.

BALANCE SHEET AT DECEMBER 31, 2002

ASSETS

(in million euros)	2002	2001	2000
Fixed assets	10,325	8,522	5,736
Other assets	5,090	7,375	3,813
Prepaid expenses and similar accounts	247	267	111
Total assets	**15,662**	**16,164**	**9,660**

LIABILITIES

(in million euros)	2002	2001	2000
Shareholders equity	6,457	6,359	4,870
Provisions for risks and contingencies	364	58	34
Financial liabilities	8,644	9,410	4,563
Other liabilities	133	153	148
Deferred income and similar accounts	64	184	45
Total liabilities	**15,662**	**16,164**	**9,660**

INCOME STATEMENT YEAR ENDED DECEMBER 31, 2002

(in million euros)	2002	2001	2000
Net financial income	**431**	**118**	**252**
Net operating expenses	(115)	(107)	(193)
Income before non-recurring items and income tax	316	11	59
Non-recurring (expenses) income *	(287)	202	227
Income tax *	124	145	(21)
Net income for the year	**153**	**358**	**265**

** As of 2001, the income from tax consolidation as well as provisions for taxes have been reclassified from non-recurring income to the line "income tax" (+ €129 million in 2002 and + €151 millions in 2001)*

CASH FLOW STATEMENT YEAR ENDED DECEMBER 31, 2002

(in million euros)	2002	2001	2000
Net cash from operating activities before changes in working capital items	471	189	234
Changes in working capital items	2,140	(3,576)	(1,090)
Net cash provided (used in) by operating activities	2,611	(3,387)	(856)
Net cash (used in) provided by investing activities	(1,768)	(2,591)	(434)
Net cash (used in) provided by financing activities - equity	(55)	1,132	386
Increase (decrease) in net indebtedness	(788)	4,846	904
Net indebtedness	**8,544**	**9,332**	**4,486**

DIVIDEND DISTRIBUTIONS

Dividend distributions for the last three fiscal years are presented in the following table.

The Annual General Meeting of May 20, 2003 will be asked to approve the distribution of an ordinary dividend of € 2.30 per share and a loyalty dividend of € 2.53 per share, to which tax credits will be added, which is the same dividend paid for 2001. Shares will be quoted ex-dividend as of June 2, 2003. Shareholders may elect between June 2 and June 20, 2003 for payment of their dividends in shares (scrip). Cash dividends will be paid on July 4, 2003.

This proposal represents a total dividend distribution of € 305,637,447.64, which is 67% of the consolidated net income, Group share.

Dividend per share

(in euros)	2002	2001	2000
Net dividend	2.30	2.30	2.20
Net loyalty dividend	2.53	2.53	2.42
Gross dividend	3.45	3.45	3.30
Gross loyalty dividend	3.80	3.80	3.63

LAFARGE FINANCIAL RESULTS FOR THE LAST FIVE FISCAL YEARS

(Articles 133-135 and 148 of the French Decree 67-236 of March 23, 1967 concerning commercial companies)

FINANCIAL RESULTS	2002	2001	2000	1999	1998
Operations and income for the year *(in thousand euros)*					
Net sales	1,108,513	893,187	799,222	575,370	564 294
Net income before income tax, employee profit-sharing, depreciation, amortization, and provisions *	359,255	224,829	77,611	67,499	79,346
Income tax *	123,746	145,137	197,853	157,106	121,195
Employee profit-sharing due for the year					
Net income after income tax, employee profit-sharing, depreciation, amortization, and provisions	153,009	357,928	265,126	213,756	194,287
Dividend distribution	305,637	299,353	278,660	216,207	189,106
including loyalty dividend of 10%(1)	*2,371*	*2,359*	*2,426*	*3,115*	*2,273*
Per share data (in euros)					
Net income after income tax, employee profit-sharing, but before depreciation, amortization and provisions *	3.63	2.84	2.45	2.14	1.95
Net income after income tax, employee profit-sharing depreciation, amortization and provisions	1.15	2.75	2.36	2.04	1.89
Net dividend	2.30	2.30	2.20	2.05	1.83
Net loyalty dividend	2.53	2.53	2.42	2.26	2.01
Gross dividend	3.45	3.45	3.30	3.08	2.75
Gross loyalty dividend	3.80	3.80	3.63	3.39	3.02
EMPLOYEE DATA					
Number of employees at December 31	465	425	379	338	303
Total annual payroll (in thousand euros)(2)	57,566	54,862	43,151	37,346	33,048
Employee benefits for the year (in thousand euros)(3)	26,529	25,016	20,980	18,467	15,508
Amounts paid in respect of employee profit-sharing and incentive schemes for the year (in thousand euros)	784	1,278	1,451	1,042	745

** The years prior to 2001 have been restated to take into account the reclassification of the income from tax consolidations as well as the provisions for taxes to the line "income tax".*
(1) Loyalty dividend payable to registered shares held for at least 2 years.
(2) Including retirement indemnities.
(3) Social security, welfare payments, etc.

INVESTMENTS

This section summarizes all investments related information.

Subsidiaries and affiliates

(in million euros)	Capital	Share-holders' Equity	% of common stock held	Net book value of investments held 2002	Net book value of investments held 2001	Out-standing loans & advances granted by parent company	Guarantees given by parent company	Net sales for the most recent fiscal year	Net income (loss) for the most recent fiscal year	Dividend received by the parent company during the year
A. DETAILED INFORMATION ON SUBSIDIARIES AND AFFILIATES										
1) French subsidiaries (more than 50% of common stock)										
Sofimo	5,769	5,933	99.99	5,812	4,712	137			16	295
Lafarge Ciments	134	253	99.99	207	207			719	143	158
Société des Ciments Antillais	3	36	58.66	5	5			49	4	2
Lafarge Gypsum International	523	521	99.99	594	594	346			15	9
Lafarge Immobilier	31	31	99.99	31	31				27	
Lafarge Conseils Etudes	6	11	99.99	19	7				2	
2) Foreign subsidiaries										
Sabelfi	71	60	99.99	60	58					
Lafarge (US) Holdings			100.00	386	386					19
Companhia Nacional de Cimento Portland	70	60	99.66	210	210				10	27
3) Foreign affiliates (10 to 50% of common stock)										
Lafarge Maroc	144	145	41.20	56	56				16	5
Aslan	6	130	32.24	26	26			36	5	
Ciments du Cameroun	9	3	44.22	12	12			105	11	4
4) Other affiliates										
Cementia Holding	19	411	2.99	48		77			39	
Cimento Maua					7					1
Sté Nationale d'investissement	102	342	2.25	10	10			2	29	
B. SUMMARY INFORMATION ON OTHER SUBSIDIARIES AND AFFILIATES										
1) Subsidiaries not included in paragraph A.1										
French (all)										
Foreign (all)										
2) Subsidiaries and affiliates not included in paragraphs A.2 and A.3										
French (all)				1	1					
Foreign (all)				3	2					1
Total				**7,480**	**6,324**	**560**				**521**

REPORT ON THE SOCIAL AND ENVIRONMENTAL CONSEQUENCES OF THE LAFARGE COMPANY'S OPERATIONS

(Articles L225-102-1, alinea 4 of the French Commercial Law (Code de Commerce))

SOCIAL INFORMATION

The following social information relates only to Lafarge SA; the social information concerning the Group as a whole is more generally set out in our sustainable development reports, released in 2001 and 2003 and available on our web site www.lafarge.com.

The work force of Lafarge SA at December 31, 2002 totaled 465 persons, including 19 persons employed under fixed-term contracts. During 2002, 127 employees joined Lafarge SA, 66 of whom were hired and 61 of whom were transferred from within the Group. Over the same period, 100 persons left Lafarge SA, including 16 whose fixed-term contracts had ended, 11 as a result of dismissals for personal reasons, 8 resignations, 8 retirements and 57 transfers from within the Group. In addition, Lafarge SA welcomed 64 interns in 2002.

Temporary personnel accounted for 4,373 working days covering maternity leaves, illness and overtime. Subcontracting represented 39 employees in the following areas: corporate catering, cleaning and custodial staff, reception and maintenance.

A collective agreement on the reduction and scheduling of the working week has been in effect in the Company since February 1, 2000. The working week for Lafarge SA is 39 hours/week.

Leaves of absence due to illness accounted for 1,703 days over the year, while workplace and travel accidents represented 45 days. 1,408 days were recorded for maternity and related leaves.

Overall, salary costs increased 4.36% over 2002 amounting to € 42 million in wages and € 19 million for social contributions. There is salary parity between men and women and equal compensation for the same level.

Two collective agreements were renewed in 2002: the profit-sharing agreement and the agreement on the time savings account that allows employees of Lafarge SA under certain circumstances to capitalize the paid holidays that they do not use as well as other amounts defined in the agreement.

Lafarge SA has introduced a collective agreement signed with AGEFIPH to employ disabled workers. This agreement applies not only to Lafarge SA, but also extends to all the French subsidiaries in the Group which, in 2001, employed 239 disabled employees, i.e. 3.62% of its work force. A guide for the employment of disabled persons was published in December 2002 for human resource managers in the Group's French companies to encourage hiring disabled persons.

Lafarge SA has a Works Committee, composed of 6 members and 6 alternates representing the 3 employee categories. Meetings of Employee Delegates take place regularly both at the Isle d'Abeau site and at the Paris site. The Health, Safety and Working Conditions Committee meets regularly to ensure compliance with the rules governing occupational health, safety and working conditions.

Finally, Lafarge SA devotes more than 6,500 hours a year to personnel training.

The conditions under which Lafarge SA, through its Group ensures compliance with international labor conventions, particularly with respect to its subcontractors, and assists in regional development in the various countries in which Lafarge operates are described in the reports on its sustainable development.

INFORMATION ON THE ENVIRONMENTAL CONSEQUENCES OF THE OPERATIONS

As the Company's various industrial activities are carried out by subsidiaries, the information relating to the Company's environmental activities is presented at Group level. This information is presented in pages 142 to 144 of this Annual Report, regarding industrial risks associated with the environment and more generally in the reports on the Company sustainable development.

RISK FACTORS

Lafarge has an active policy of managing its risks in order to protect its employees, its customers, its environment and all its assets, particularly its industrial assets. In this context, the Group systematically implements a policy of identifying and preventing risks and this is reflected in particular in its audit program.

