

**THE CANAM MANAC GROUP INC.**

**ANNUAL INFORMATION FORM**

**Fiscal year ended December 31, 2003**

**May 3, 2004**

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## ITEM 1 - INCORPORATION

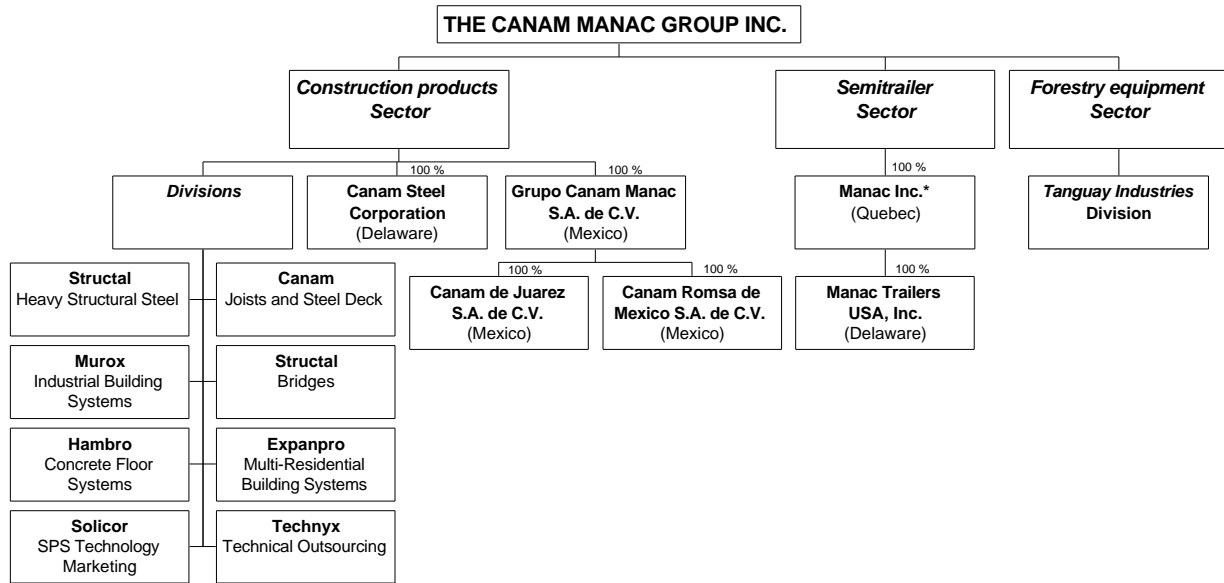
### 1.1 The Company

The Canam Manac Group Inc. (the “Company”) is the result of the amalgamation, on January 1, 1997, of The Canam Manac Group Inc. and its subsidiary, Gestion 11535 Inc., under Part IA of the Companies Act (Quebec).

The head office of the Company is situated at 11535 1<sup>st</sup> Avenue, Suite 500, Ville de Saint-Georges, Beauce, Quebec G5Y 7H5.

### 1.2 Subsidiaries

The following organizational chart sets out the general structure of the Company, as well as its divisions and principal subsidiaries, their respective jurisdictions of incorporation, and the percentage of voting rights held as of December 31, 2003 (excluding certain subsidiaries whose assets represent less than 10% of the Company's consolidated assets at such date or whose revenues do not represent more than 10% of the Company's consolidated revenues).



\* On April 24, 2004, Manac Inc. was liquidated into The Canam Manac Group Inc. and is now known as the Manac division.

## ITEM 2 - GENERAL BUSINESS DEVELOPMENT

Unless the context or wording indicates otherwise, (i) The Canam Manac Group Inc., its divisions and subsidiaries are collectively designated below as the “Company”, and (ii) all dollar amounts referred to in this document are in Canadian dollars.

## 2.1 General Profile

### *Overview*

The Company is engaged in the design, manufacture and sales of construction products for the residential, commercial and industrial building industry and in the design, manufacture, sale and distribution of semitrailers and forestry equipment. The Company operates 19 plants, including ten in Canada, seven in the United States and two in Mexico, and employed 4,361 people as at December 31, 2003. Revenues are generated from a variety of customers found mainly in North America.

### *Summary Description of Operations*

The Company operates through its divisions and subsidiaries and its business operations cover three main areas: (i) the construction products sector, comprised of (x) the business segments CANAM – Joists and Steel Deck Canada, CANAM – Joists and Steel Deck United States, STRUCTAL – Heavy Structural Steel, STRUCTAL – Bridges, HAMBRO – Concrete Floor Systems, MUROX – Industrial Building Systems, EXPANPRO – Multi-Residential Building Systems, SOLICOR – SPS Technology Marketing and TECHNYX – Technical Outsourcing, (y) Grupo Canam Manac S. A. de C. V. (Mexico) and its wholly-owned subsidiaries and (z) Steel Plus Network; (ii) the semitrailer sector, consisting of the Manac division and Manac Trailers USA, Inc. (“Manac Trailers”) (U.S.) (collectively “Manac”); and (iii) the forestry equipment sector, consisting of the Tanguay Industries division (“Tanguay”). The activities of the construction products sector are operated in Canada by the Company and in the United States by Canam Steel Corporation (“Canam Steel”). The activities of the Manac division are operated by the Company in Canada and by Manac Trailers in the United States. The activities of Tanguay are operated by the Company both in Canada and in the United States.

During fiscal year 2003, sales for the main products of the Company which account for at least 15% of the consolidated revenue of the fiscal year in question were:

	<b>Fiscal years ended on December 2003</b> <b>(in thousands of dollars)</b>
Joists and steel deck (North America)	\$327,599
Structal, heavy structural steel and bridges Erection	\$90,482 \$56,708
Manac	\$224,867

Sales of the Company for fiscal year 2003 were \$825,732,000.

**(i) Construction Products Sector**

CANAM is the largest manufacturer of steel joists in Canada, with approximately 77% of the market, and is the second largest manufacturer of steel joists in North America, with an estimated market share of 19%. Canam is the second largest manufacturer of steel joists in the United States, with an estimated market share of 13%. Canam supplies the North American market with an extensive range of construction products including steel joists and steel deck under the Canam name. The Company's products are used extensively by structural steel manufacturers in industrial, institutional, commercial and residential construction.

STRUCTAL – Heavy Structural Steel is a manufacturer of heavy structural steel components and has been a supplier of structural steel to many of the major North American construction projects over the past decade, including sports complexes, conference centres, airports and high rise office towers.

STRUCTAL – Bridges manufactures steel bridges.

MUROX and EXPANPRO design and market specialized construction systems and products for industrial, commercial and multi-residential markets. These products are sold in North America mainly to contractors, developers and building owners.

HAMBRO designs and markets concrete floor systems for the residential and multi-residential markets.

SOLICOR is a manufacturer of products that use the SPS (Sandwich Plate System) technology in the construction of products such as bridge decks, shipping products and stadium risers.

TECHNYX provides technical resources outsourcing services from its offices in Romania and India to members of Steel Plus Network, or any other person who needs such services. In addition, these two offices meet a large part of the internal needs of the different business units of the construction products sector of the Company.

Canam's plants are located in Canada, the United States and Mexico.

**(ii) Manac**

Manac is the largest manufacturer of custom-built and specialty semitrailers in North America. From its two Canadian plants and its plant in the American Midwest, Manac offers a complete line of semitrailers. It manufactures vans, flatbeds, forestry semitrailers, lowbeds, waste transfer trailers, chassis and other specialized semitrailers. Manac's products are used across North America.

Manac's plants are located in Quebec and Missouri.

**(iii) Tanguay**

Tanguay is a manufacturer and distributor of forestry equipment. It has one manufacturing plant in Quebec. Tanguay products are primarily sold in Canada and New England.

**2.2 Developments over the last three fiscal years**

The following events or conditions have affected the general development of the business over the last three fiscal years:

In April 2002, Canam Steel, a wholly-owned subsidiary of the Company, increased from 9.9 to 22.3% its interest in FabTech Industries, Inc. (“FabTech”), an American company whose principal place of business is in Columbia, South Carolina. Canam Steel’s investment consisted of a subscription for 1,250,000 common shares of FabTech at a price of US\$8.00 per share, for a total consideration of US\$10,000,000, and the purchase from Winston Towers, Inc. (“Winston”), a company controlled by Marcel Dutil, Chairman of the Board and Chief Executive Officer of the Company, of 339,982 common shares of FabTech at the same price per share, for a total consideration of US\$2,719,856. In July 2003, Canam Steel bought from Winston 200,000 common shares that it still held at a price of US\$8.00 per share, for a total of US\$1,600,000, bringing Canam Steel’s investment in FabTech to 24%. FabTech is an American manufacturer of structural steel formed from the amalgamation in November 2000 of nine companies, including Steel Fabricators LLC Holding and Cape and Island, two companies in which Canam Steel held an interest. FabTech operates nine manufacturing plants located in the north-eastern and south-eastern U.S. as well as Colorado with an annual manufacturing capacity of 100,000 tons of structural steel. FabTech and its subsidiaries are members of the Steel Plus Network.

