



Quarterly Report 1

March 31, 2002



Message to shareholders

The Canam Manac Group was affected by the slowdown in the economy that has disturbed several of its markets in Canada and in the United States in the first quarter. Signs of a recovery are appearing, particularly for Manac, a division that has had a strong increase in its backlog of orders.

The loss at Canam France, the decline in production volumes resulting from the slowdown in the commercial and industrial construction sectors in Canada and the United States, and the seasonality of the industry over the last quarter affected operations of The Canam Manac Group during the first quarter ending March 31, 2002.

For this period, The Canam Manac Group Inc. had a net loss of \$1,595,000 or \$0.05 per share compared with net earnings of \$7,440,000 or \$0.22 per share in 2001. During the same period, sales reached \$225,047,000 compared with \$250,286,000 in 2001.

Canam's steel components sector had strong performance despite of the economic situation with sales of \$170,254,000 compared with \$195,730,000 in 2001. Net earnings of the North American sector were \$3,708,000 compared with \$12,563,000. The \$2,347,000 loss reported by Canam France reduced the overall performance of the sector to \$1,361,000. Grupo Canam Manac improved its results to a breakeven point compared with a loss of \$360,000 in 2001. The 17 plants of the steel components sector processed 100,897 tons of steel compared with 123,840 tons in 2001. Finally, a 30,000 square foot engineering and technical drafting office was opened during the first quarter in Kolkata, India.

In the semitrailer and forestry equipment sectors, sales for Manac and Tanguay Industries were \$52,565,000 and \$1,503,000 respectively, compared with \$49,111,000 and \$4,295,000 in 2001. Manac's loss for the quarter was \$1,310,000 compared with the \$1,036,000 in 2001. The loss for Tanguay Industries was \$332,000 compared with net earnings of \$197,000 in 2001. Manac manufactured 1,623 semitrailers compared with 1,635 in 2001.

The Canam Manac Group signed a letter of intent with shareholders of QUADCO Equipment and Trans-Gesco, leaders in the forestry equipment sector, with the purpose of consolidating the companies involved.

For The Canam Manac Group, gross profit declined to \$32,500,000 compared with \$49,152,000 in 2001. Financial charges were \$4,499,000. Depreciation of fixed assets and amortisation of goodwill totaled \$7,994,000, compared with \$6,670,000 in 2001. The Group's operating income (EBITDA) was \$9,842,000 compared with \$22,933,000 in 2001.

The backlog of orders in the North American steel joist and steel components sector totaled 135 920 tons as at March 31, 2002, compared with 138,040 tons as at December 31, 2001. In the semitrailer sector, the backlog of orders was 1,891 units compared with 1,308 as at March 31, 2001, or an increase of 44.6%.

The improvement of the Company's competitive position and market share in the steel and semitrailer sectors are encouraging for the future and indicate an improvement in results over the next several quarters.

The Board of Directors approved the payment of a quarterly dividend of \$0.04 per Class "A" subordinate voting share payable on June 28, 2002 to shareholders on record as at June 14, 2002.

Ville de Saint-Georges, Beauce
April 30, 2002



Marcel Dutil c.m.
Chairman of the Board
President and Chief Executive Officer

Management's Discussion and Analysis

Consolidated quarterly results

For the first quarter of 2002, consolidated sales for The Canam Manac Group reached \$225,047,000, or a decrease of 10.1% when compared with \$250,286,000 for the corresponding quarter last year.

Sales in the steel components sector reached \$170,254,000, a decrease of 13.0% compared with the same period in 2001. This decline is attributed to the general slowdown in the economy particularly in the non-residential construction industry. However, sales for Canam Steel Corporation, our American subsidiary, continue to increase with \$138,173,000 in sales, an increase of 11.3% compared with last year. This increase is a result of Canam Steel Corporation's structural steel projects. Mexico experienced a comparable increase of 11.8% in sales. In Canada, the decrease of 26.4% is attributed to the decline in the Canadian economy particularly in Ontario. In France, the Jarny plant effectively ceased operations during the first quarter, causing a 19.7% drop in sales. On April 19, the Company announced the closing of this plant (see "Subsequent events as at March 31, 2002").

In the semitrailer industry, increased sales volumes indicate a possible turnaround in the economy. Manac is taking advantage of this situation to increase its market share. Product diversification has provided positive results. In the first quarter of 2002, Manac sales increased by 7.0% over 2001.