INDUSTRIAL AND ENVIRONMENT-RELATED RISKS

In the countries where we are present, we are subject to a number of environmental laws and regulations. These regulations impose increasingly strict protection standards governing, among other things, atmospheric emissions, the evacuation of waste water, the use and treatment of hazardous materials or waste, and the repair of damage caused to the environment or resulting from contamination. We may therefore have to assume significant environmental liabilities and costs, including obligations related to assets sold or operations that we no longer perform or to situations caused by previous owners or operators and, in certain countries, even in the absence of any fault and even if the activity complied with the legislation in force at the time of the actions. We are also subject to rules that require us to verify and eliminate materials containing asbestos and to identify cases where employees may have been exposed.

In order to prevent, manage and solve the ecological problems and remain in compliance with these regulations, we have adopted a proactive environmental policy that consists of monitoring and controlling these issues. Because of the many required regulatory provisions to which we are subject, we have decentralized our policy: the Group's environmental department ensures compliance with legislation, establishes the general policy, and assists in the recruitment, training and retention of personnel specialized in these areas and it ensures that experience is shared among our subsidiaries.

Our policy requires each subsidiary to comply with local laws and our own internal rules. Our subsidiaries are encouraged to assume an active role in environmental matters and to cooperate with administrative authorities to discuss the costs and the advantages of proposed regulations. In each plant, our policy stipulates that a person be designated who will be responsible for coordinating environmental questions and for creating a specific information system in each operational unit in order to:

- evaluate the results of environmental actions and monitor progress;
- evaluate over time the risks identified and the measures intended to reduce them; and
- ensure immediate notification of any incident that has an impact on the environment.

Our environmental policy also requires them to conduct regular environmental audits in all our locations, for the purpose of verifying that they comply with the regulations and determining the improvements to be made to the site in order to comply with environmental legislation or our own internal standards. The second issue of our report on Lafarge sustainable development, released in 2003, provides our detailed objectives in environmental matters, as well as examples of the Group's concrete projects. This report, is also available on our Web site www.lafarge.com.

The Group is currently involved in the decontamination of certain sites (Note 26 for the most significant items in our consolidated financial statements). With the information at our disposal, we believe that these operations, and certain smaller operations that are not mentioned, should not have a significant impact on the business, assets, financial position or results of Lafarge.

We regularly incur expenses that have an environmental component or are intended to ensure compliance with regulations. However, we do not keep separate accounts for these items. Environmental expenditures which extend the life of assets, increase their capacity, or improve safety or yield, or which are incurred to reduce or avoid future contamination, can be amortized. Other environmental costs are recorded as soon as they are incurred. For the fiscal years ended December 31, 2002 and 2001, the environmental capital expenditures and rehabilitation costs were not significant at Group level, but our environmental expenses could increase in the future.

We have set and published our objective to reduce CO_2 emissions/ton of cement by 20% between 1990 and 2010, a goal that can be reached under our strategy. We cannot determine whether or not standards defined by public authorities could force us to make investments or take other measures that could affect our financial positions, results or liquidity.

COUNTRY-RELATED RISKS

The nature of our activities, as well as their geographic location throughout the world, expose us to certain risks that may have an impact in the future on the activity, assets, financial position or results of the Group.

Our expansion in the emerging countries, where we earned 28.1% of our sales and 31.1% of our operating income in 2002, and where we believe that the outlook for growth is greater than in the industrialized countries, also exposes us to higher risks in these countries: uncertainties and changes in the applicable law, stronger volatility in growth, inflation, interest rates and currency. This instability may have an impact on the activity and profitability of our operations as well as on fund transfers, particularly dividends, which may be made by some of our subsidiaries. Our currency risk hedging policy is described in Note 24 to our consolidated financial statements. However, political risks are not covered, other than in exceptional cases. We think that our geographical diversification policy counteracts the effects of these global risks by limiting the impact of difficult local situations and providing the possibility of compensating for them by more favorable situations on other markets.

ENERGY COSTS

Energy is a significant cost factor in most of our operations. We succeed in protecting ourselves, to a certain extent, against the increase in the prices of energy products because many of our plants are able to change fuel sources, but also because of the use of alternative fuels, such as used tires or bone meal in certain cement plants, and by using long-term purchasing contracts that cover a portion of our energy needs, particularly for electricity and natural gas. Despite these measures, significant increases or changes in the prices of energy resources could have a future impact on the Group's results.

INSURANCE

The subsidiaries in which the Company is the majority shareholder are covered through two insurance programs, one that covers the operations in North America, and the other covering the activities in the rest of the world. The Group's objective is for all the subsidiaries that it controls and manages to participate in the insurance programs in place, subject to local regulatory constraints or specific geographic exclusions.

The principal insurance programs primarily cover damage to assets, indirect operating losses (primarily in the "Cement", "Gypsum" and "Roofing" Divisions), general and product liability, and damage to the environment outside North America, the risks linked to the construction of new plants, and finally automotive insurance in the principal countries in Europe and North America.

The Group's plants are insured either at replacement value or used value. Independent experts regularly estimate the assets insured. The amounts of the coverage allow the Group to cover the maximum possible damages in the event of fire or explosion, as these values are estimated. Two specific studies were initiated at the beginning of 2003: one to verify whether the insurance coverage currently in place is sufficient for earthquake risks and the other to estimate the possible impact of machine breakage, which is currently covered only in the United States. We have had a damage prevention program in place for more than ten years; each year approximately 70 plants are inspected by specialized engineers.

In an environment in which the global insurance market for industrial risks has become much tighter in the last two years, the Group has developed a policy of self-insurance by taking advantage of the effect of pooling risks among its different entities and using a consolidated reinsurance subsidiary to finance the risks related to frequent damages. This has allowed us to limit, to a certain extent, the impact of the premium increases claimed by insurers, while maintaining the benefit of transfer to the insurers for major risks. During calendar year 2002, the total cost of insurance for the subsidiaries covered under the Group programs totaled 0.35% of sales, after an increase of 30% over 2001.

The Group uses only leading insurers and reinsurers to place its insurance contracts.

In the subsidiaries in which the Group is a minority shareholder, recommendations are given about managing risks and the coverage in place.

The market risks and the legal risks are described in notes 24 and 26 to the consolidated financial statements on pages 125 and 129.

LEGAL AND FINANCIAL INFORMATION

COMMON STOCK, VOTING RIGHTS AND FINANCIAL AUTHORIZATIONS

The following financial information for the period subsequent to December 31, 2002 is valid as at February 26, 2003, the date of the Board meeting that approved the terms of this Annual Report.

The common stock of Lafarge SA at December 31, 2002 was 531,521,732, divided into 132,880,433 shares with a par value of € 4.

At the same date, voting rights attached to these shares totaled 141,566,324, including of the double voting rights attaching to registered shares held for at least two years and deducting the voting rights attaching to treasury stock.

1 CHANGES TO THE COMMON STOCK DURING FISCAL YEAR 2002

The common stock of Lafarge SA at December 31, 2001 was € 520,583,200, divided into 130,145,800 shares with a par value of € 4.

The increase of 2,734,633 shares of common stock since December 31, 2001 was the result of the following operations:

	Number of shares created	Subscription value (in euros)		
		Common stock	Additional paid-in capital	Total
Stock subscription options exercised between January 1, 2002 and December 31, 2002	171,583	686,332	7,407,794	8,094,126
Capital increase reserved for employees under the "Lafarge en action 2002" plan	708,718	2,834,872	55,166,609	58,001,481
Shares issued pursuant to the exchange offer for shares of Cementia Holding AG	401,775	1,607,100	40,555,169	42,162,269
Reinvestment of dividend for fiscal year 2001	1,400,494	5,601,976	127,865,102	133,467,078
Shares issued pursuant to the buy out procedure regarding the shares of Cementia Holding AG	52,063	208,252	5,255,239	5,463,491
Situation at December 31, 2002	2,734,633	10,938,532	236,249,913	247,188,445

2 CAPITAL INCREASES IN 2002

Stock issued duly noted on	Origin of stock issued	Number of shares created	Increase in common stock (euros)
June 11, 2002	Capital increase reserved for employees under the "Lafarge en action 2002" plan	708,718	2,834,872
June 12, 2002	Stock subscription options exercised	85,965	343,860
July 5, 2002	Shares issued pursuant to the exchange offer for shares of Cementia Holding AG	401,775	1,607,100
July 8, 2002	Reinvestment of dividend for fiscal year 2001	1,400,494	5,601,976
October 4, 2002	Stock subscription options exercised	37,890	151,560
November 5, 2002	Stock subscription options exercised	4,626	18,504
December 27, 2002	Shares issued pursuant to the buy out procedure regarding the shares of Cementia Holding AG	52,063	208,252
December 31, 2002	Stock subscription options exercised	43,102	172,408
Total		**2,734,633**	**10,938,532**

3 POTENTIAL COMMON STOCK AT DECEMBER 31, 2002

Common stock at December 31, 2002 could be increased by up to 11,399,467 new shares:

- by the exercise of stock subscription options granted to employees. 1,163,246 of these options were available for exercise on this date. The remaining 3,209,104 options may be exercised only after a period of five years (options granted after December 1997) or 4 years (options granted after December 2001).
- by the exercise of conversion rights attached to bonds issued in June 2001, which could result in the issue of 10,236,221 new shares at any time since June 29, 2001.

At December 31, 2002, there were no other securities in circulation granting direct or indirect access to the common stock of the Company.

4 COMMON STOCK OWNERSHIP AND VOTING RIGHTS AT DECEMBER 31, 2002

Since 1987, the bylaws of the Company have authorized Lafarge to request information from EUROCLEAR on the identity of holders of its shares on bearer form. The parent company makes such inquiries on a regular basis. The most recent information request was submitted on December 31, 2002.

Lafarge SA is informed of the identity of its principal shareholders by a combination of legal and bylaw provisions which require shareholders to inform the Company when their shareholdings or number of voting rights cross the thresholds of 1% (bylaws), 5%, 10% or 33% (legal requirements).

To the Company's knowledge, no shareholder held more than 5% of the Lafarge SA stock or voting rights at December 31, 2002.