In April 2002, Canam Jarny SARL, an indirect subsidiary wholly-owned by the Company, permanently ceased operations at its Jarny plant located in the Meurthe-et-Moselles regions of France. The Jarny plant specialized in the manufacture of plate work products and structural steel. Following this closure, the Company operated in France just one manufacturing plant located in Niort.

In July 2002, Financière Canam S.A.S, a wholly-owned subsidiary of the Company, entered into an agreement with International Protective Coatings Corp., a company controlled by Serge de Langsdorff, to sell a 66% interest in the shares of Canam S.A., an indirect wholly-owned subsidiary of the Company which operated a manufacturing plant in Niort, France. The Company sold its 66% interest in two phases – 49% on August 27, 2002 and the 17% balance on December 20, 2002. The sale was made in consideration of a symbolic amount of two euros and the assumption by Financière Canam S.A.S. of the operating deficit until June 22, 2004, up to an amount of Ä3,500,000. With respect to its remaining 34% block, the Company has a seven-year option to sell its participation. The closure of the Jarny plant and the sale of a 66% interest in the Niort operations means the Company’s withdrawal from manufacturing activities in France. For accounting purposes of the Company, these operations have been stated as discontinued.

Also in July 2002, Steel Plus Limited (“Steel Plus”), a wholly-owned subsidiary of the Company, and Zamil Industrial Investment Company (“Zamil”), a Saudi Arabian company, set up Canam

Asia Limited (“Canam Asia”), a Saudi Arabian company, in which Steel Plus has a 35% interest. Canam Asia operates a manufacturing plant for short and mid span joists as well as Hambro joists, in Saudi Arabia for export primarily to the Middle-Eastern and North African markets. Steel Plus’ investment in Canam Asia is approximately US\$300,000. This association with Zamil has allowed the Company to export its knowledge of joist manufacturing and to associate itself with a well-established industrial group in the Middle East steel construction market with the experience necessary to take charge of the manufacturing and marketing operations of Canam Asia.

In August 2002, Manac Trailers acquired, for US\$4,500,000, certain assets of the manufacturer of semitrailers CPS Trailer of Oran, Missouri. The deal involved the acquisition of an approximately 115,000 square foot plant as well as certain inventory of raw material and finished products. This plant manufactures dump trailers and other specialty units. The annual production capacity of the plant is 1,000 units. It is the first manufacturing plant for Manac in the United States. This acquisition allows Manac to increase its presence in the North American specialty products sector. This complementary acquisition allows Manac to broaden its range of products and gives it better access to the south-western U.S. market, thanks to the network of independent distributors of which CPS Trailer is a part.

In February 2003, the Company announced the permanent closing on April 4, 2003 of Canam Steel’s joist plant located in Lafayette, Indiana. Decreased orders resulting from the economic slowdown in the United States combined with excess production capacity in the Midwest explains this decision. The production operations in the Midwest have since been concentrated at the plants of Canam Steel located in Columbus, Ohio and Washington, Missouri.

On February 24, 2003, Marc Dutil was appointed President and Chief Operating Officer of the Company. Mr. Dutil is in charge of all operations of the construction products sector. This nomination was part of the succession plan for senior management of the Company established by the Company’s Human Resources Committee.

In July 2003, the Company announced that it had mandated Banc of America Securities LLC to sell the Company’s joist and steel deck production operations in the United States and Mexico. This decision targeted the seven steel joist production operations located in these two countries. This decision aimed at allowing the Company to consolidate its sales and fabrication of joists and steel deck in Canada where it is a major player. In the United States, the main competitors of the Company are integrated fabricators with their own steel mills, which is not the Company’s case. Although the plants targeted in the United States and Mexico represented 50% of the plants in the construction products sector, they accounted for only 14% of the value of sales of the Company during the quarter immediately preceding the announcement that they were for sale. After evaluating the offers to purchase its joist and steel deck manufacturing operations in the United States, the Company decided in the spring of 2004 to continue operating the plants it had put up for sale and to take advantage of the increased selling price of steel products in the United States, announcing, however, firstly a restructuring of its U.S. activities by the closing on June 4, 2004 of its Columbus, Ohio plant. The production of that plant will be taken over by the Canam Steel plants located in Washington, Missouri and Point of Rocks, Maryland. The Company is pursuing the plan to sell its Mexican operations.

Following the announcement in June 2003 of an agreement with Intelligent Engineering (IE) for the fabrication and marketing rights for the SPS technology in North America and the Caribbean, the Company announced in November 2003 that it had successfully built the first bridge to use SPS technology for its bridge deck, in Saint-Martin de Beauce. The addition of this technology to the list of products offered by the Company is part of the Company's strategy to target value added products with long-term growth potential. This technology is particularly applicable to mid and long-span bridge deck construction and other civil engineering applications. SPS is a structural product consisting of two metal plates bonded to a solid elastomer core. The product allows the use of efficient and light designs with a significant reduction in weight and which decrease the overall size and cost of infrastructures, while increasing service life.

Following a temporary closing in mid-July 2003, the Company announced, in January 2004, the permanent closing of its semitrailer plant in Orangeville, Ontario. Persistent production overcapacity in the semitrailer industry, mainly in the standard dry freight van manufactured at the Manac plant in Orangeville, and the strength of the Canadian dollar compared with that of the U.S. dollar, resulted in the closing of this plant. Following the closing of the plant, Manac will concentrate its manufacturing operations in the custom trailer and specialized trailer market which it believes offers better margins than standard freight vans.

In April 2004, the Company announced the adoption of a new strategic plan which will exclusively concentrate its activities in nine business segments (see 2.1) related to construction products. The execution of this plan, which is intended to increase the profit outlook of the Company, involves a major reorganization within the Company. The Company's goal is to concentrate its activities in segments offering profitability and growth in the construction products sector, while improving its balance sheet.

The announced restructuring involves the sale of Manac, Tanguay and the Monterrey plant in Mexico, as well as the closing of the plant in Columbus, Ohio and the temporary shutdown of the plant in Laval, Quebec.

Regarding the sale of Manac, the Company agreed to sell Manac to a corporation 40% owned by the Fonds de solidarité des travailleurs du Québec (F.T.Q.), 40% by Société financière Bourgie (1996) Inc. (a corporation whose president is Pierre Bourgie, a director of the Company) and Montreal Partners Limited Partnership (a limited partnership whose principal general partner and special partner is Pierre Bourgie) and 20% by Litud Inc. (a corporation controlled by Charles Dutil, the current president of Manac). The total consideration for the Company is \$70 million subject to adjustments. The transaction excludes the equipment, land and building at the Orangeville, Ontario plant, permanently closed in January 2004. The Company intends to complete the transaction during the month of May 2004. An independent committee of the Board of Directors of the Company has decided that the consideration offered under this transaction is fair from a financial point of view for the Company. Among other things, the independent committee based itself on a fairness opinion prepared by BMO Nesbitt Burns Inc. This transaction is subject to final approval by the Board of Directors of the Company.

The decision to concentrate the activities of the Company exclusively in the construction products sector also implies the sale of Tanguay to a corporation to be incorporated, the majority shareholder of which will be Équipements Quadco Inc. and Trans-Gesco Inc., two corporations

under common control. This transaction will be concluded at the book value of the assets. The assets sold are the fixed assets, raw material, goods in process and prepaid expenses; finished products of the Company are excluded from the sale. A letter of intent has been signed and includes a certain number of conditions, including the approval of the Board of Directors of the Company. The Company intends to complete this transaction during the summer of 2004.

In addition, a letter of intent was signed for the sale of the plant in Monterrey, Mexico to a group of local investors. The agreement will allow the Company to recover the value of these assets. The transaction is expected to close during the month of May 2004 and is subject to a certain number of conditions. The slowdown in economic activity, restructuring costs and write-off of future tax credits had resulted in heavy losses in Monterrey in 2002 and 2003.