The trade dispute between Canada and the United States over softwood lumber continues to negatively affect sales for products of Tanguay Industries. Total sales represent only 36.7% of last year's results.

The Group's profit margin of \$32,500,000 represents 14.4% of sales. The intensive capital investment program amounting to \$309,843,000 that The Canam Manac Group has implemented since 1996 should cause profit margins to return to more acceptable levels. All of our divisions had a positive gross profit margin except for France.

Sales and administration charges decreased by \$1,679,000 during the first quarter of 2002 compared with the corresponding quarter of 2001 despite an 8.4% increase in sales expenses. Sales efforts remain constant despite the unfavorable economic conditions. The Company has focused its expense reduction efforts on reducing administration charges and bad debt which have decreased by 15.1%

The EBITDA of \$9,842,000 represents 4.4% of sales, compared with 9.2% for the same period last year. The depreciation of fixed assets amounting to \$7,994,000 is for past capital expenditures. New accounting standards required an evaluation of the Group's total goodwill valued at \$5,400,000. This goodwill is attributed to Manac only. Results concluded that there was no value loss to report. New accounting standards also govern foreign currency translation. The Company adjusted the comparative balance sheet of December 31, 2001, to eliminate the deferred exchange loss reported of \$2,565,000 and adjust the statement of retained earnings of December 31, 2001. These last two items are part of a specific Note in the attached financial statements.

Consolidated statements of cash flows

During the first quarter, cash flows from operating activities of The Canam Manac Group were \$6,972,000 and equal the total amounts related to the net loss, depreciation, as well as non-cash operating working capital of \$13,092,000.

Financing activities include an increase of debt during the first quarter, dividends paid of \$1,360,000, and the special dividend of \$25,506,000 declared in 2001. Since the share redemption program was not renewed, there is no amount that can be compared with last year's corresponding quarter.

Investment activities required \$6,104,000, mainly related to new capital expenditures and the improvement of our equipment. The budget of \$20,000,000 for the year 2002 will be respected.

Capital structure and financial resources

Shareholders' equity decreased by \$2,588,000 following the net loss of \$1,595,000, dividends paid of \$1,360,000 declared in February 2002, and the cumulative translation adjustments of \$367,000.

Working capital went from \$61,340,000 to \$87,917,000, mainly due to the payment, in January 2002, of the special dividend which was accounted for in accounts payable and accrued liabilities. Debt reached \$291,420,000.

Outlook

At the end of the first quarter of 2002, the steel components sector backlog represented 135,920 tons, slightly lower than the previous quarter and 16.8% less than the corresponding quarter.

In the semitrailer sector backlog reached 1,891 units, a 44.6% increase compared with March of 2001.

Steel Plus Network now has 118 members, seven more than at the beginning of the year, and now represent close to 30% of steel joist and deck sales of the Group.

Subsequent events as at March 31, 2002

• Operations in France

The Board of Directors of The Canam Manac Group has taken certain decisions related to operations in France. On April 19, 2002, the Company announced that activities would cease at its Jarny plant.

During the first quarter that ended on March 31, 2002, regular activities of Canam in Jarny reported a net loss of \$832,000. If not for these operations, The Canam Manac Group would have posted a net loss of \$763,000, or \$0.02 per share.

• Tanguay Industries

The Canam Manac Group signed a letter of intent with shareholders of QUADCO Equipment and Trans-Gesco, leaders in the forestry equipment sector, with the purpose of consolidating the companies involved.

The planned transaction, at the usual diligent audit stage, will have a minor positive impact on the financial statements of The Canam Manac Group.

This consolidation will allow The Canam Manac Group to maintain part ownership in a leading company in the forestry equipment sector and focus its efforts on its main activities of structural steel components and semitrailers. Manac will maintain activities of Tanguay Industries forestry semitrailers.

The closing of this transaction is expected for the second quarter of 2002.