Based on the information provided by EUROCLEAR and the information recorded in the shareholders' register kept by Lafarge SA, stock and voting rights were distributed as follows at December 31, 2002:

		2002			2001		2000	
	Shares	Voting rights	% capital	% Voting rights	% capital	% Voting rights	% capital	% Voting rights
Private individuals	17,364,883	22,672,937	13.1 %	16 %	14.8 %	16.7 %	20.5 %	21.8 %
Resident institutional investors	40,718,142	45,231,405	30.6 %	32 %	25.3 %	27.2 %	28.1 %	30.4 %
Non-resident institutional investors	72,928,512*	73,661,982	54.9 %	52 %	58.5 %	56.1 %	49.8 %	47.8 %
Treasury stock	1,868,896	0	1.4 %	0 %	1.4 %	0 %	1.6 %	0 %
Total	**132,880,433**	**141,566,324**	**100 %**	**100 %**	**100 %**	**100 %**	**100 %**	**100 %**

**Including the 52,063 shares issued on December 27, 2002 in the buy out initiated on the shares of Cementia Holding AG, currently held by Cementia Holding AG for the benefit of the shareholders who have not yet tendered their shares in the offer.*

Private individuals

Private individuals held 13.1% of the common stock, compared with 14.8% at the end of 2001. Lafarge SA has 247,000 individual shareholders, an increase of 18% from December 31, 2001. Private individuals held approximately 16% of voting rights at December 31, 2002.

Employee shareholders

19.4 % of the private shareholders are employees of the Group. They hold 1.7% of the common stock and 2.4% of the voting rights.

For several years now, Lafarge has encouraged employee stock ownership within the Group by offering employees the opportunity to subscribe to stock issues reserved for them or purchase stock on the market within the framework of a mutual funds (FCP).

At December 31, 2002 0.45% of employee stock was held in the Lafarge 2000 FCP, with the remaining balance held directly by employees.

Institutional investors

Institutional investors held approximately 84% of total voting rights at December 31, 2002.

Treasury stock

At December 31, 2002, Lafarge held 1,868,896 treasury shares, or 1.4% of the common stock, after the transfer of 9,776 shares for stock options exercised.

1,025,641 of the treasury shares held at year-end were held by Lafarge SA; the balance is held by Lafarge Asland, a subsidiary of the Group. Since that date, Lafarge has settled the balance of the shares held by Lafarge Asland, which is 843,255 shares, for a price of € 51.50 per share.

1,007,373 of these shares were reserved at December 31, 2002, to cover the stock options granted in 1997, 1998, 2000 and 2001.

5 CHANGES IN LAFARGE COMMON STOCK DURING THE LAST FIVE FISCAL YEARS

	2002	2001	2000	1999	1998
Opening common stock (number of shares)	**130,145,800**	**112,441,935**	**104,978,206**	**102,787,006**	**94,663,250**
Stock issued from January 1 to December 31	**2,734 633**	**17,703,865**	**7,463,729**	**2,191,200**	**8,123,756**
payment of dividend in shares	1,400,494	1,125,007	365,771	1,324,857	-
exercise of stock subscription options	171,583	369,455	154,818	372,389	233,915
exercise of stock subscription warrants		2,098,811	3,763,140	-	-
capital increase reserved for employees	708,718	-	-	493,954	-
capital increase reserved for Redland Deutschland GmbH			3,180,000		
capital increase to remunerate the exchange offer initiated on Cementia Holding AG	453,838				
by issue of new shares	-	14,110,592	-	-	7,889,841
Maximum number of future shares to be issued	**14,608,571**	**13,872,238**	**4,836,293**	**2,745,860**	**2,189,327**
exercise of stock subscription options	4,372,350	3,636,107	2,766,347	2,745,860	2,189,327
exercise of stock subscription warrants	-		2,069,946*	-	-
conversion of bonds	10,236,221	10,236,221			
Common stock at December 31					
a - in francs			2,811,048,375	2,624,455,150	2,569,675,150
b - in euros	531,521,732	520,583,200	-	-	-
c - in shares	132,880,433	130,145,800	112,441,935	104,978,206	102,787,006

** expired March 20, 2001.*

There were 141,566,324 voting rights attached to the 132,880,433 shares of common stock at December 31, 2002.

6 SHAREHOLDERS' AGREEMENTS UNDERTAKINGS IN RELATION TO CERTAIN LAFARGE SUBSIDIARIES

Shareholders' agreement

No shareholders' agreements have been transmitted to the stock exchange authorities for publication.

To the Board of Directors' knowledge, there are no shareholders' agreements in existence.

The existing pledges on Lafarge registered shares are not significant.

Undertakings made to certain subsidiaries of the Group

On July 31, 1990, an arrangement was made that was intended, in the event of a public offering presented to the shareholders of Lafarge, to extend its scope to shareholders of Lafarge subsidiaries abroad. On the authorization from the Board of Directors on May 25, 2000, the Chairman decided to renew the trust agreements concerning the companies Lafarge Corporation, later Lafarge North America, and Cementia and to extend the trust mechanism to include Fabrica Nacional de Cementos, a company listed for trading on the Caracas stock exchange, in which Lafarge Asland, a Lafarge subsidiary, holds approximately 56.2%.

The following companies are covered by these new trust agreements: Cementia Holding AG (Switzerland)(1) Lafarge North America (United States) and its Canadian subsidiary, Lafarge Canada Inc., and Fabrica Nacional de Cementos (Venezuela) (2).

This arrangement is justified by the importance of these companies to Lafarge's international development. It is consistent with standards applicable to French companies promulgated by the French financial markets authority (Conseil des Marchés Financiers).

Were Lafarge the subject of a takeover bid, the potential buyer would be asked to extend the offer to the companies in question. If it did not do so, Lafarge would substitute itself for the potential buyer and make the shareholders of these companies an additional offer, under similar price terms and subject to the success of the principal offer addressed to its shareholders.

In order to establish the credibility of Lafarge's commitment and ensure the protection of its shareholders, the beneficiaries, Lafarge investments in these companies are held by trusts governed by the law of the State of New York. The trusts have been authorized, in the event of a takeover bid for Lafarge stock, to exercise the voting rights attached to these investments to vote in favor of the resolutions proposed by the Boards of Directors of these companies. In the event of a change in control of the Group if the additional offers were unsuccessful, this measure would apply until the fifth anniversary of the publication of the results of the French offer.

The provisions were renewed in 2000 for 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 in question.

7 UTILIZATION OF FINANCIAL AUTHORIZATIONS

At regular intervals, the Shareholders' Meeting delegates the necessary powers to the Board of Directors to obtain the financial resources required for the development of the Group.

These authorizations to issue securities conferring immediate or future rights to the capital of the parent company are granted for a period of 26 months.

In 2002, these financial authorizations were used under the following conditions:

Issue of new shares

Lafarge en action 2002

Under the authority given to the Board of Directors in the 17th resolution adopted by the Extraordinary General Meeting of May 28, 2001, and pursuant to the authority granted to the Chairman by the Board of Directors in its meeting of December 13, 2001, it was decided on March 29, 2002 to carry out a capital increase reserved for the employees of the Group and known as the "Lafarge en action 2002" plan.

The share capital increase which took place between April 15 and May 15, 2002, was completed on the basis of a price of € 81.84 per share subscribed. The maximum number of shares that could be subscribed by the relevant employees (33,706) was 110 shares per employee. Following the share capital increase, 708,718 shares with a par value of € 4 were subscribed for a total amount of € 58,001,481.12. The common stock was increased on June 11, 2002 from € 520,583,200, divided into 130,145,800 shares, to € 523,418,072 divided into 130,854,518 shares.

Share issue in the public exchange offer initiated on the shares of the company Cementia Holding AG

The Board of Directors, meeting on February 27, 2002, approved a public exchange offer, followed, if applicable, by a buy out procedure, for all the shares of the Swiss company Cementia Holding AG, shares traded on the Swiss stock exchange, and authorized the Chairman to define the final terms of the offer and the resulting share capital increase.

Following the public exchange offer, which took place between May 31, 2002 and July 2, 2002 with a parity of 11 Lafarge shares for one Cementia Holding AG share or one equity warrant, it was decided on July 5, 2002 to issue 401,775 shares with a par value of € 4. At the end of the buy out procedure regarding the balance of the Cementia Holding AG shares not tendered in the public

(1) Following the exchange offer initiated by Lafarge on Cementia Holding AG, which resulted in Lafarge holding 100% of Cementia Holding at December 31, 2002, a procedure was initiated at the beginning of 2003 to withdraw Cementia Holding from the provisions of the trust.
(2) The shares of Lafarge North America are listed on the New York Stock Exchange, in Toronto and Montreal; the shares of Lafarge Canada Inc. are listed in Toronto and Montreal, and the shares of Fabrica Nacional de Cementos are listed in Caracas.

exchange offer (representing 0.48% of the common stock and 0.05 % of the voting capital of Cementia Holding AG), it was decided on December 27, 2002 to issue an additional 52,063 shares with a par value of € 4, bringing the total number of shares issued in consideration for the Cementia Holding AG shares or warrants tendered or to be tendered to 453,838 shares.

This authorization was attributed to the authorization given to the Board of Directors by the Extraordinary Shareholders' Meeting of May 28, 2001 in its 14th resolution, to issue shares of stock in the event of an exchange offer initiated by the Company up to a maximum of € 1,815,352 in nominal value.

Trading in the Company's stock

In 2002, Lafarge SA purchased 14,300 shares on the stock market at an average price of € 87.95 per share.

During the same period, it sold 9,776 shares, following the exercise of stock options, for a total amount of € 536,408.67.

These operations were performed in accordance with the authorizations granted by the Annual Meetings of May 28, 2001 and May 28, 2002 to trade in the Company's stock, subject to a maximum purchase price of € 200 and a minimum selling price of € 30. This authorization was described in a prospectus approved by the French Commission des Opérations de Bourse on April 23, 2002 under visa No. 02-433.

Including the shares acquired during previous years, the total number of own shares purchased shown on the balance sheet of Lafarge SA at December 31, 2002, is 1,025,641, which is 0.77% of the capital at this date, for a total value of € 72.5 million. These shares, recorded as investment securities in the statutory accounts are deducted from consolidated net equity.

1,007,373 of these shares are reserved for the stock options granted by the Board of Directors in 1997, 1998, 2000 and 2001.

Bond issues

In its meeting of May 28, 2002, the Board of Directors decided to proceed with the issuance of debenture loans in accordance with the autorization granted under Resolution n°9 of the Ordinary General Meeting of May 28, 2002. This authorization was granted for a maximum amount of € 5 billion, or the equivalent value of this amount in foreign currency. Following a decision by the Board of Directors, a bond issue was floated on November 29, 2002, within the framework of the Lafarge Euro Medium-Term Note program, in the amount of 200 million pounds sterling, maturing on November 29, 2017, at a fixed interest rate of 6.625% per year.