In order to ensure profitability and long-term growth in the construction products sector, in April the Company also announced the temporary closing of the Laval plant in July 2004 as well as the abolition of around twenty jobs in the Structural heavy structural steel segment and at the corporate level in the United States and Canada.

### **2.3 Strategy and New Directions**

#### Construction Products Sector

In the fall of 2003, the Company began a strategic planning process. As a result, it was decided to: (i) rename what had been called the “Steel Components Division” as the “Construction Products Sector” in order to reflect the variety of products and services offered by the Company in the construction sector; (ii) to divide the activities of the sector into nine units: (a) CANAM – Joists and Steel Deck Canada, (b) CANAM – Joists and Steel Deck United States, (c) STRUCTAL – Heavy Structural Steel; (d) STRUCTAL – Bridges, (e) HAMBRO – Concrete Floor Systems, (f) MUROX – Industrial Building Systems, (g) EXPANPRO – Multi-Residential Building Systems, (h) SOLICOR and (i) TECHNYX; and (iii) to separate sales from product manufacturing, the plants working henceforth to support the sales of each of the business segments, except in the United States where sales and manufacturing will remain the responsibility of the business segment. The Company has innovated by adding new products and services with SOLICOR and TECHNYX. For 2004, the implementation of the plan will be accomplished with existing physical resources, by limiting capital expenditures and by launching cost reduction initiatives.

The strategy for the construction products sector consists of:

- (i) maintaining its position in the markets it dominates by pursuing an aggressive policy of customer satisfaction and continued improvement of its existing products;
- (ii) using its design, marketing and manufacturing know-how for the North American construction market to grow and profitably use recognized brand names such as Canam, Structural, Hambro, Murox and Expanpro; and
- (iii) pursue its positioning in emerging markets such as Eastern Europe, the Middle East and India, to take advantage of the Company’s present leadership in human resources management and business opportunities in those areas.

Canam joists and steel deck Canada and Canam joists and steel deck United States aim to be recognized as the best designers and manufacturers of steel joists and structural steel components for the construction industry in North America, through their flexibility, the quality of their products and their exceptional service. These business segments aim to provide the best solutions and services in all of Canam's joists markets. Covering a large territory allows the Company to bid on national accounts. By setting up its plants near the markets it serves, the Company takes advantage of significant savings on the shipping of its products.

In the heavy structural steel area, Structal's business strategy is to focus on complex, highly engineered projects such as sports complexes, convention centers, office towers, industrial complexes and airport facilities. These projects require the sophisticated design and manufacturing capabilities that Structal is able to provide. Canam's ability to provide these specialized products has made it a supplier of choice for several major construction projects throughout North America.

In the bridge sector, Structal intends to remain the leader in Quebec and increase its presence throughout Canada. Structal has registered itself with suppliers of work in the United States and will continue this effort in 2004. The Company believes that acceptance of SPS as a bridge deck product will contribute to the growth of this segment of the business.

Hambro enjoys an excellent reputation with real estate developers in some of its markets, particularly in Florida. Moreover, this product, which has received many improvements and innovations over the years, is protected by several patents and patents pending. The Company intends to take advantage of the awareness of this product to expand its use throughout North America. By combining Hambro with Expanpro building systems as well as with its other steel products, the Company is able to offer a complete solution for the structure and building shell.

Similar to Hambro products, the Murox and Expanpro building systems are value added products that complete the other steel products of the Company. These products allow the Company to offer its products and services to those who build industrial, commercial and residential buildings.

Technyx plans on taking advantage of the highly educated and specialized labor force that was developed by the Company in Romania and India to offer outsourcing services for technical resources in the commercial, residential and industrial markets, to CAD users and to technical software development firms, in addition to members of Steel Plus Network, and meet the internal needs of the Company.

With the addition of the new SPS products to its line of products, particularly in construction of mid and long-span bridge deck and other civil engineering applications, Solicor will be able to design simple and light structures that result in significant weight savings and consequently reduce the size and total cost of the infrastructures while increasing service life. This patented innovative technology is part of the Company's new strategy to target value-added applications with long-term growth potential. The Company concluded an agreement with Intelligent Engineering Holdings Limited in 2003 for the manufacturing and marketing rights for SPS technology in North America and in the Caribbean.

Steel Plus Network is a North American group of structural steel fabricators and suppliers. The Company gives the members of the Steel Plus Network preferred access to various products and

services to enhance their competitiveness. The Steel Plus Network allows the Company to increase its production volume, receive royalties and gain access to new markets. The mission of the Steel Plus Network is to develop and maintain a mutually profitable business network between Canam and the network's members by offering innovative products and services. The Company intends to open the ownership of Steel Plus Network to its members.

#### Manac

Manac's mission is to be recognized as the best North American manufacturer of custom and specialty semitrailers. Manac is concentrating its growth efforts on the specialty product markets. These markets were traditionally occupied by smaller manufacturers. Manac believes that its buying power combined with its technical knowledge and sales force give it a competitive edge in the specialty products sector. Manac follows an integrated approach to engineering, manufacturing and marketing which emphasizes flexibility in product design and operations while maintaining a low cost structure. Manac seeks to identify and manufacture custom products for the trucking industry that offer added value to customers and, therefore, generate more stable demand and higher profit margins than those associated with regular dry freight vans. Growth will be achieved through the introduction and improvement of products, an increase in territory coverage and strategic acquisitions.

#### Tanguay

Tanguay's mission is to be recognized as a high quality manufacturer and distributor of forest equipment. Tanguay offers its customers comprehensive solutions to allow them to reduce operating costs and increase productivity. By adapting its products to the requirements of its customers, Tanguay believes it is able to provide the flexibility which its competition cannot offer.

### **ITEM 3 - DESCRIPTION OF OPERATIONS**

#### **3.1 General Profile**

##### **3.1.1 Construction Products Sector**

###### *Overview*

The Company's construction products sector is divided into nine business units: (i) CANAM – Joists and Steel Deck Canada, (ii) CANAM – Joists and Steel Deck United States, (iii) STRUCTAL – Heavy Structural Steel; (iv) STRUCTAL – Bridges, (v) HAMBRO – Concrete Floor Systems, (vi) MUROX – Industrial Building Systems, (vii) EXPANPRO – Multi-Residential Building Systems, (viii) SOLICOR and (ix) TECHNYX. For the purposes of this item, CANAM – Joists and Steel Deck Canada and CANAM – Joists and Steel Deck United States are collectively called Canam.

### Products and Services

The construction products sector designs, manufactures and markets a wide range of structural steel components and steel construction products under the Canam brand name. These products include joists, roof trusses, beams, columns, steel deck and cold-formed sections.

The construction products sector designs and manufactures heavy structural steel used for bridges and major construction projects under the Structural name.

The Company designs and manufactures specialized construction product systems that complete its range of steel products. These specialized products are offered under different brands: Murox and Expanpro building systems, Sun steel buildings and Hambro concrete floors. The Company has also started designing and manufacturing products that use SPS technology, such as bridge deck. These products represent less than 5% of all sales of the Company, but they are constantly growing.

The products are distributed mainly through Canam's sales and distribution network, which serves all of Canada, the United States and Mexico.

The construction products market follows the cycles of non-residential construction. Certain products such as Hambro and Expanpro however, are widely used in the residential construction market and therefore are influenced by construction cycles in this market. GDP and population growth tend to be leading indicators of demand for construction products.

### Plants

The Company operates 15 construction products plants in Canada, the United States and Mexico. These plants are operated by divisions and subsidiaries of the Company.

The following table lists, as of December 31, 2003, the location of the Company's plants, the products manufactured at each plant and their steel products production capacity.