Quarterly Results

(in thousands of dollars, except per share amounts) (unaudited)

	Quarter	1999		2000		2001		2002	
		Total	Per share	Total	Per share	Total	Per share	Total	Per share
Net income (net loss)	1 st	\$ 4,288	\$ 0.12	\$ 9,336	\$ 0.27	\$ 7,440	\$ 0.22	\$ (1,595)	\$ (0.05)
	2 nd	9,114	0.26	11,841	0.33	8,268	0.25		
	3 rd	15,356	0.43	17,113	0.50	6,918	0.21		
	4 th	18,835	0.54	17,272	0.51	4,977	0.14		
	Total	\$ 47,593	\$ 1.35	\$ 55,562	\$ 1.61	\$ 27,603	\$ 0.82		
Sales	1 st	\$ 224,186		\$ 252,835		\$ 250,286		\$ 225,047	
	2 nd	227,946		251,798		248,474			
	3 rd	287,999		300,084		265,788			
	4 th	303,483		305,880		274,840			
	Total	\$ 1,043,614		\$ 1,110,597		\$ 1,039,388			

Consolidated Statements of Earnings

(in thousands of dollars, except per share amounts) (unaudited)

Periods ended March 31	three months	
	2002	2001
Sales	\$ 225,047	\$ 250,286
Cost of sales	192,547	201,134
Gross profit	32,500	49,152
Selling and administrative expenses	21,700	23,379
Exchange loss	748	1,285
Profit sharing	210	1,555
Depreciation of fixed assets and amortization of goodwill	7,994	6,770
Financial expenses	4,499	5,233
Other revenues	(7)	(456)
Gain on disposal of investment	--	(1,314)
	35,144	36,452
Earnings (loss) before income tax expenses and undernoted item	(2,644)	12,700
Income tax expense		
Current	(1,045)	4,747
Future	--	(143)
	(1,045)	4,604
Earnings (loss) before undermentioned item	(1,599)	8,096
Share of earnings (loss) of related companies	4	(656)
Net earnings (net loss)	\$ (1,595)	\$ 7,440
Net earnings (net loss) per Class "A" subordinate share		
Basic	\$ (0.05)	\$ 0.22
Diluted	\$ (0.05)	\$ 0.22
Weighted average number of Class "A" subordinate shares		
Basic	34,009	33,455
Diluted	34,497	34,250
Number of Class "A" subordinate shares	34,014	33,448
Number of Class "C" shares	5,150	5,150

Consolidated Statements of Retained Earnings

(in thousands of dollars) (unaudited)

Years ended March 31	three months	
	2002	2001
Opening balance before adjustment	\$ 160,543	\$ 164,727
Deferred exchange loss (note 2)	(2,565)	--
Adjusted	157,978	164,727
Net earnings (net loss)	(1,595)	7,440
Dividends	(1,360)	(1,338)
Premium on redemption of shares	--	(911)
Closing balance	\$ 155,023	\$ 169,918

Consolidated Balance Sheets

(in thousands of dollars) (unaudited)	2002 As at March 31	2001 As at December 31
Assets		
Current assets		
Cash	\$ 2,539	\$ 1,847
Short-term investments	2,204	2,292
Accounts receivable	139,298	152,812
Inventories	140,495	138,701
Income taxes recoverable	2,763	1,640
Future income tax assets	10,285	10,454
Prepaid expenses	5,928	4,312
Total current assets	303,512	312,058
Investments	98,128	98,125
Fixed assets	314,516	316,743
Future income tax assets	2,854	3,499
Other assets	14,821	15,055
	\$ 733,831	\$ 745,480
Liabilities		
Current liabilities		
Bank loans	\$ 42,271	\$ 28,527
Accounts payable and accrued liabilities	145,293	192,050
Income taxes payable	83	1,597
Future income tax liabilities	735	1,365
Long-term debt due within one year	27,213	27,179
Total current liabilities	215,595	250,718
Long-term debt	221,936	196,188
Deferred credits	8,494	8,457
Future income tax liabilities	10,093	9,816
Class "C" shares	2,105	2,105
	458,223	467,284
Shareholders' Equity		
Share capital	114,400	114,374
Retained earnings	155,023	157,978
Contributed surplus	824	824
Cumulative translation adjustments	5,361	5,020
	275,608	278,196
	\$ 733,831	\$ 745,480