Allocation of stock options

Under the authorizations given by the Extraordinary General Meetings of May 28, 2002 and December 11, 2002, the Board of Directors decided to grant a total of 909,763 stocks subscriptions options with a par value of € 4 each. The Combined General Meeting of May 20, 2003 is being asked to renew, for a period of 26 months, the authorization given to the Board of Directors to issue bonds, related securities and other debt securities of equivalent ranking for a maximum amount of € 5 billion.

The Extraordinary General Meeting of May 20, 2003, is being asked to renew for a period of 26 months, the following authorizations:

- the issue of shares and securities confering rights to the Company's common stock with shareholders' preferential subscription rights for a maximum amount of € 200 million;
- the issue of shares and securities confering rights to the Company's common stock including as remuneration for securities tendered in a public exchange offer initiated by the Company or as a result of the issue of securities by the Lafarge's subsidiaries, and without shareholders' preferential subscription right, for a maximum amount of € 200 million;
- a share capital increase through the capitalization of reserves, profits and additional paid-in capital for a maximum amount of € 100 million;
- an authorization to subscribe or purchase shares to the employees of the Group up to a maximum of 3% of the common stock;
- the issue of shares reserved for the Group employees, up to a maximum amount of € 14 million.

8 OPTIONS

Allocation policy

The policy for the allocation of options is recommended to the Board of Directors by the Organization and Management Committee, which consists of Mr Alain Joly, Chairman, and Messrs. Michel Pébereau and Michael Blakenham.

Options are allocated to executive and senior management, as well as to middle management and other employees who have contributed significantly to the performance of the Group, on the recommendation of the Organization and Management Committee.

Options are allocated at times decided by the Board of Directors. As a general rule, options are allocated once yearly during the December Board meeting. The number of beneficiaries varies year on year (wide distribution every two years, with a reduced number of options allocated the second year).

Over the last two years, the average number of options allocated annually represented 1,055,294 shares, or approximately 0.8% of the common stock. A total of 1,703 individuals received options in 2001 and 14,785 in 2002. The significant increase in the number of beneficiaries in 2002 was essentially due to the options granted under the "Lafarge en action 2002" plan.

The total number of options not exercised at the end of December 2002 was 5,379,723 options, or approximately 4% of the capital of the Company; management (14 people) holds 17% of these options.

The Board of Directors may allocate either stock subscription or stock purchase options. .

Option characteristics

All options are valid for a period of 10 years.

The option exercise price is set, without discount or reduction, at the average stock market price over the twenty trading days preceding the day of allocation.

Options may be exercised in whole or in part.

Conditions for exercising options

Options allocated through May 1995 may be exercised freely.

In December 1995, the Board of Directors introduced a four-year period during which options cannot be exercised. The Board nonetheless decided that options allocated under the "Lafarge en action 1995" employee stock ownership plan (capital increase reserved for employees under which employees could subscribe for 1 to 110 shares, with every share from the eleventh share granting entitlement to one option) could be exercised immediately upon allocation.

In December 1997, the Board of Directors increased this waiting period from four to five years for all options allocated on or after 1997.

The Board of Directors has also decided that the waiting period would end in the event of retirement, early retirement, lay-off of the beneficiary, or in the event of a takeover bid for Lafarge, its merger or absorption.

In its meeting of December 13, 2001, the Board of Directors adopted new Regulations for share subscription or purchase options. The new Regulations apply to options allocated by the Board on or after December 13, 2001. The waiting period has been reduced from five years to four, in accordance with legislation. This period therefore applies to the options granted by the Board of Directors under the "Lafarge en action 2002" plan (capital increase reserved for employees who subscribed to 1 to 110 shares with one option for any share subscribed after the 11th share).

Loss or retention of options

Options lapse if not exercised within ten years following allocation.

Options also lapse in the event of the resignation of the beneficiary or his or her dismissal for misconduct.

Options may remain valid following the transfer of the beneficiary outside the Lafarge Group with the approval of his or her employer, or in the event of the sale of the company employing the beneficiary that results in the withdrawal of the company leaving the Group.

Stock subscription or purchase options outstanding during 2002

Allocation authorized by Annual Meeting of	Date of allocation by the Board of Directors' meeting of	Type of options (not adjusted)	Number of options originally allocated (not adjusted)	Number of beneficiaries originally
06/17/1987	11/28/1990	subscription	172,335	535
06/17/1987	11/27/1991	subscription	173,480	578
06/15/1992	12/17/1992	subscription	185,730	653
06/15/1992	12/15/1993	subscription	252,100	722
06/15/1992	09/27/1994	subscription	269,550	772
05/22/1995	05/22/1995	subscription	27,200	52
05/22/1995	12/13/1995	subscription	593,840	1,039
05/22/1995	12/13/1995	subscription *Lafarge en action 1995*	331,060	8,368
05/21/1996	12/18/1996	subscription	71,400	127
05/21/1997	12/17/1997	subscription	346,650	999
05/21/1997	12/17/1997	purchase	402,550	127
05/21/1997	05/26/1998	subscription	122,775	108
05/21/1997	12/10/1998	purchase	98,450	150
05/27/1999	12/15/1999	subscription	918,200	1,552
05/28/2000	12/13/2000	purchase	461,900	438
28/05/2000	05/28/2001	purchase	12,000	1
05/28/2001	12/13/2001	subscription	1,188,825	1,703
05/28/2001	05/28/2002	subscription *Lafarge en action 2002*	437,373	14,364
05/28/2001	12/11/2002	subscription	472,390	421

Stock subscription and purchase options at December 31, 2002

The number of options and exercise price reported below have been adjusted since allocation, for each financial operation performed by the parent company which impacted on the value of the securities (stock increase, bonus allotments of shares), to maintain the total value of options held by each beneficiary at a constant level.

Allocation authorized by the Annual Meeting of	Date of allocation by the Board of Directors	Type of option	Number of options outstanding at 12/31/2001	Number of shares subscribed or purchased from 01/01/02 to 12/31/02	Number of options outstanding at 12/31/2002	Date as of which the options may be exercised	Expiration date of options	Subscription price in euros at 12/31/2002
06/15/92	12/17/92	subscription	30,875*	28,938	0	*	*	*
06/15/92	12/15/93	subscription	84,104	10,260	73,844	12/15/93	12/15/03	50.98
06/15/92	09/27/94	subscription	145,462	16,882	128,580	09/27/94	09/27/04	51.67
05/22/95	05/22/95	subscription	17,365	1,363	16,002	05/22/95	05/22/05	46.97
05/22/95	12/13/95	subscription	420,613	57,857	362,756	12/13/99	12/13/05	45.80
05/22/95	12/13/95	subscription *Lafarge en action 1995*	196,225	25,862	170,363	12/13/95	12/13/05	45.80
05/21/96	12/18/96	subscription	66,234	11,583	54,651	12/18/00	12/18/06	45.24
05/21/97	12/17/97	subscription	365,029	7,979	357,050	12/17/02	12/17/07	53.34
05/21/97	12/17/97	purchase	429,765	7,558	422,207	12/17/02	12/17/07	53.34
05/21/97	05/26/98	subscription	131,196	4,688	126,508	05/26/03	05/26/08	79.41
05/21/97	12/10/98	purchase	105,761	2,218	103,543	12/10/03	12/10/08	78.84
05/27/99	12/15/99	subscription	990,179	6,171	984,008	12/15/04	12/15/09	87.89
05/27/99	12/13/00	purchase	469,623	0	469,623	12/13/05	12/13/10	84.75
05/28/00	05/28/01	purchase	12,000	0	12,000	05/28/06	05/28/11	108.53
05/28/01	12/13/01	subscription	1,188,825	0	1,188,825	12/13/05	12/13/11	102.20
05/28/01	05/28/02	subscription		0	437,373	28/05/06	05/28/12	108.18
05/28/01	12/11/02	subscription *Lafarge en action 2002*		0	472,390	11/12/06	12/11/12	79.15
Total			**4,653,256**	**181,359**	**5,379,723**			

** Plan ended December 17, 2002.*

Stock subscription and purchase options outstanding in 2002 allocated to Management*

Allocation date	Options originally granted: Subscription options (not adjusted)	Options originally granted: Purchase options (not adjusted)	Number of Management members concerned
11/29/89	17,980		9
11/28/90	8,250		6
11/27/91	8,950		6
12/17/92	9,100		5
12/15/93	28,750		9
09/27/94	37,600		10
05/22/95	2,000		2
12/13/95	83,500		11
12/13/95 *Lafarge en action*	800		8
12/18/96	4,500		3
12/17/97	10,000	144,500	10
05/26/98	0		0
12/10/98		9,000	4
12/15/99	146,000		11
12/13/00		93,000	11
05/28/01		12,000	1
12/13/01	277,000		13
05/28/02 *Lafarge en action*	1,100		11
12/11/02	98,000		11

** See members of Management on page 159.*

Stock subscription and purchase options held by Management* at December 31, 2002

The exercise price and number of options reported below have been adjusted since allocation for each financial operation performed by the parent company which impacted on the value of the securities (stock increase, bonus allotments of shares), to maintain the total value of options held by each beneficiary at a constant level.

Allocation date	Type of options	Number of options held at 12/31/01	Number of options exercised	Number of options granted in 2002	Number of options outstanding at 12/31/02	Number of Management members holding these options at 12/31/02
12/17/1992	subscription	2,504	2,504		0	0
12/15/1993	subscription	5,408			5,408	2
09/27/1994	subscription	21,983			21,983	4
05/22/1995	subscription	1,685			1,685	2
12/13/1995	subscription	69,445			69,445	7
12/13/1995	subscription**	555			555	5
12/18/1996	subscription	5,466			5,466	4
12/17/1997	subscription	10,918			10,918	1
12/17/1997	purchase	170,104			170,104	11
05/26/1998	subscription	-			-	0
12/10/1998	purchase	6,489			6,489	3
12/15/1999	subscription	162,681			162,681	13
12/13/2000	purchase	72,220			72,220	11
05/28/2001	purchase	12,000			12,000	1
12/13/2001	subscription	277,000			277,000	13
05/28/2002	subscription***	-		1,100	1,100	11
12/11/2002	subscription	-		98,000	98,000	11
Total		**818,458**	**2,504**	**99,100**	**915,054**	**14**

* *See members of Management on page 159.*
** *Lafarge en action 1995.*
*** *Lafarge en action 2002.*

Options held by Management in the consolidated subsidiaries

Four members of Management hold a total of 385,000 stock options for Lafarge North America and 15,000 options were exercised in 2002 at the average unit price of USD 15.75.