<b>Plant Location</b>	<b>Products/Purpose</b>	<b>Capacity (Tons)</b>
<b>Construction Products Sector</b>		
Boucherville, Quebec	Cold-formed sections and steel deck	65,000
Calgary, Alberta	Steel joists and steel deck	40,000
Ciudad Juárez, Mexico	Steel joists	27,000
	Hambro systems	
Columbus, Ohio	Cold-formed sections	87,000
	Steel joists and steel deck	
Jacksonville, Florida	Steel joists and steel deck	85,000
	Hambro systems	
Laval, Quebec	Structural steel and SPS products	20,000
Mississauga, Ontario	Steel joists and steel deck	60,000

Monterrey, Mexico	Steel joists and steel deck	45,000
	Hambro systems	
	Structural steel	
	Sun Building Systems	
Point of Rocks, Maryland	Steel joists	51,000
Québec City, Quebec	Structural steel, bridges and beams	25,000
Saint-Gédéon, Quebec	Steel joists	100,000
	Hambro systems and Murox	
	Structural steel	
Saint-Joseph-de-Beauce, Quebec	Expanpro Systems	
Sunnyside, Washington	Steel joists and steel deck	60,000
Sunnyside, Washington	Sun Building Systems	20,000
Washington, Missouri	Steel joists	47,000

### Raw Material

Raw material represents approximately 50% of the manufacturing costs for Canam, Structural Heavy Structural Steel and Structural Bridges. Steel is the main raw material used and its cost is set based on supply and demand in the international market. Since the implementation of the Free Trade Agreement between Canada and the United States, steel prices have been harmonized on both sides of the border. The significant tonnage of steel utilized by the Company has allowed Canam to purchase raw material at competitive rates. For the year ended December 31, 2003, no supplier accounted for more than 10% of the Company's steel supply.

### Recent Performance

Fiscal year 2003 was marked by a difficult economic situation in the non-residential construction sector in North America that reached the bottom of the economic cycle during the year. All indications point to an increase in demand in terms of square footage built and a new level of growth since the second quarter of 2003. In the United States, the decrease in demand that began in 2001 was one of the strongest ever experienced by the Company. This slowdown was less pronounced in Canada. The business conditions in the United States led to the closure, in April 2003, of Canam Steel's joists plant in Lafayette, Indiana. The Company was not alone to feel the effects of the US economic slowdown, as several steel mills and fabricators also closed facilities in 2003. These closures caused a rationalization in the industry that slightly reduced the production overcapacity.

Due to increased demand for scrap metal on world markets, the prices of steel increased beginning the first quarter of 2004, coinciding with a turnaround in non-residential construction in the United States. As a result of the turnaround, the Company was able to have its customers absorb the increases in steel prices while slowly increasing its margins. Since Canada did not experience a slowdown as strong as in the United States, the prices of steel products in 2003 remained close to 2001 levels.

The 15 plants produced 389,182 tons of steel products in 2003 compared to 387,498 tons in 2002, an increase of 0.4%. Sales in this sector were \$582,722,000 in 2003 compared with \$671,244,000 in 2002. As at December 31, 2003, the Company's unfilled orders totaled 105,547 tons of joists and steel components compared to 104,618 tons as of the same date in 2002.

#### 3.1.1.1 CANAM Joists and Steel Deck

Steel joists are key components that support the roof and floor of commercial and industrial buildings. They are typically used in the construction of one and two-story buildings such as stores, warehouses, shopping centers, restaurants, schools and churches. Joists are manufactured in a variety of sizes, shapes and extensions, customized to meet builders' requirements. Large steel joist manufacturers such as Canam sometimes supply steel deck used as complementary roofing and flooring components installed on top of the joists. The steel deck is a lower value-added product, but allows it to be a one-stop supplier for customers.

Steel joists are usually delivered by truck. Because of the low value to weight relationship, shipping joists beyond 500-800 kilometres is usually not economical. Competition for joists therefore takes place on a regional basis. In order to be successful, steel joist manufacturers have to offer not only good quality and a competitive price, but also on-time delivery.

##### Geographic Coverage

Since on-time delivery is a paramount customer requirement and since the cost of shipping joists is high, Canam serves the North American market through a large number of small and medium-sized plants located near markets rather than through a small number of large, distant facilities. The geographic distribution of Canam's plants gives it good coverage of North America.

Since 2002 the Company has also been present in the Middle East through a 35% investment in Canam Asia Limited ("Canam Asia"). Canam Asia operates a plant in Dammam, Saudi Arabia, which manufactures short and mid-span joists and Hambro joists. Its production capacity is expected to reach 22,000 tons. The joists manufactured in Dammam are primarily for export to markets in the Middle East and North Africa.

##### Customers

Steel joists and steel deck are sold to general contractors and structural steel fabricators. All work is to order. All sales contracts are firm, fixed-price contracts and are normally competitively bid against other suppliers for a project.

Upon winning a bid for a project, a contractor selects a fabricator to supply the structural steel components required for the project. Consequently, the fabricator chooses a qualified company with the ability to engineer, manufacture and supply the steel components. The Steel Plus Network (**see 3.1.1.9**) obtains additional business for Canam for the supply of joists and steel deck when a fabricator member of the Steel Plus Network is selected to provide structural steel for a project.

For the year ended December 31, 2003, no single customer accounted for more than 5% of Canam's sales in the joist and steel deck sector.

For the last few years Canam has developed the national accounts market. The large real estate developers or chain stores or restaurants can buy directly from Canam. This approach reduces by close to half the time needed to produce the order. National accounts count for approximately 10% of Canam's sales. In addition, the close relation with the customer allows the Company to promote the benefits of its other construction products.

### Competition

The Company is the largest manufacturer of steel joists in Canada with a market share of approximately 77% and the second largest in the United States with a market share of approximately 13%, for an estimated 19% of the market share in North America. There are around 50 joist manufacturing plants in North America, with the main competitors in the U.S. being Nucor (Vulcraft), Commercial Metals Company (SMI Joists), Roanoke Electric (Hancock-Socar), Steel Dynamics (New Millennium), Schuff Steel (Quincy Joist), EBSCO Industries (Valley Joist) and Bouras Industries (New Columbia Joist). Nucor, Commercial Metals Company, Steel Dynamics and Roanoke Electric are integrated businesses which operate steel mills. In Canada, Canam is the only national player serving the country coast to coast and competing on a regional basis with Delta Joists in Quebec, Omega Joists in western Canada and MBS Steel in Ontario. No Canadian manufacturer owns a steel mill. The Canadian market represents approximately 10% of the total North American market. Due to the different characteristics of the Canadian and U.S. markets, which include requirements related to harsher Canadian weather conditions, the building code and the metric system, there have been limited sales of U.S. manufactured steel components to Canada.

Since 2002, the joist and steel deck sector was affected by a marked slowdown in the United States in the commercial and industrial building sectors. This slowdown forced manufacturers to reduce their sale prices. Although the Company followed the price reduction in part, it refused to become involved in a price war and to sell below a certain price, which may have marginally and temporarily decreased its market share. At the end of 2003, the Company noted, however, a slight increase in prices which should, in its opinion, continue in 2004 provided the U.S. economy improves. Although Canada experienced a slowdown in non-residential construction since 2002, it did not have as much impact as in the United States, and as a result prices remained unchanged.

#### 3.1.1.2 STRUCTAL – Heavy Structural Steel

The Company fabricates and sells heavy steel structural products under the Structal name. Structal provides large, specially designed structural steel parts for projects such as sports complexes, office towers and industrial complexes.

### Geographic Coverage

The structural steel manufacturing plants of the Company are located in the province of Quebec and Mexico. Because of the geographical location of its plants, the Company has concentrated its sales efforts primarily in eastern Canada, New England, the southern United States and Central

America. As in the joist sector, the cost of shipping steel products is high and represents a determining factor in the price of products. The projects undertaken by the Company are generally located within a radius of up to 1,100 kilometers of the structural steel manufacturing plant.

Other than the manufacturing distance factor, knowledge of the area is a determining element in penetrating a market. Although the Company may not operate a plant in a given area, its knowledge of the territory and the companies that operate therein provide it with opportunities to bid on projects. In such cases, the Company obtains its steel products from regional structural steel fabricators. For example, the knowledge that the Company acquired in Romania from its local operations, and links with the business community in that country, allowed it to land a contract in February 2003 to build a 16-storey office tower in Bucharest. This contract includes the engineering, drawing design, manufacturing and erection of 3,600 tons of steel joists and other structural steel components. The manufacturing was done by Romanian sub-contractors.

Through Canam Steel's interest in FabTech, the Company has access to a structural steel group operating 12 fabricating plants located in the north-eastern and south-eastern U.S. as well as Colorado with an annual fabricating capacity of 100,000 tons of structural steel. FabTech and its subsidiaries are members of the Steel Plus Network.