Consolidated Statements of Cash Flows

Periods ended March 31 (in thousands of dollars) (unaudited)	2002	2001
Cash flow related to the following activities:		
Operations		
Net earnings (net loss)	\$ (1,595)	\$ 7,440
Items not affecting cash		
Depreciation and amortization	8,023	7,182
Future income tax recovery	--	(143)
Gain on disposal of fixed assets	(297)	(3)
Other revenues	(7)	(456)
Share of loss (earnings) of related companies	(4)	656
	6,120	14,676
Net change in non-cash operating working capital items		
Decrease in accounts receivable	13,657	18,952
Increase in inventories	(1,732)	(6,880)
Decrease (increase) in income taxes receivable	(1,123)	159
Increase in prepaid expenses	(1,615)	(1,160)
Decrease in trade payable	(11,875)	(2,832)
Decrease in deposit on contract	(9,374)	(1,399)
Increase (decrease) in interest payable	(17)	102
Decrease in income taxes payable	(1,013)	(5,603)
	(13,092)	1,339
Cash flow related to operating activities	(6,972)	16,015
Financing		
Redemption of shares	--	(1,742)
Proceeds from issuance of shares	26	2
Dividends paid	(26,866)	(1,338)
Increase in long-term debt and bank loans	40,405	15,513
Repayment of long-term debt and bank loans	(920)	(10,442)
Variation in long-term receivables	134	(63)
Other	381	(228)
Cash flow related to financing activities	13,160	1,702
Investment		
Proceeds from disposal of fixed assets	495	64
Acquisition of fixed assets	(6,104)	(19,381)
Proceeds from disposal of investments	95	1,598
Acquisition of investments	--	(4,393)
Cash flow related to investing activities	(5,514)	(22,112)
Effect of foreign exchange rates changes on cash	18	360
Net increase (decrease) in cash	692	(4,035)
Cash at beginning of years	1,847	7,171
Cash at end of years	\$ 2,539	\$ 3,136
Supplementary information		
Interest paid	\$ 4,509	\$ 5,345
Income taxes paid	\$ 982	\$ 10,427

Notes to Consolidated Financial Statements

1. Significant accounting policies

The interim unaudited consolidated financial statements of the Company, as at March 31, 2002, have been prepared in accordance with Canadian generally accepted accounting principles. These principles are according to those found in the 2001 Annual Report.

2. Change in accounting policies

Foreign currency translation

In January 2002, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") relating to the accounting for foreign currency translations. These new recommendations no longer allow the amortization of unrealized translation gains and losses on foreign currency denominated monetary items that have a fixed or ascertainable life extending beyond the end of the fiscal year following the current reporting period. The amendment is effective for the year beginning January 1, 2002 and must be applied retroactively with restatement of prior years. The Company did not adjust results for the first quarter of 2001 due to the low importance of the amount. The Company adjusted the comparable balance sheet of December 31, 2001 to eliminate the deferred exchange loss of \$2,565,000 and adjust the retained earnings of December 31, 2001.

Goodwill

In January 2002, the Company adopted the new "Goodwill and other intangible assets" recommendations of the CICA to be applied on a prospective basis. Under the new recommendations, goodwill is no longer amortized but tested for impairment on an annual basis and the excess of the carrying amount over the fair value of goodwill is charged to earnings. The Company tested goodwill amounting to \$5,400,000 of its Manac division and considers that there is no loss in value to recognize.

3. Segmented information

Historically, the steel components sector generally has lower performance in the first six months of the year.

(in thousands of dollars) (unaudited)

Periods ended March 31

		three months				
		Steel components	Semitrailers	Forestry equipment	Head office	Total
Third party sales	2002	\$ 170,254	\$ 52,565	\$ 1,503	\$ 725	\$ 225,047
	2001	\$ 195,730	\$ 49,111	\$ 4,295	\$ 1,150	\$ 250,286
Segmented net earnings (loss)	2002	\$ 1,361	\$ (1,310)	\$ (332)	\$ (1,314)	\$ (1,595)
	2001	\$ 10,716	\$ (1,036)	\$ 197	\$ (2,437)	\$ 7,440

Net loss - Head office

	2002	2001
Financial expenses	\$ (2,436)	\$ (2,911)
Income taxes recovery	1,483	1,806
Other expenses	(361)	(1,332)
	\$ (1,314)	\$ (2,437)

Information by geographic area

	2002 Sales ⁽¹⁾	2001 Sales ⁽¹⁾
Canada	\$ 76,067	\$ 115,073
United States	137,793	123,747
France	5,627	7,009
Mexico	5,560	4,457
	\$ 225,047	\$ 250,286

(1) Sales are attributed to different countries according to their origin.

SHAREHOLDERS INFORMATION

Stock Exchange Listing

Class "A" subordinate shares

The Toronto Stock Exchange

Trading symbol: CAM.A

CUSIP NUMBER

Class "A" subordinate shares: 13710C107

Dividends

Dividends on Class "A" subordinate shares are usually payable on the last working day of quarters ending March 31, June 30, September 30 and December 31 of each year.



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