Stock subscription or purchase options granted to each Company Officer and options exercised by officers

	Total number of options granted/ new or existing shares purchased	Price	Expiration dates	Plan No.
Options granted during the year to each officer by the issuer and by any company of Lafarge (list by name)				
B. Collomb				
Lafarge North America	20,000	41.05 USD	10 years	
B. Kasriel				
Lafarge North America	15,000	41.05 USD	10 years	
M. Rose				
Lafarge	100	108.18 euros		M11
	20,000	79.15 euros	10 years	M12
Lafarge North America	1,000	41.05 USD		
Options exercised during the year by each Company Officer (list by name)				
B. Collomb				
Lafarge North America	15,000	15,75 USD		

Stock subscription or purchase options granted to the top ten non-executive employees and options exercised by them

	Total number of options granted / weighted or purchased shares subscribed	Weighted average price	Plan n°
Options granted during the year by the issuer and by any company included in the stock allocation plan, to the ten employees of the issuer and any company in this plan, who hold the highest number of options (aggregated information)			
Lafarge	86,900	79.48 euros	M11, M12
Lafarge North America	202,500	41.05 USD	
Options granted during the year by the issuer and by any company included in the stock allocation plan exercised by the ten employees of the issuer and any company in this plan, who hold the highest number of options (aggregated information)			
Lafarge	38,509	49.74 euros	N7, N8, N9, M1, M2, M3, M6, M7, M8
Lafarge North America	70,750	43.72 USD	

CORPORATE GOVERNANCE

1 BOARD OF DIRECTORS

Board of Directors' report on the adequacy of its structure and operations with respect to its duties

During its meetings of December 11, 2002 and February 26, 2003, the Board of Directors decided to revisit its composition and operating procedures, including the composition and operating procedures of its sub-committees, particularly in the light of the recommendations resulting from the September 2002 report of the AFEP-MEDEF working Group chaired by Mr. Daniel Bouton of and changes in US regulations following the Sarbanes-Oxley Act of July 30, 2002. This review is carried out in furtherance of the Company's previous initiatives following the Vienot reports of July 1995 and July 1999, which resulted in the implementation of working methods recommended by these reports, covering the number of independent directors, the existence, role and operations of the Board sub-committees, the information provided to shareholders, particularly the publication of the annual results within two months after the close of the fiscal year, and the rules governing trading by Directors in the shares of the Company.

In this context, the Board decided on February 26, 2003 to separate the duties of Chairman of the Board of Directors and Chief Executive Officer, effective as of May 20, 2003, the date of the Combined General Meeting. This separation, now possible following the amendment of the bylaws by the Extraordinary Shareholders' Meeting of November 5, 2002, is in line with the corporate governance practices now followed, notably in the United Kingdom and the United States. As of May 20, 2003, the date of the Combined General Meeting, Bertrand Collomb shall remain Chairman of the Board of Directors and Bernard Kasriel, currently Vice-Chairman and Chief Operating Officer, shall become the Chief Executive Officer of Lafarge.

With respect to the other measures, the Board should therefore make a decision in the coming months on the adoption of internal rules for the Board and the sub-committees. These rules will particulary define the membership, the criteria to be used for independent directors, the method for providing information to the Board and the committees, their missions and the evaluation procedures to be implemented with respect to their operations; it should be noted that regulations governing the missions and work methods of the Financial Committee have already been in place since May 1995.

Membership

The make-up of the Board of Directors is designed to enable the Company to benefit from the experience and independence of its Directors.

As and when necessary, new Directors are nominated by the Organization and Management committee.

They must each hold at least 1,143 shares of the parent company.

The Directors

Bertrand Collomb, Chairman and Chief Executive Officer of Lafarge, was appointed to the Lafarge Board of Directors in 1987. His current term of office expires at the end of the Annual Meeting held to adopt the 2004 financial statements. He holds 14,784 shares and is aged 60. He is also Chairman of Lafarge North America and a Company officer of several Group subsidiaries. He is a Director of TotalFinaElf, Atco, Vivendi Universal, a member of the Allianz Supervisory Board, and a member of the Advisory Board of Unilever.

Bernard Kasriel, Vice-Chairman and Chief Operating Officer of Lafarge, was appointed to the Lafarge Board of Directors in 1989. His current term of office expires at the end of the Annual General Meeting held to adopt the 2005 financial statements. He holds 13,192 shares and is aged 56. He is also Vice-Chairman of Lafarge North America and a Company officer of several Group subsidiaries. He is a Director of Sonoco Products Company.

Jacques Lefèvre was appointed to the Lafarge Board of Directors in 1989. His current term of office expires at the end of the Annual Meeting held to adopt the 2005 financial statements. He holds 5,441 shares and is aged 64. He is also a Company officer of several Group subsidiaries and affiliates. He is Chairman of the Compagnie de Fives-Lille Supervisory Board and a Director of Société Nationale d'Investissement (Morocco), Cimentos de Portugal and Hurricane Hydrocarbons Ltd. He is Vice-Chairman of the Board of Directors and held the positions of Vice-Chairman and Managing Director of the Group until 2000.

Michael Blakenham was appointed to the Lafarge Board of Directors in 1997. His current term of office expires at the end of the Annual General Meeting held to adopt the 2002 financial statements. He holds 1,462 shares and is aged 65. He is also Chairman of the Royal Botanic Gardens Kew and a Director of Sotheby's Holdings Inc, UK Japan 21st Century Group. He was previously a partner in Lazard Brothers and Co. Ltd. from 1994 to 1997, Chairman of Pearson Plc from 1983 to 1997, and the Financial Times from 1984 to 1993, as well as a member of the House of Lords committees on sustainable development and science and technologies.

Michel Bon was appointed to the Lafarge Board of Directors in 1993. His current term of office expires at the end of the Annual General Meeting held to adopt the 2004 financial statements. He holds 2,579 shares and is aged 59. He is also Honorary Chairman of France Telecom. He is Chairman of the Supervisory Board of Editions du Cerf, Director of Sonepar and a member of the Supervisory Board of Grand Vision and Air Liquide. He was Chairman and Chief Executive Officer of France Telecom from 1995 to 2002 and Chief Executive Officer and then Chairman of Carrefour from 1985 to 1992.

Guilherme Frering was appointed to the Lafarge Board of Directors in 1997. His current term of office expires at the end of the Annual General Meeting held to adopt the 2002 financial statements. He holds 1,702 shares and is aged 44. He is also Chairman of Cimento Mauá, a Group subsidiary.

Richard Haythornthwaite was co-opted to serve as a Director of Lafarge by the Board of Directors in its meeting of September 3, 2001. This appointment was then ratified by the Annual General Meeting of May 28, 2002. His term of office will expire at the end of the Annual General Meeting held to adopt the 2004 financial statements. He holds 1,200 shares and is aged 46. He is also Chief Executive of Invensys Plc, and a Director of Cookson Group Plc and ICI Plc. He was Managing Director of Blue Circle Industries Plc prior to its acquisition by Lafarge in 2001.

Patrice le Hodey was appointed to the Lafarge Board of Directors in 1987. His current term of office expires at the end of the Annual General Meeting held to adopt the 2004 financial statements. He holds 3,255 shares and is aged 58. He is also Vice-Chairman of the press group Libre Belgique Dernière Heure (IPM) and a Company officer of several of this Group's subsidiaries. In this capacity, he is Chairman of Audiopresse and a Director of RTL-TVI and of the Belga press agency. He is Chairman of Derouck Cartographie and a Company officer of several of this group's subsidiaries.

Bernard Isautier was appointed to the Lafarge Board of Directors in 1989. His current term of office expires at the end of the Annual General Meeting held to adopt the 2005 financial statements. He holds 1,466 shares and is aged 60. He is also Chairman of Hurricane Hydrocarbons Ltd.

Alain Joly was appointed to the Lafarge Board of Directors in 1993. His current term of office expires at the end of the Annual General Meeting held to adopt the 2004 financial statements. He holds 1,994 shares and is aged 65. He was Chairman and Chief Executive Officer of Air Liquide until 2001 and is now Chairman of the Supervisory Board. He is also a Company officer of several of this Group's subsidiaries. He is a Director of BNP-Paribas.

Jean Keller was appointed to the Lafarge Board of Directors in 1998. His current term of office expires at the end of the Annual General Meeting held to adopt the 2003 financial statements. He holds 1,281 shares and is aged 68. He is also a member of the Standards Advisory Council of the International Accounting Standards Board (IASB) and a member of the Supervisory Council of the European Financial Reporting Advisory Group (EFRAG). He was Chief Financial Officer of Lafarge Ciments until 1998.

Raphaël de Lafarge was appointed to the Lafarge Board of Directors in 1982. His current term of office expires at the end of the Annual General Meeting held to adopt the 2002 financial statements. He holds 42,451 shares and is aged 60. He is a Director of Borgey SA.

Robert W. Murdoch, a former Executive Vice-President of Lafarge, was appointed to the Lafarge Board of Directors in 1993. His current term of office expires at the end of the Annual General Meeting held to adopt the 2004 financial statements. He holds 1,593 shares and is aged 61. He is also a Director of Lafarge North America and Lafarge Canada as well as Sierra Systems Group Inc, Lallemand Inc, A.P. Plasman Inc., and Timber West Forest Corp. He was previously deputy managing director of Lafarge and managing director of Lafarge North America until 1992.

Michel Pébereau was appointed to the Lafarge Board of Directors in 1991. His current term of office expires at the end of the Annual General Meeting held to adopt the 2002 financial statements. He holds 1,565 shares and is aged 61. He is also Chairman of BNP-Paribas and a Company officer of several of this Group's subsidiaries. He is a Director of TotalFinaElf and Saint-Gobain, a member of the Supervisory Boards of Axa, Galeries Lafayette and the Dresdner Bank AG Frankfurt.

Hélène Ploix was appointed to the Lafarge Board of Directors in 1999. Her current term of office expires at the end of the Annual General Meeting held to adopt the 2004 financial statements. She holds 1,441 shares and is aged 58. She is Chairman of Pechel Industries S.A.S. She is a Director of Publicis and Chairman of the French Association of Capital Investors (AFIC).

Two Directors are members of the executive management of Lafarge. Three Directors are retired Group executives. At least eight members are independent based on various criteria currently used and pending a full review of this issue by the Board.

Operations

Frequency of Board and committee meetings

In accordance with Company bylaws, the Board of Directors meets at least four times a year, in France or abroad. In 2002, the Board met on February 27, May 28, September 4 and December 11. The average attendance rate at Board meetings was 95%.