#### Customers

Structal focuses on more complex projects which allow it to maximize its engineering and construction expertise. Using this expertise, Structal helps its customers improve their designs by optimizing the quantity of steel required for a project, thereby allowing substantial savings. For large-scale projects, the Company offers design, manufacturing, supervision and on-site installation services. The customers of Structal Heavy Structural Steel are general contractors (ex. Beacon Barton Malow, Groupe Axor, Pomerleau, PCL Contractors, Turner Construction), engineering firms (ex. AMEC, Hatch, LeMesurier, SNC Lavalin, Yolles), building owners and other structural steel fabricators.

The Company has acquired extensive experience in the supply of structural steel components for large-scale construction projects such as sports complexes, industrial complexes, airport facilities and office towers. Structal's most recent projects include the Casino in Niagara Falls, Ontario; the Eagles Stadium in Philadelphia, Pennsylvania; the Patriots Stadium (CMGI Field) in Foxboro, Massachusetts; the Boston Convention & Exhibition Centre, Massachusetts; the Lester B. Pearson International Airport in Toronto, Ontario; and the Pierre-Elliott-Trudeau Airport in Montreal, Quebec.

#### Competition

The structural steel fabricating sector is very fragmented, with over 3,000 manufacturers operating in North America. Among the larger manufacturers, Super Metal and ADF are Structal's main competitors in Canada. In New England, the main competitors are Capco Steel, Cives and Super Metal.

Concrete also competes with steel; some real estate developers prefer to erect buildings using concrete structures rather than steel.

### 3.1.1.3 STRUCTAL – Bridges

The Company manufactures and sells steel structures for road, train and forestry bridges as well as welded beams under the name Structural. These specialized products require complex and oversize manufacturing.

#### Geographic Coverage

Structal serves the Canadian bridge manufacturing market. Structures are transported by trailer or by train. Rail transport is recognized as being less expensive than road transport and Structural is able to offer its products over a larger territory. Structural recently penetrated the U.S. market and obtained a few large projects, namely providing 3,000 tons of structural steel for the New Jersey Turnpike and the Port Authority of New York and New Jersey as well as 6,000 tons of structural steel for the Artery Tunnel project in Boston, Massachusetts.

#### Customers

Over the next ten years, Structural estimates that 30,000 bridges will need to be replaced in North America. Structural serves general contractors, provincial governments, rail companies and forestry companies.

The most recent of Structural's projects include, in addition to those listed above, the production of close to 75% of the 7,000 tons of box girders for the new access ramps at Pearson International Airport in Toronto, Ontario and the manufacture and installation of spans for the construction of two bridges of 1,200 feet each (5,500 tons) over the North Saskatchewan river in Edmonton, Alberta.

#### Competition

In the province of Quebec, the Company believes that Structural is the main fabricator of bridge structures. Competition comes essentially from concrete, or bridges made of concrete poured on site or bridges made from pre-stressed concrete beams.

### 3.1.1.4 HAMBRO – Concrete Floor Systems

The Hambro floor system is a combination of Hambro steel joists and a concrete slab. The system forms composite beams with a continuous slab. This system has many advantages over conventional wood floors: increased protection against fire and better soundproofing. The slab also eliminates the need for support columns under the floors. The system is used for the framework for buildings made of masonry, steel and concrete, wood or with slab or pre-stressed concrete. It is used for single-family dwellings, multi-story residential condominiums or commercial buildings. The Hambro system is patented in Canada and the United States. These patents belong to the Company.

The Hambro system is sold throughout North America. It has been widely used by real estate developers in Florida, which in itself accounted for over 40% of Hambro sales in 2003. The

Company sees great potential for this product and intends to increase its sales efforts to other markets to expand its use. The competition uses wood, concrete and steel based construction.

#### 3.1.1.5 MUROX – Industrial Building Systems

Murox engineers, manufactures and erects buildings for industrial, commercial and institutional applications. These buildings use Murox bearing panels. These load bearing wall panels measure three metres wide and can reach 16 metres high; they are shop assembled. They considerably reduce on site erection time as well as site management and supervision by reducing the number of trades required for erection. The exterior finish of the Murox panels is made of galvanized steel roll formed in Canam plants. The current properties of the Murox bearing walls allow the Company to cover the territory located north of the North American Snow Belt. Murox intends to increase its product range to include items such as cold storage panels, fire resistant panels and solar panels.

Murox and Expanpro (see 3.1.1.6) complete the range of products in the construction products sector in terms of structure and building shell. By combining Hambro concrete floor systems and Canam joists and steel deck, the Company is able to design the entire structure and shell of a building.

#### 3.1.1.6 EXPANPRO – Multi-Residential Building Systems

Expanpro engineers and manufactures prefabricated shop-assembled wall panels. The finishing of the Expanpro panels may be textured or in granite. These panels allow flexibility in the design of architectural form adapted to customer needs. Similar to Murox, the Expanpro panels are erected much faster than conventional walls. The Company limits its territory to Quebec and the Toronto region in Ontario. The panels are manufactured at the Company's plant in Saint-Joseph-de-Beauce, Quebec. The Company only has market penetration to date of approximately 2%. Expanpro competes with other prefabricated wall manufacturers and conventional building construction companies.

#### 3.1.1.7 SOLICOR – SPS Technology Marketing

In July 2003, the Company signed a licence agreement with Intelligent Engineering Holdings Limited (IE) to manufacture and market products using SPS technology in North America and the Caribbean, particularly in the construction of bridge deck for mid and long-span bridges as well as other civil engineering applications. This license covers Canada, the United States, Mexico and the Caribbean for the production and the sale of SPS plates for the construction of bridges, risers, and building and semitrailer components. The license is exclusive for the marketing of applications related to bridges, risers, building components and semitrailers. The license is for a period of one year, during which the Company must, among other things, complete a pilot project, following which it will be renewed for an additional period of ten years.

SPS (Sandwich Plate System) is a structural product consisting of two metal plates bonded to a solid elastomer core. The product allows the design of simplified lighter structures that ensure significant weight reductions, thereby decreasing the size and cost of the infrastructures, while increasing their service life. The technology is protected by over 47 patents or patents pending in the world. Tests on the characteristics and structural properties of SPS plates were conducted in

several laboratories. The product was mainly used over the last few years in the naval construction sector for bridge decks, ferry ramps and watertight compartments for ships.

In the infrastructure and construction sector, the first applications identified by the Company were bridge deck and stadium risers. In November 2003, the Company announced that it had successfully completed the first bridge to use the new SPS technology in Saint-Martin de Beauce, Quebec. This pilot project was completed with the assistance of the provincial department of transportation in Quebec and the local municipality in order to replace a bridge that had been swept away by spring floodwaters. The bridge measured 74 feet by 23 feet. Without the need for formwork or concrete slabs, the bridge was erected much more rapidly than with traditional methods. The bridge deck, composed of 10 SPS panels, is supported by three girders. The total weight of the bridge is 32 tons while the same structure using concrete would have weighed approximately 96 tons.

The addition of this innovative technology is part of the Company's new strategy to added value-added application with long-term growth potential. Several departments of transportation in Canada and the United States are interested in the development of this product due to its ability to increase the service life of highway infrastructures. The Company has evaluated the bridge rehabilitation market in the United States at approximately US\$3.1 billion per year. Quebec and Ontario have approximately 20,000 bridges. According to Quebec's department of transportation, 40% of the bridges located in Quebec will need to be replaced or repaired.

#### 3.1.1.8 TECHNYX

Steel Plus Limited (SPL), a Cyprus-based wholly-owned subsidiary of the Company, and Canam Steel Romania Limited, a wholly-owned Romanian subsidiary of SPL, under the Technyx trade name, provide, in India and Romania respectively, outsourcing services for technical resources for industrial drafting, engineering, specialized programming and multimedia. Technyx has a highly educated specialized team at its offices in Brasov, Romania, and Kalkota, India, where it employs approximately 240 and 35 people respectively. These offices were first created at the end of the 1990's in response to a shortage in specialized labor in the North American industrial drafting sector and strong pricing competition on structural steel project bids. The Company believes that labor in countries such as Romania and India is much less expensive than in North America, allowing the Company and those who use these resources to be more competitive with their bids.

Technyx offers its technical resource services to commercial, residential and industrial construction markets, to users of CAD products and to software development firms. Among its clients are several North American companies who are members of Steel Plus Network, European companies and business units of the construction products sector of the Company and Manac. The outsourcing of resources is by contract for hire over a specific period while the client assumes entire responsibility for the contract period. In the current global market, all communications between the client and the resource may be done online. Technyx uses the latest technology in its office equipment and communications tools. In 2003, Technyx opened a new office building in Brasov; the Company built the 98,410 square foot building to include four floors that can accommodate 400 employees. To the Company's knowledge, there is no other company using this outsourcing model, although there are firms with their own resources in

Eastern Europe and in India, but they offer services on a flat rate basis per project. Clients have the advantage of less expensive resources than they can find in North America, a second shift due to the time difference, access to a pool of qualified and motivated resources, use of the latest technology and supervision of the resources by the expertise of the Company.