Board Committees

The Board of Directors appoints the members of its committees from its own ranks. The powers of these committees are defined by the Board of Directors. They investigate the issues assigned to them and issue recommendations to the Board of Directors and, in some case, to Management. They report on their work to the Board of Directors. In principle, Board committees meet twice a year. In 2002, each of the committees met twice, with an average attendance rate exceeding 95%. At least half the members of each of the committees are independent.

The Organization and Management Committee

The members of this committee are: Messrs. A. Joly, Chairman, M. Pébereau and M. Blakenham.

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 Management, and any proposed succession plans. The committee drafts Board resolutions concerning the remuneration of Company officers, and where appropriate nominates new Directors and Company Officers.

In 2002, the Organization and Management Committee met twice, in February and December, with all members present, with the exception of the February meeting, attended by two of the three members. During these meetings, the committee proposed recommendations to the Board concerning remuneration of Company Officers, stock options and the distribution of Directors' fees to the Directors for the year.

The committee recommended the approval of the latest Group employee shareholder plan launched in March 2002 (Lafarge en action 2002). With respect to executive compensation, in February 2003, the committee evaluated the fixed and variable portions in terms of current practices in other companies, and discussed the objectives of the officers for 2003. Finally, it made a decision with respect to the Management of the Group, and the separation of the offices of Chairman and Chief Executive Officer, which was then approved by the Board of Directors.

The Strategy and Development Committee

The members of this committee are: Messrs. B. Collomb, Chairman, and M. Bon, P. le Hodey, B. Isautier, A. Joly, J. Lefèvre, R. W. Murdoch and G Frering. The committee examines in detail important strategic issues and major investment and divestment projects. In 2002, the Strategy and Development Committee met twice, in May and September, with all members in attendance, except for the May meeting attended by seven of the eight members. During these meetings, it reviewed the Company's performance as compared to its principal competitors on the basis of various indicators, as well as the development of the Group in its various businesses and geographical areas.

The Finance Committee

The members of this committee are: Messieurs M. Pébereau, Chairman, M. Bon, P. le Hodey, J. Keller, B. Isautier, R. de Lafarge, J. Lefèvre, R. W. Murdoch, G. Frering et Mrs. H. Ploix.

The committee performs a preliminary review of the semi-annual and annual financial statements and holds meetings with the Statutory Auditors and with both general and financial management. General management provides it with regular updates on the Group's financial position, the methods and techniques used to define the Group's financial policy and the main thrust of current financial policy, and advises the committee on the terms of major financial transactions prior to their implementation. The committee also receives copies of all financial communications prior to their issue, and issues an opinion on the resolutions presented to the shareholders' meetings. The Statutory Auditors report their findings and any detailed explanations they may have. The committee can also request meetings with internal audit managers on the contents and progress of their work. 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.

In 2002, the Finance Committee met in February and September and performed a preliminary review of the corporate and consolidated accounts for fiscal year 2001 and the consolidated accounts for the first half of 2002. It also presented a recommendation to the Board of Directors in relation to the appointment of a new statutory auditor by the Combined General Meeting of May 28, 2002.

In February 2003, the Finance Committee, with nine out of ten members in attendance, conducted a preliminary review of the corporate and consolidated financial statements for fiscal 2002. It reviewed the principal aggregates from the consolidated income statement, in particular the items that resulted in a new estimate of the useful life of the cement plants, and verified the adequacy of the provisions for litigation in relation to a prudent analysis of the risks. It then examined the impact of the currency effects on the various items of the consolidated balance sheet and the goodwill for the Roofing Division in accordance with French and American GAAP, and then considered retirement benefits and related obligations. Finally, it reviewed the work performed by the internal audit team and the Group's financial position and commented on the draft press release on 2002 results. In the context of its work, the Finance Committee interviewed the various members of the finance division (accounting, cash financing, internal audit) as well as the Company's statutory auditors.

Information on regulated agreements

Agreements entered into during the previous year and continued in 2002:

The Board of Directors, meeting on September 3, 2001 authorized the following agreements:

- an option agreement under which Lafarge granted its subsidiary Lafarge North America an option to buy all the North American assets resulting from the acquisition of Blue Circle and which were not required to be sold off to third parties by the anti-trust authorities. The options which may be exercised by Lafarge North America at any time between July 1, 2002 and December 31, 2004 for a price to be adjusted of USD 1.4 billion;
- a management agreement under which Lafarge North America received authority from Blue Circle North America to manage, for consideration, all the assets described above between July 11, 2001 and December 31, 2002.
- a commitment to indemnify Lafarge North America and its employees by Lafarge for any third party proceedings

arising out of the Management agreement or of an act of Blue Circle North America.

The directors concerned by these agreements are B. Collomb, B. Kasriel, J. Lefèvre and R.W. Murdoch.

Directors' fees

Allocation rules

The General and Extraordinary Annual Shareholders' Meeting, ruling on matters for the Annual Meeting, of May 28, 2001 set the maximum annual amount of directors' fees at FRF 4 million (€ 0.610 million).

Each director receives a fixed fee of € 15,245 per year (plus 25% for committee chairmen, except for the chairmanship of the Strategy and Development Committee, currently held by B. Collomb). It is limited to 50% for any new director named during the year, and any director whose term of office expires during the year.

For 2002, a variable fee of € 2,327 was allocated to each director for each meeting of the Board or committee meeting which he attended.

The total amount of directors' fees paid in 2003 (for fiscal year 2002) was € 0.457 million. It was € 0.609 million in 2002 (for fiscal year 2001).

Messrs. M. Blakenham, M. Bon, J. Keller, R. de Lafarge and Mrs. H. Ploix each received € 29,207.
Messrs. B. Collomb and B. Kasriel each received € 24,553.
Messrs. G. Frering, P. le Hodey, B. Isautier, J. Lefèvre and R. Murdoch each received € 33,861.
Mr. R. Haythornthwaite received € 19,899.
Mr. A. Joly received € 37,673.
Mr. M. Pébereau received € 35,346.

Information on Directors' interests in the common stock and voting rights of the Company

Directors hold 0.07% of the common stock of the Company and 0.10% of voting rights.

2 SENIOR MANAGEMENT AND EXECUTIVE OFFICERS

It consists of members of Executive Management and the Executive Vice-Presidents, a total of 14 individuals. The following information relates to Group Management.

Senior Management and Executive Officers (at December 31, 2002)

Executive Management ("Direction générale")

Bertrand Collomb, Chairman and Chief Executive Officer*
Bernard Kasriel, Vice-Chairman and Chief Operating Officer*
Michel Rose, Senior Executive Vice-President*

Executive Vice-Presidents

Jean-Carlos Angulo, Executive Vice-President, Western Europe
Miguel Del Campo, Executive Vice-President, Latin America
Yves de Clerck, Executive Vice-President, Central Europe
Jean-Jacques Gauthier, Executive Vice-President, Finance*
Ulrich Glaunach, Executive Vice-President, Roofing*
Christian Herrault, Executive Vice-President, Human Resources and Organization*
Bruno Lafont, Executive Vice-President, Gypsum*
Charles de Liedekerke, Executive Vice-President, Aggregates and Concrete*
Isidoro Miranda, Executive Vice-President, Cement*
Philippe Rollier, Executive Vice-President, North America
Jean-Marie Schmitz, Executive Vice-President, Morocco.

Executive Management ("Direction générale")

Following the amendment of the bylaws concerning the option of separating the positions of Chairman and Chief Executive Officer by the Extraordinary Meeting of November 5, 2002, the Board of Directors, at its meeting of December 11, 2002, selected the option under which the Chairman also serves as Chief Executive Officer. The excerpt of the minutes of the Board's decision is available for shareholders at the Company's registered offices. On February 26, 2003, the Board of Directors then decided to separate the duties of Chairman and Chief Executive Officer, and confirmed Mr. Bertrand Collomb as Chairman of the Board and named Mr. Bernard Kasriel as Chief Executive Officer as of May 20, 2003, the date of the General and Extraordinary Annual Shareholders' Meeting.

Information on Senior Management's interests in the common stock and voting rights of the Company

Senior Management holds 0.02% of the capital and 0.03% of the voting rights of the Company.

Compensation policy

The Organization and Management committee makes recommendations to the Board of Directors on the remuneration of Company officers.

The committee bases its recommended remuneration structure on surveys of market practice within comparable companies, performed by external consultants.

Remuneration consists of a fixed and a variable component, with the variable component limited to a maximum of 160% of the fixed component for the Chairman and 120% of the fixed component for the Vice-Chairman and Chief Operating Officer and for the Senior Executive Vice-President.

** Member of the Executive Comittee*

Total remuneration received by Senior Management members in respect of their activities as Company officers within Group subsidiaries is included in this fixed portion.

The variable portion is determined in part by the extent to which Group financial results meet the objectives set at the beginning of the year, as well as an appraisal of the individual's performance during the year.

The financial appraisal criteria adopted in fiscal 2002 were: the increase in EVA (Economic Value Added) which reflects the return on capital employed by the Company, the growth in the return on assets of Lafarge as compared to its competitors, and the synergies resulting from the integration of Blue Circle.
The portion set on individual performance is primarily determined by reference to the personal targets set at the beginning of the year with respect to the major tasks to be undertaken.

Compensation paid to Senior Management

Compensation paid to Senior Managament in 2002

The amount indicated below:

- includes fixed remuneration paid to Group Management members in respect of fiscal year 2002 and variable remuneration paid in 2003 in respect of fiscal year 2002;
- concerns all Senior Management members in fiscal year 2002, for the period during which they were members of Senior Management. Total remuneration, as defined above, paid to Senior Management members was € 7.404 million in fiscal year 2002 (14 individuals). Total remuneration in fiscal year 2001 was € 8.627 million (14 individuals including 2 appointed during 2001, plus two individuals who left their positions during the year), including the variable portion.

Individual remuneration of Company officers in respect of fiscal year 2002

The individual remuneration of Company officers in respect of fiscal year 2002 was as follows:

(in thousands euros)	Fixed compensation paid in 2002 (1)	Variable compensation due for 2002 and paid in 2003
B. Collomb	875	889
B. Kasriel	500	325
M. Rose	400	260

(1) including Group subsidiary Directors' fees.

Amount of pension and retirement commitments

The total amount funded by the Group for pensions, retirements and other benefits of this type for members of executive management totaled € 24 million at December 31, 2002.

AUDITORS

Statutory auditors

- Deloitte Touche Tohmatsu, 185, avenue Charles de Gaulle, 92200 Neuilly-sur-Seine, represented by Mr Jean-Paul Picard.
Date of first appointment: 1994
Current term of office: appointed by the Annual Meeting of May 25, 2000, for a term of office expiring at the end of the Annual Meeting called to approve the 2005 financial statements.
- M. Thierry Karcher, PIA, 21 rue d'Artois, 75008 Paris.
Date of first appointment and current term: Annual Meeting of May 28, 2002, expiring at the end of the Annual Meeting called to approve the financial statements for 2005.

Fees of auditors and the members of their networks paid by Lafarge in 2002

	Deloitte Touche Tohmatsu		Thierry Karcher	
(in million euros)	Amounts	%	Amounts	%
Audit				
Audit of financial statements, certification, review of individual and consolidated statements	9.9	67%	0.1	100%
Related missions	3.4	23%	-	0%
Audit sub-total	**13.3**	**90%**	**0.1**	**100%**
Other services				
Legal, tax, social security	0.5	3%	-	0%
Information technologies	0.6	4%	-	0%
Other	0.5	3%	-	0%
Other services sub-total	**1.6**	**10%**	**-**	**0%**
Total	**14.9**	**100%**	**0.1**	**100%**

Deloitte Touche Tohmatsu is responsible for auditing all the French and international subsidiaries of the Group (with the exception of Larfarge North America, for which the fees for the other auditor totaled € 1.6 million). Thierry Karcher acts as auditor only for the parent Company Lafarge SA.

Deputy Auditors

- BEAS, 7-9, villa Houssay, 92200 Neuilly-sur-Seine
Date of first appointment and current term: appointed by the Annual Meeting of May 25, 2000, for a term of office expiring at the end of the Annual Meeting called to approve the 2005 financial statements.
- Mr. Stéphane Marie, COREVISE, 20 bis rue Boissière, 75016 Paris.
Date of first appointment and current term: Annual Meeting of May 28, 2002, expiring at the end of the Annual Meeting called to approve the financial statements for 2007.

STOCK EXCHANGE INFORMATION

In France, the Company's stock is listed for trading on Euronext Paris. The Lafarge share is eligible for the deferred settlement system. It is traded in single units under the Sicovam code 12053.

Abroad, the stock was listed for trading on December 31, 2002 in the United Kingdom and Germany. The stock has also been listed in the form of ADRs (American Depositary Receipts) on the New York Stock Exchange since July 23, 2001.

The other principal listed companies of the Group are:
- Lafarge North America in the United States (New York Stock Exchange)
- Lafarge North America and the exchangeable preferred stock of Lafarge Canada Inc. in Canada (Toronto and Montreal)
- Lafarge Ciment in Morocco (Casablanca)
- Fabrica Nacional de Cementos in Venezuela (Caracas)
- Empresas Melon in Chile (Santiago de Chile)
- Alexandria Portland Cement Company in Egypt (Cairo)
- Heracles General Cement in Greece (Athens)
- Malayan Cement Berhad in Malaysia (Kuala Lumpur)
- Chilanga Cement in Zambia (Lusaka)

The Lafarge stock on the Paris Bourse

Lafarge stock on Euronext Paris

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 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 has been registered since January 1, 2003 or will be registered until December 31, 2003. This stock will then be allocated a specific code with effect from January 1, 2004.

Specific code 6694 indicates the registered shares, both recorded only or administered, in 2000 or before. These shares grant entitlement to the loyalty dividend paid in 2003 for the results of fiscal year 2002.

Specific code 4500 indicates the registered shares, both recorded only or administered, in 2001. The two-year period during which this stock must be held to grant entitlement to a loyalty dividend began on January 1, 2002. This stock will be entitled to the loyalty dividend paid in 2004 in respect of the results of fiscal year 2003.

Specific code 18573 designates the registered shares, both recorded only or administered, in 2002. For these shares, the two-year period before eligibility for the loyalty dividend began on January 1, 2003. They will have the right to a loyalty dividend to be paid in 2005 for the results of fiscal year 2004.

The specific codes are sub-categories of the general code 12053. They do not make the shares classified under these codes special category shares. These shares continued to be listed for trading, like the others, under the general code 12053. As of June 30, 2003, the general code shall be replaced by the Company's ISIN code, which is FR0000120537. This changeover to the ISIN code is the result of the decision by the *"Comité Français d'Organisation et de Normalisation Bancaire"* (CFONB) to adopt the ISIN standard for all financial instruments and their proceeds.

Code 6763 indicates, during the period from January 1 of each year to the ex-dividend date (June 2, 2003 this year), the shares created since January 1 of the current year which do not grant entitlement to the dividend paid in the same year.
This category includes shares issued as a result of the exercise of stock options during this period.

Transactions over the last 18 months

Year	Month	Trading volumes including off-market transactions *(in thousands)*	Capital traded, including off-market transactions *(in billions of euros)*	High and low prices	
				High *(euros)*	Low *(euros)*
2001	September	14,846	1.33	102.60	74
	October	12,010	1.15	101	86.10
	November	13,305	1.32	107.60	92.80
	December	7,692	0.82	106.90	99.50
	Total 2001 (4 months)	**47,853**			
2002	January	11,231	1.13	107	96.85
	February	10,514	1.07	105.40	98.90
	March	12,731	1.30	105.80	99.40
	April	14,113	1.47	108.10	100.20
	May	17,318	1.89	111.20	105.20
	June	17,047	1.75	107.80	97.50
	July	14,974	1.38	102.80	74.00
	August	17,812	1.62	98.55	79.00
	September	18,653	1.63	94.85	80.80
	October	29,511	2.22	83.60	67.00
	November	18,142	1.44	83.50	75.10
	December	14,856	1.11	84.50	67.70
	Total 2002	**196,902**			
2003	January	21,689	1.40	76.25	55.10
	February	23,032	1.23	60.40	47.33

Source EURONEXT Paris SA

5-year trend

	2002	2001	2000	1999	1998
Daily average trading volumes on Euronext Paris SA					
In number of shares	772,173	667,518	521,670	368,218	326,369
In millions of euros	70.6	67.1	45.5	34.1	25.6
Session high/low (in euros)					
High	111.20	114	118.40	115.60	100.31
Adjusted high*	111.20	114	116.46	113.70	98.70
Adjusted high ** at January 22, 2001	111.20	114	113.98	111.29	96.60
Low	67	74	73.75	70.10	54.73
Adjusted low*	67	74	73.75	68.90	53.80
Adjusted low ** at January 22, 2001	67	74	72.18	67.43	52.65
Last price for year	**71.80**	**104.90**	**89.30**	**115.60**	**80.95**
Last price for year adjusted *	**71.80**	**104.90**	**89.30**	**113.70**	**79.60**
Last price for year adjusted at January 22, 2001**	**71.80**	**104.90**	**87.40**	**111.29**	**77.90**
Total return on share in %***	**3.3**	**3.9**	**2.7**	**3.4**	**4.26**

**Adjusted to take account of the capital increase with preferential subscription rights of March 18, 1998 and subscription rights to the bonds redeemable in stock or cash issued on March 20, 2000.*
*** Adjusted following the detachment at this date of the preferential subscription right to the common stock issue performed in February 2001.*
**** Dividend distributed in year in question (plus tax credit), over the last listed price for the previous year.*

Monep

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

Short-dated options

	At December 31, 2002	At December 31, 2001	At December 31, 2000
Number of contracts traded	880,196	716,110	1,232,767
Daily average of contracts traded	3,452	2,830	4,834
Open positions:			
number of contracts	63,096	43,105	90,526
number of securities	630,960	431,050	905,260

Long-dated options

	At December 31, 2002	At December 31, 2001	At December 31, 2000
Number of contracts traded	23,659	17,554	227,459
Daily average of contracts traded	93	69	892
Open positions:			
number of contracts	21,164	11,637	71,365
number of securities	211,640	116,370	713,650

Activity on the London Stock Exchange

Transactions over the last 18 months

*(in thousands of shares)**	2003	2002	2001
January	2,580	3,470	-
February	1,873	3,864	-
March		4,676	-
April		3,273	-
May		3,643	-
June		1,212	-
July		2,017	-
August		3,844	-
September		3,661	5,705
October		5,726	3,152
November		1,724	4,427
December		928	2,345

**Since July 1999, transactions are indicated on a monthly basis from the first to the last day of the month.*
(Source: SEAQ).

Activity on the New York Stock Exchange (ADR)

Transactions over the last 18 months

*(in thousands of ADR)**	2003	2002	2001
January	329.7	102.5	-
February	205.4	97.7	-
March		90.7	-
April		91.9	-
May		71.7	-
June		105.1	-
July		117.9	-
August		138.6	-
September		94.5	63.9
October		188.2	68.8
November		227.0	455.2
December		300.5	175.5

**The Lafarge stock has been listed on the New York Stock Exchange since July 23, 2001 in the form of American Depositary Receipts ("ADR": 4 ADR = one share of Lafarge common stock).*

SHAREHOLDER INFORMATION

Share value for French Wealth tax purposes at December 31, 2002

Closing price at December 31, 2002: € 71.80.
Average closing price over the last 30 trading days of 2002: € 75.55.

Attendance at Annual Meetings

All registered shareholders receive a personal invitation to attend Annual Meetings of Shareholders. Bearer shareholders holding at least 200 shares receive the same invitation. All shareholders are, nonetheless, entitled to attend Meetings irrespective of the number of shares they hold:

- if the shares are registered shares, they must be recorded in custody only or administered registered accounts;
- if the shares are bearer shares, the portfolio manager must establish and forward to the Company a certificate showing registration of the share account.

Annual Meetings may be held at the Company's registered office or any other location indicated in the notice of meeting.

Voting rights

One voting right is attached to each share.

Voting rights are exercised by the beneficial owner at all meetings, unless the beneficial owner and bare owner agree otherwise and jointly notify the Company five days prior to the meeting (or within any other period decided by the Board of Directors).

Double voting right

Shares held in registered form for a period of two years are entitled to a double voting right. As stipulated by law, any share converted to bearer form or transferred (except in cases of transfer by inheritance) loses the double voting right. The double voting right was introduced in the Company's bylaws more than 60 years ago and is exercised within the limits stipulated above.

Reduction of voting rights

Voting rights are exercised in the meetings without limitation up to 1% of the total number of voting rights existing on the date of the meeting. Beyond this limit, the number of rights is limited based on the number of voting rights present or represented at the meeting.

The conditions for calculating the number of voting rights subject to limitation were added to the bylaws by the Meeting of May 30, 1989 and are described in Appendix 2 of the bylaws. For calculation purposes, the voting rights held directly or indirectly by a shareholder as well as the rights of a third party acting together with said shareholder shall be combined.