#### 3.1.1.9 STEEL PLUS NETWORK

Steel Plus Network (the “Network”) was launched by the Company as a unique North American business network composed of structural steel fabricators, suppliers, consulting engineers and other professionals. The Network promotes the use of steel in construction by offering its members the products and services required to assure their competitiveness, increase the quality of their products and services and contribute to their individual success.

The Network is an innovative concept which resolves everyday problems faced by structural steel fabricators. Network members have access to a full range of business services aimed at increasing their competitiveness. Several projects use software developed by the Company.

The Company is given the opportunity for additional business when a Network member obtains a new contract. The Network allows the Company to retain member loyalty, increase its production volume and gain access to new markets. Network members represent approximately 40% of joist sales by Canam, while they represent only 10% of its clientele. Overall, the Network is expected to help reduce the cyclical nature of Canam’s business while improving the Company’s growth and profitability. The Network also gives the Company access to structural steel suppliers as part of national contracts. At the end of 2003, the Network had 154 members compared to 140 in 2002.

### 3.1.2 Semitrailer Sector

#### *Overview*

The North American semitrailer industry for the shipment of merchandise by road is cyclical and reacts to overall economic conditions as well as the performance of several business sectors. Regulatory changes to the weight, dimensions, safety features and configuration of semitrailers is increasing demand for trailers that meet new regulatory requirements adopted from time to time.

Demand for semitrailers is a leading indicator of economic activity. It is therefore not surprising that semitrailer manufacturers have historically achieved their best performance in the early part of an expansion cycle.

When the economy slows down, the trucking industry faces production overcapacity. Very quickly, rates fall and operators’ profit margins shrink. As a result, demand for new semitrailers declines and the replacement of old fleets is postponed. When the economy starts showing signs of recovery, trucking companies increase profitability as demand for trucking of merchandise increases. Trucking companies then start to renew their fleets and to add to their capacity in order to meet the additional demand and take advantage of financing costs which are generally lower at the beginning of an economic cycle.

The structural quality of a semitrailer is dependent on the design, components selected and the quality of the manufacturing process. According to available statistics, semitrailer operators have historically replaced their fleet in cycles that run from approximately six to ten years, although depressed trucking activity can lead to aging of the fleet. Certain types of trailers, such as logging semitrailers or vehicles used to transport solid waste, age more quickly due to intensive use and must therefore be replaced more quickly. However, accurate statistics on the size and age of the fleet in North America are difficult to compile because many older semitrailers are being used as temporary storage facilities as well as being used on the road occasionally.

In 2003, deliveries for the semitrailer industry increased 33% compared to a drop of 6% during 2002. Despite this recovery, the industry's production capacity continued to exceed demand and this situation placed strong pressure on the selling prices of semitrailers, mainly with regards to standard products such as two-axle dry freight vans. Manac, by virtue of its focus on sales to the small to medium-sized fleets and to the specialized products segment of the market, did not experience this recovery in 2003. The beginning of the purchasing cycles in the industry are generated by the large U.S. fleets that have better access to financing and by the independent distributors who place orders in anticipation of the increase in activity. However, with its direct sales force and wide range of products, Manac believes it is in a good position to outperform its competitors over the next economic cycle of the industry.

### *Manac*

Manac is Canada's largest manufacturer of semitrailers. Its market share in 2003 was 26% of the Canadian market and 3.3% of the North American market. Manac operates two semitrailer plants in Canada and one in the United States. The Canadian plants are located in Ville de Saint-Georges and Trois-Rivières, Quebec. The U.S. plant is located in Oran, Missouri.

Manac also provides custom after-sales service that meets the needs of customers at its service centers in Mississauga, Ontario, Boucherville, Quebec and Oran, Missouri.

Manac covers its main markets of Quebec, Ontario, the Maritimes and the north-eastern United States directly. A network of independent distributors completes its coverage of the North American market. Its customers and users are transportation companies, equipment rental companies, all types of manufacturing companies and companies operating in the food distribution business.

### Products

Unlike many large North American manufacturers, Manac manufactures several types of semitrailers: logging semitrailers, dump trailers, solid waste transfer trailers, steel and aluminum flatbeds, lowbeds, vans and container chassis. Manac believes that it is the only North American manufacturer to offer such a wide range of products. In January 2004, Manac announced the permanent closure of its Orangeville, Ontario plant which had been temporarily closed since July 2003; this plant manufactured only standard dry freight vans with two or three axles. Persistent production overcapacity in the semitrailer industry and the strong increase in the value of the Canadian dollar compared with the US dollar resulted in the plant closure.

Manac is concentrating its efforts on providing client specific products that minimize its customers' operating costs by maximizing semitrailer payloads and cargo capacity. Its technical team constantly looks for lighter and stronger manufacturing materials. They work with parts manufacturers to help develop new products and to select the best mechanical and manufacturing components. This specialization has allowed Manac employees to gain unique expertise in designing and manufacturing the most complex semitrailers. The average selling price of a specialized trailer is higher than that of the typical basic trailer, while the number of units per order is generally smaller.

### Customers

Manac markets its semitrailers through its own sales team in its principal markets. The rest of North America is served by a network of independent distributors. Through this combined effort, Manac is represented in ten Canadian provinces and 40 states in the U.S. Most of Manac's sales are made directly to users and are concentrated in north-eastern North America.

### Recent Performance

In 2003, Manac's market share in Canada decrease by 4.7%. This decrease is partially attributable to the temporary closing of the Orangeville plant and the increase of the Canadian dollar exchange rate which had a negative impact on sales of freight vans. Since there are no duties on products imported into Canada, the difference between the Canadian and American dollar made the American products more affordable on the Canadian market. However, the effects on Manac's costs were less pronounced because of the high level of American content in its products. The decrease of the market share was less extensive for flatbeds. The Oran plant in Missouri should contribute more greatly to sales of flatbeds with the addition in 2003 of an aluminum flatbed assembly line. The sustained marketing effort for specialized products and the increase in sales of flatbeds should compensate the decrease in sales of freight vans in 2004.

Manac manufactured 6,318 semitrailers in 2003 compared to 7,034 in 2002, a 10.2% decrease. As of December 31, 2003, Manac's unfilled orders totaled 899 semitrailers compared to 2,281 for the same date in 2002.

### Competition

The semitrailer market remains highly competitive and prices are sensitive to any change in demand. Currently there is manufacturing over-capacity in this sector. North American demand for vans is met by a small number of manufacturers. Other segments of the industry are served by a large number of small manufacturers.

Price, delivery times, flexibility in design and product quality and durability, warranty, service and parts availability are competitive factors in the markets served.

Manac is the largest Canadian manufacturer in the semitrailer sector in terms of the number of units manufactured. Manac's competition in Canada is Trailmobile Canada Limited, Lode-King Industries and many small regional manufacturers. The other main North American players are Wabash National Corporation, Great Dane Limited Partnership, Utility Trailer Manufacturing

Co., Stoughton Trailers Inc. and Hyundai. According to industry sources, the top 10 manufacturers account for more than 78% of the North American market.

### **3.1.3 Forestry Equipment Sector**

#### *Overview*

Tanguay operates a plant located in Saint-Prime, Quebec, which specializes in the design, manufacturing, marketing and distribution of forestry equipment. The territories served by Tanguay are Quebec, Ontario, the Maritimes, western Canada and the north-eastern United States, by a network of direct sellers and distributors.

#### Products

Products manufactured by Tanguay meet the needs of the logging industry (loading, unloading and short distance shipping) to optimize log handling in wood lots and forests. The interesting feature of Tanguay's products is the balance between loaded traction capacity, rotation, extension and retraction speed of the towers and masts, the volume of wood handled per cycle and their speed of movement.

#### Recent Performance

In 2003 the Canadian forest industry continued to be greatly affected by the Canada - U.S. dispute over softwood lumber exports and with the addition of the rapid appreciation of the Canadian dollar, Tanguay was unable to return to profitability in 2003. Although Tanguay's sales for 2003 increased by 6% to reach \$13,900,000, the division registered a net loss of \$913,000 compared to \$811,000 in 2002.

### **3.1.4 Other Activities**

As disclosed in its audited consolidated annual financial statements, the Company owns a portfolio of investments (the "Investments") in a number of private and public companies with a book value of \$99,916,000 as at December 31, 2003. Certain of the companies in which the Company invests provide services to the Company such as financing of semitrailers and specialized equipment and the leasing of real estate. The Company has guaranteed a number of loans and other commitments of such companies for an aggregate amount of \$84,331,000 as at December 31, 2003.

The Company's most important Investment consists of preferred shares of Finloc Inc. ("Finloc") with a book value of approximately \$61.5 million. Marcel Dutil indirectly owns all of the voting securities of Finloc. As of December 31, 2003, Finloc had consolidated assets of approximately \$97.2 million divided primarily amongst the following types of activities: financing, investments and real estate. Of these assets, management estimates that an amount of approximately \$48.7 million is directly or indirectly related to the operations of the Company. As at December 31, 2003, Finloc had liabilities of approximately \$69.2 million (excluding \$47 million Class C preferred shares held by the Company) and shareholders' equity of approximately \$28 million (which includes the \$47 million of Class C preferred shares held by the Company which are to be repurchased by Finloc).

Prior to June 2001, the Company had a participating interest of 49.5% of the voting shares of Finloc and also held preferred shares in the capital stock of Finloc, the balance of the shares being held indirectly by Marcel Dutil. In June 2001, and in furtherance of a plan designed to focus on its industrial activities and production assets, the Company completed a reorganization of its investments in Finloc. Following such reorganization, the Company no longer held any voting shares in Finloc and retained only an investment in the form of preferred shares in the amount of \$66,079,694. At the same time, the Company and Finloc entered into a shareholders' agreement which provides, inter alia, that such preferred shares are redeemable in cash over a period of 15 years and entitle the Company to cumulative dividends that are payable semi-annually and that vary according to prevailing interest rates. The shareholders' agreement further provides that the Company shall not grant any additional security for loans or other commitments of Finloc. Since the June 2001 reorganization, Finloc paid the Company the required \$6,703,155 in dividends on the preferred shares owned by the Company and repurchased from the Company the required amount of \$4,579,694 of preferred shares. Going forward, Finloc may have to dispose of some of its investments or assets in order to pay the required dividends and repurchase the required amount of preferred shares if Finloc's cash flow is not sufficient to meet such requirements, such dispositions being subject to applicable lender consents under Finloc's credit facility.

In the context of its activities, the Company uses a number of assets owned or financed by Finloc and, in connection with such transactions, the Company has guaranteed a number of loans and commitments of Finloc and certain of its affiliated companies for an aggregate amount of \$50,955,000 as at December 31, 2003. Of these guarantees, Marcel Dutil has indirectly provided back-to-back guarantees to the Company in an amount of US\$18 million.

### **3.2 Environmental Policies and Considerations**

Respect for and protection of the environment represent important values for the Company, whose policy is to comply with all applicable laws and regulations in all its operations. The Company does not foresee making any expenditures outside the normal course of business to comply with environmental requirements and standards.

The core business of the Company is the processing of steel through cutting, bending and welding. The finished products are generally covered with a primer coat of paint to extend their useful life.

Steel, the raw material, poses little risk to the environment and is easily recyclable. Non-steel waste is generally recovered and recycled.

Operations which pose a potential environmental impact are welding, which creates smoke (emitted in the form of suspended particles), and painting, which results in the emission of volatile organic compounds (VOC) and generates dangerous residual material. The Company has implemented appropriate measures to eliminate any impact on the environment related to the storage and the storage of its dangerous residual materials.

### 3.3 Human Resources

As of December 31, 2003, the Company employed 4,361 people. The following table illustrates the number of employees by business sector.

**The Canam Manac Group Inc.  
Total number of employees at December 31, 2003**

**Sector**

**Number of employees**

**Construction Products Sector**

Canada	1,651
United States	883
Mexico	359
Romania	239
India	37
Steel Plus Network	<u>73</u>
	3,242

**Semitrailer Sector**

Canada	902
United States	<u>72</u>
	974
<b>Forestry Equipment Sector</b>	
Canada	118
<b>Corporate</b>	27
	<b>Total</b> <b><u>4,361</u></b>

Most employees working in the plants are unionized. The Company has 17 collective agreements with its employees. Three collective agreements were renewed in 2003 – two in Canada and one in Mexico. The Company believes that labour relations in the divisions and subsidiaries are good.

**ITEM 4 - SELECTED CONSOLIDATED FINANCIAL INFORMATION**

**4.1 Annual Information**

Selected consolidated financial information taken from the consolidated financial statements for the period covering three fiscal years and ended December 31, 2003 is provided below and should be read together with the consolidated financial statements and the notes thereto as well as the following items:

	<b>Years ended December 31</b>		
	<b>(in thousands of dollars, except per-share amounts)</b>		
	2003	2002 <sup>(1)</sup>	2001 <sup>(1)</sup>
<b>Operating results</b>			
<b>Sales</b>	\$825,732	\$933,876	\$1 009,965
<b>Gross profit</b>	89,842	144,475	190,582
<b>Earnings (loss) before income tax expense on earnings and share of loss of significantly-influenced companies</b>	(47,413)	(4,642)	51,233
<b>Net earnings (net loss) related to continuing operations</b>	(38,578)	(952)	34,368
<b>Net loss related to discontinued operation</b>	(156)	(13,623)	(6,765)
<b>Net earnings (net loss)</b>	(38,745)	(14,575)	27,603
<b>Net earnings (net loss) per share</b>			
<b>Basic:</b>			
<b>Related to continuing operations</b>	(1.17)	(0.03)	1.02
<b>Related to discontinued operation</b>	---	(0.40)	(0.20)
<b>Total</b>	(1.17)	(0.43)	0.82
<b>Diluted:</b>			
<b>Related to continuing operations</b>	(1.17)	(0.03)	1.01
<b>Related to abandoned operation</b>	---	(0.40)	(0.20)
<b>Total</b>	(1.17)	(0.43)	0.81
<b>Depreciation of plant, property and equipment and amortization of intangible assets <sup>(2)</sup></b>	\$33,551	\$41,556	\$28,978
<b>Number of shares outstanding</b>	34,136	34,079	34,008
<b>Working capital</b>	27,072	29,672	61,340
<b>Acquisition of fixed assets</b>	9,574	30,079	61,064
<b>Total assets</b>	686,873	798,177	745,480
<b>Long-term debt</b>	158,545	198,870	192,701
<b>Shareholders' equity</b>	226,997	255,672	278,196
<b>Book value per Class "A" share</b>	\$5.86	\$7.50	\$8.18

(1) Certain figures from 2002 and 2001 were adjusted to align their presentation with that adopted in the previous fiscal year.

(2) Excludes consolidated goodwill (goodwill)

## 4.2 Dividends

As a result of the economic situation in the Company's sectors of activity in 2003 and in order to respect its loan covenants, the Company did not declare a dividend for fiscal year 2003 on its Class "A" subordinate shares. The level of dividends is reviewed annually by the Board of Directors of the Company.

The Company's charter gives the Class "C" shareholders the right to receive an annual, preferential, fixed, non-cumulative dividend of \$0.0266 per share which represents \$0.00665 per quarter. At every dividend declaration since September 1999, the sole Class "C" shareholder has waived a portion of its dividend entitlement. For the fiscal year ended December 31, 2003, the Company did not pay dividends to the Class "C" shareholder.

## ITEM 5 - MARKET FOR SECURITIES

The Class "A" subordinate shares and the unsecured convertible subordinate debentures at 9.25% due in 2008 are listed on the Toronto Stock Exchange and are identified by the symbols "CAM.A" and "CAM.DB" respectively.

## ITEM 6 - MANAGEMENT'S REPORT

For information on this item, please refer to the document entitled "Management's Discussion and Analysis" filed separately by the Company through the System for Electronic Document Analysis and Retrieval (SEDAR) which may be accessed on the Internet at [www.sedar.com](http://www.sedar.com) and which is incorporated by reference herein. This document contains management's discussion and analysis of the financial condition and results of operations based primarily on a comparison of the financial results for fiscal years 2002 and 2003.