Dividend Information

Appropriation of net income

Ordinary and loyalty dividend

Since the inclusion of this provision in the bylaws in 1996, all shares held in registered form for a minimum period of two years grant entitlement to an additional 10% dividend. This increased dividend is known as the "loyalty dividend." The loyalty dividend is limited per shareholder to the number of shares corresponding to 0.5% of the common stock.
The two-year qualifying period runs from January 1 of the year following the recording of the shares in registered form. As such, to qualify for the loyalty dividend on June 2, 2003, shares must have been held in registered form on December 31, 2000.

Dividend reinvestment

Impact of the loyalty dividend

The Annual General Meeting may offer shareholder the option to elect for payment in cash or in new shares.

Shares received as scrip dividends rank pari passu with the stock granting entitlement to such dividends for the purpose of determining the period during which registered shares have been held. As such, shares received through reinvestment of the net loyalty dividend (payment on June 2, 2003) are considered to have been held in registered form for the qualifying two-year period and will confer entitlement to the loyalty dividend in 2004.

Time limit on dividends

Dividends that have not been claimed within a period of five years from the payment date become statute barred and are paid to the French State in accordance with the law.

Information on bonus issues

In the event bonus shares are allotted, the number of shares allotted for existing shares held for more than two years is also increased by 10%.

SHAREHOLDER RELATIONS

Shareholder representation

Shareholders' Consultative Committee

The Shareholders' Consultative Committee was formed in March 1995. It consists of ten members who reflect the general age, sex and geographic make-up of the individual shareholder base. One of the seats on the Committee is specifically reserved for an individual shareholders' association. Members are appointed for a period of three years by the Company and selected from applications submitted by shareholders in response to invitations published in the Lafarge *Shareholders' Newsletter*. One third of the Committee is replaced each year. The Committee was renewed in March 2002.

The role of the Committee is to help improve Group communications with individual shareholders. It met and was consulted on several occasions during 2002, particularly in March for the presentation of the financial statements for fiscal year 2001, the preparation of the Annual Meeting of May 28, 2002 (the Committee took part in devising the shareholders' questionnaire enclosed with the notice of meeting) and the preparation of the April *Shareholders' Newsletter*.

Shareholder information

Besides the Annual Report (published in French and English), the following sources of information are available to shareholders:

- a summary of the Annual Report,
- the shareholders' handbook,
- a shareholders' newsletter (published twice a year),
- an interim report at June 30 of each year,
- an Internet site, www.lafarge.com (in French and English),
- form 20-F, filed each year in connection with our listing in the United States (this document is available on our Internet site).

A toll-free number is available to shareholders in France: 0800 235 235.

Lafarge shareholder services for custody only registered shares

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

Lafarge has delegated powers to CCF to offer custody only accounts to shareholders. All information in this respect my be requested directly from:
Crédit Commercial de France
Avenue Robert Schumann
51051 Reims Cedex - France
Fax: (+33) 03 26 09 89 97,
Or by calling the toll-free number (France only): 0 800 06 06 46.

LAFARGE CORPORATE INFORMATION

- Legal form: "Société anonyme" governed by Articles L 210-I et sqq. of the French Commercial Code
- 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, Aggregates and Concrete, Roofing, Gypsum.
- Fiscal year: from January 1 to December 31.
- Capital stock at December 31, 2002: € 531,521,732 divided into 132,880,433 shares with a par value of € 4.
- Number of voting rights at December 31, 2002: 141,566,324. The most recent entry in the French Official List of Obligatory Legal Notices (Bulletin Officiel d'Annonces Légales Obligatoires) was based on the number of voting rights at May 28, 2002, the date of the Annual Meeting, and indicated 139,717,675 voting rights. Actual voting rights have not varied by more than 5% since this date.
- (Legal documents (bylaws, minutes of meetings, auditors' reports, etc.) may be consulted at or requested from the Shareholder Relations Department (Service des relations avec les actionnaires) at the registered office.

Senior Executives

Bertrand Collomb*
Chairman and Chief Executive Officer
Bernard Kasriel*
Vice-Chairman and Chief Operating Officer
Michel Rose*
Senior Executive Vice-President
Jean-Carlos Angulo
Executive Vice-President, Western Europe
Miguel del Campo
Executive Vice-President, South America
Yves de Clerck
Executive Vice-President, Central Europe
Jean-Jacques Gauthier*
Executive Vice-President, Finance
Ulrich Glaunach*
Executive Vice-President, Roofing

Christian Herrault*
Executive Vice-President, Human Resources and Organization
Bruno Lafont*
Executive Vice-President, Gypsum
Charles de Liedekerke*
Executive Vice-President, Aggregates & Concrete
Isidoro Miranda*
Executive Vice-President, Cement
Philippe Rollier
Executive Vice-President, North America
Jean-Marie Schmitz
Executive Vice-President, Morocco

Honorary Chairmen

Jean Bailly
Jean François
Olivier Lecerf

International Advisory Board

Alfonso Cortina
Chairman and Chief Executive Officer, Repsol YPF (Spain)
Juan Gallardo
Chairman. GEUSA and Grupo Azucarero Mexico (Mexico)
Mohamed Kabbaj
Adviser to the King of Morocco.
Chairman, Lafarge Maroc (Morocco)
David K. P. Li
Chairman and Chief Executive Officer, Bank of East Asia Ltd. (Hong Kong)
Thierry de Montbrial
President, French Institute for International Relations (France)
Hugh M. Morgan
Chief Executive Officer, WMC Ltd (Australia)
N. R. Narayana Murthy
Chairman and Chief Executive Officer, Infosys Technologies Ltd (India)
James E. Perella
Former Chairman and Chief Executive Officer, Ingersoll-Rand Company (United States)
William K. Reilly
Chairman and Chief Executive Officer, Aqua International Partners (United States)
Henning Schulte-Noelle
Chairman of the Board of Management, Allianz AG (Germany)
Tadao Suzuki
Chairman and Chief Executive Officer, Mercian Corporation (Japan)

** Member of the Executive Committee*

PERSONS RESPONSIBLE FOR THE ACCURACY OF THE REFERENCE DOCUMENT

To the best of our knowledge, the information presented in this reference document fairly reflects the current situation and includes all information required by investors to assess the net asset position, activities, financial solvency, results and future prospects of the issuer. We confirm that no information likely to have a material impact on the interpretation of these documents has been omitted.

Paris, April 3, 2003

Jean-Jacques Gauthier
Executive Vice-President, Finance

Bertrand Collomb
Chairman and Chief Executive Officer

AUDITORS REPORT ON THE REFERENCE DOCUMENT

For the year ended December 31,2002

Deloitte Touche Tohmatsu
185, avenue Charles-de-Gaulle
B.P. 136
92203 Neuilly-sur-Seine Cedex

Thierry Karcher
21, rue d'Artois
75008 Paris

As statutory auditors of Lafarge and as required under Rule 98-01 of the Commission des Opérations de Bourse (COB), we have performed procedures on the information contained in the "Reference Document" relating to the historical financial statements of the Company, in accordance with professional standards applicable in France.

Messrs. Bertrand Collomb, Chairman and Chief Executive Officer, and Jean-Jacques Gauthier, Executive Vice-President Finance, are responsible for the preparation of the "Reference Document". Our responsibility is to report on the fairness of the information presented in the "Reference Document" relating to the financial statements.

Our work has been performed in accordance with professional standards applicable in France. Those standards require that we assess the fairness of the information presented relating to the financial statements and its consistency with the financial statements on which we have issued a report. Our work also includes reading the other information contained in the "Reference Document", in order to identify material inconsistencies with the information presented with respect to the financial statements and to report any apparent misstatement of facts that we may have uncovered in reading the other information based on our general knowledge of the Company obtained during the course of our engagement, it being specified that the "Reference Document" does not contain any projected data.

The Company and consolidated financial statements for the year ended December 31, 2000, approved by the Board of Directors in accordance with French Generally Accepted Accounting Principles (French GAAP), were audited by Deloitte Touche Tohmatsu and Cogerco Flipo in accordance with professional standards applicable in France and certified without qualification. The following observation was made: "Without qualifying the opinion presented in our report we would draw your attention to Note 1 L) to the consolidated financial statements for the year ended December 31, 2000 presented in this reference document disclosing the change in accounting method resulting from the application, with effect from January 1, 2000, of the new regulation issued by the Accounting Regulation Committee applicable to consolidated financial statements".

The Company and consolidated financial statements for the year ended December 31, 2001, approved by the Board of Directors in accordance with French GAAP, were audited by Deloitte Touche Tohmatsu and Cogerco Flipo in accordance with professional standards applicable in France, and were certified without qualification or observation.

The Company and consolidated financial statements for the year ended December 31, 2002, approved by the Board of Directors in accordance with French GAAP, were audited by us in accordance with professional standards applicable in France, and were certified without qualification or observation.

Based on the procedures performed, we have no matters to report regarding the fairness of the information relating to the financial statements presented in the "Reference Document".

Neuilly-sur-Seine and Paris April 3, 2003

The Auditors

Deloitte Touche Tohmatsu

Arnaud de Planta | Jean-Paul Picard

Thierry Karcher

CROSS-REFERENCE TABLE

(COB Regulation 98-01/ Application instruction December 2001)

This Annual Report having been filed as the reference document, the cross-reference table presented below identifies the principal headings of application instruction 98-01 issued by the Commission des Opérations de Bourse (COB) and refers readers to the corresponding pages of the Annual Report.

CONTACTS

INSTITUTIONAL INVESTORS AND FINANCIAL ANALYSTS | **JAMES PALMER, DANIÈLE DAOUPHARS**

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INDIVIDUAL SHAREHOLDERS | **DELPHINE BUENO**

Tel. France (Toll-free): 0 800 235 235 | Tel. international: (33)1 4434 1273 | Fax: (33)1 4434 1237 | delphine.bueno@lafarge.com

Toll-free number available in France for all inquiries concerning the Lafarge share and the registered share accounts (at the Crédit Commercial de France - CCF) | 0 800 06 06 46 | Fax: (+33) 3 2648 3687

COMMISSION DES OPERATIONS DE BOURSE

In accordance with Regulation 98-01, this reference document was filed with the Commission des Opérations de Bourse (COB) on April, 4 2003 under the following number: D03-0375.

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FREE TRANSLATION OF THE ORIGINAL FRENCH TEXT FOR INFORMATION ONLY

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S.A. WITH SHARE CAPITAL OF € 531,521,732

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