## ITEM 7 - DIRECTORS AND EXECUTIVE OFFICERS

### 7.1 Directors

The following table sets out the name, municipality and the province of residence, position and principal occupation of the directors and the year in which each became a director:

<b>Name and municipality of residence</b>	<b>Position and principal occupation</b>	<b>Director since</b>
Elaine Beaudoin Montreal, Quebec <sup>(1)(2)</sup>	Corporate Director and chartered accountant	2000
André Bérard Montreal, Quebec <sup>(2)(3)</sup>	Corporate Director	2003
Pierre Bourgie Montreal, Quebec <sup>(1)(3)(4)</sup>	President and Chief Executive Officer Société financière Bourgie (1996) Inc. (investment company)	1997

Anne-Marie Dutil-Blatchford Montreal, Quebec	Corporate Director	1998
Marcel Dutil, c.m. Montreal, Quebec <sup>(1)</sup>	Chairman of the Board and Chief Executive Officer The Canam Manac Group Inc.	1972
Marc Dutil Ville de Saint-Georges, Quebec <sup>(1)</sup>	President and Chief Operating Officer The Canam Manac Group Inc.	2002
Paul Gobeil Montreal, Quebec <sup>(1)(3)(4)</sup>	Vice Chairman of the Board Metro Inc. (Food retailer) Chairman of the Board Export Development Canada (finance and risk management company)	1992
Pierre Lortie Longueuil, Quebec <sup>(2)</sup>	Corporate Director	2004
Yvon Martineau Montreal, Quebec	Senior Partner Fasken Martineau DuMoulin LLP (Law firm)	1984
Robert Parizeau Montreal, Quebec <sup>(2)(3)</sup>	Chairman of the Board Aon Parizeau Inc. (Insurance brokers and risk management advisors)	1990
Bruno Riverin Montreal, Quebec <sup>(1)(4)</sup>	Corporate governance consultant	1994

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- (1) Member of Executive Committee  
(2) Member of Audit Committee  
(3) Member of Human Resources Committee  
(4) Member of Corporate Governance Committee

All members of the Board of Directors are Canadian residents. All of these people will continue in office until the next annual meeting of the shareholders of the Company. During the past five years, they have all held their current positions or another position within the firm indicated opposite their name or a predecessor of that firm, except André Bérard who was Chairman of the Board of the National Bank of Canada until March 10, 2004, Pierre Lortie, who held various management positions with Bombardier Inc. until December 2003, the last of which was as President and Chief Operating Officer of Bombardier Transport, and Bruno Riverin who held management positions with Investissement Desjardins until August 2003. Mr. Lortie had also been a director of the Company prior to January 12, 2003. Claude Lessard, who was a director of the Company until April 30, 2004, did not seek to renew his term of office at the annual meeting of the Company held on the same date.

## 7.2 Executive Officers

The following table indicates the name, municipality and province of residence, position and principal occupation of the executive officers of the Company.

<b>Name and municipality of residence</b>	<b>Position within the Company</b>
Marcel Dutil Montreal, Quebec	Chairman of the Board and Chief Executive Officer The Canam Manac Group Inc.
Pierre Arcand Fleurimont, Quebec	President, Expanpro, Murox and Steel Plus Network
Mario Bernard Ville de Saint-Georges, Quebec	President, Canam Steel Works and Structal
Sam Blatchford Montreal, Quebec	President, Hambro
John Bradley Sainte-Julie, Quebec	Vice President, Credit The Canam Manac Group Inc.
Gaston Bureau Ville de Saint-Georges, Quebec	President, Tanguay Industries
Mihran Cicek Montreal, Quebec	Vice President, Analysis and Research The Canam Manac Group Inc.
Éric Doyon Beauceville, Quebec	Vice President, Finance Manac
Richard Drouin Ville de Saint-Georges, Quebec	Vice President, Operations Manac
Charles Dutil Ville de Saint-Georges, Quebec	President, Manac
Marc Dutil Ville de Saint-Georges, Quebec	President and Chief Operating Officer The Canam Manac Group Inc.
Robert Dutil Quebec, Quebec	Vice President, Structal, Bridges
Michael D. Gallant Oakville, Ontario	Vice President, General Manager, Ontario Responsible for the Calgary, AB and Sunnyside, WA plants Canam

Roger Gendron Sainte-Thérèse, Quebec	Vice President, Sales Manac
Jasmin Gosselin Longueuil, Quebec	Vice President, Communications The Canam Manac Group Inc.
Louis Guertin Montreal, Quebec	Vice President, Legal Affairs and Secretary The Canam Manac Group Inc.
Georges Hage-Chahine Montreal, Quebec	Vice President, Construction, International and Innovation The Canam Manac Group Inc.
Michel Lafrance Ville de Saint-Lin des Laurentides, Quebec	Vice President, Structal, Heavy Structural Steel
Richard Moisan Mont St-Hilaire, Quebec	Vice President, Internal Control and Audit The Canam Manac Group Inc.
Joël Nadeau Saint-Gédéon-de-Beauce, Quebec	Vice President, Sales Canam, Joists and Steel Deck
Daniel Paillé Knowlton, Quebec	Vice President and Chief Financial Officer The Canam Manac Group Inc.
Luc Pelland Montreal, Quebec	President, Solicor and Vice President, Purchasing The Canam Manac Group Inc.
Raymond Pomerleau Longueuil, Quebec	Treasurer The Canam Manac Group Inc.
Pierre Tanguay Montreal, Quebec	Vice President, Human Resources The Canam Manac Group Inc.
Jean Thibodeau Laval, Quebec	President, Technyx and Vice President, MIS The Canam Manac Group Inc.
Pierre Turgeon Ville de Saint-Georges, Quebec	Vice President and Corporate Controller The Canam Manac Group Inc.
Richard Vincent Montreal, Quebec	Vice President, Research and Development Construction Products Sector The Canam Manac Group

During the past five years, the officers have all held their current positions or another position within the firm indicated opposite their name or a predecessor of that firm, with the exception of: Mr. Pierre Arcand who, prior to January 2001, was Vice President and General Manager of

Sodisco Inc.; Louis Guertin who, prior to December 2000, was Vice President Legal Affairs and Secretary of Vidéotron Communications Inc.; Daniel Paillé who, prior to July 2001, was Senior Vice President and Chief Financial Officer of SGF Inc.; and Luc Pelland who, prior to April 2002, was General Manager of Westburne Quebec, Electrical Division.

### **7.3 Security Holdings**

As of December 31, 2003, directors and executive officers owned directly or indirectly as a group 13,517,660 Class "A" and 5,150,000 Class "C" shares respectively representing 39.59% and 100% of the total number of each class of voting securities.

### **ITEM 8 - ADDITIONAL INFORMATION**

The Company will provide copies of the following documents to any person or company who makes such a request to the Communications Department or to the Secretary of the Company at 270, chemin Du Tremblay, Boucherville, Quebec J4B 5X9:

- (a) when the securities of the Company are in the course of a distribution under a short form prospectus, or a preliminary short form prospectus, (i) a copy of the annual information form ("AIF") of the Company and a copy of any document, or the relevant pages of any document, incorporated by reference in the AIF, (ii) a copy of the comparative financial statements of the Company for its most recently completed fiscal year and any auditors' report thereon as well as a copy of the most recent quarterly financial statements of the Company that have been filed, if any, for any period after the end of its most recently completed fiscal year, (iii) a copy of the management proxy circular of the Company in respect of its most recent annual meeting of the shareholders during which directors were elected or a copy of any documents prepared in the place and stead of such circular, if any, and (iv) a copy of any other document incorporated by reference in the preliminary short form prospectus or the short form prospectus which has not been provided pursuant to (i) to (iii) hereinabove; or
- (b) at any other time, a copy of any document to which reference is made in (a) (i) to (iii) above, provided that the Company may require the payment of a reasonable charge if the request is made by a person or company who is not a holder of securities of the Company.

Additional information, including directors' and officers' remuneration, indebtedness of principal holders of securities of the Company, options to purchase securities and interests of insiders in material transactions, if applicable, is contained (i) for the 2002 fiscal year, in the management proxy circular of the Company relating to the annual meeting of shareholders held on April 25, 2003, and (ii) for the 2003 fiscal year, in the management proxy circular of the Company relating to the annual meeting of shareholders which was held on April 30, 2004, which circular was filed separately by the Company through the System for Electronic Document Analysis and Retrieval (SEDAR). Additional financial information, in particular the audited consolidated financial statements for the fiscal year ended December 31, 2003, were filed separately by the Company through the System for Electronic Document Analysis and Retrieval (SEDAR).