



QUARTERLY REPORT

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JUNE 30, 2004



People with Talent and Dedication

For the first time since the fourth quarter of 2001, The Canam Manac Group Inc. realized a profit of \$529,000 from continuing operations and posted a growth in sales of 27% for the second quarter ended June 30, 2004.

The reorganization launched in 2003 and announced last April as well as the recovery of the Canadian and U.S. markets are starting to deliver the intended results. This trend is expected to continue over the next quarters.

The Company realized a net after-tax gain of \$9.4 million from the disposal of assets related to Manac's discontinued operations. The investment of C\$19.4 million in an American company, Fabtech Industries, was written off by Canam Steel Corporation (USA). The write-off did not have any impact on the Company's cash position and no future income tax assets were recorded from this loss.

As a result of the above items, The Canam Manac Group recorded a net loss of \$9.5 million or \$0.29 per share for the second quarter, compared with a net loss of \$4.4 million or \$0.14 per share for the same period in 2003. For the first six months of the year, the net loss was \$16.3 million or \$0.50 per share, compared with \$12.1 million or \$0.36 per share in 2003. It is important to note that the results for 2003 included an exchange gain of \$12.7 million.

Consolidated sales for the second quarter climbed to \$164.0 million, or 27% over the \$129.1 million recorded for the same quarter in 2003. Sales for the first half of 2004 rose by 16%, from \$254.3 million in 2003 to \$295.2 million. Since the beginning of the year, sales from the construction products sector rose 15% to reach \$285.0 million, as compared to \$247.4 million.

For the first half of 2004, the Group's gross profit was \$43.4 million compared with \$25.7 million in 2003. During this period, the Group's cash flow from operating activities was \$13.1 million, compared with \$5.1 million for the same period last year. The 13 plants of the steel components segment processed 179,144 tons of steel compared

with 165,676 tons in 2003. The Canadian market continues to perform well, while selling prices in the United States reflect a significant improvement. The business units, which market value-added products such as the Murox construction system and the Hambro composite floor joist system, also posted better results. The heavy structural steel and bridge segments remain difficult, however, and are not expected to recover before 2005.

According to a letter of agreement ratified in April, the sale of the Monterrey facility in Mexico to a group of local investors should be completed before the end of 2004.

In the forestry equipment sector, sales racked up by Tanguay Industries for the first six-month period totalled \$9.7 million, compared with \$6.4 million in 2003, representing an increase of 52%. The net loss was \$620,000 as compared to \$501,000 in 2003. The transaction pertaining to the sale of Tanguay Industries' assets to QUADCO Equipment Inc. and Trans-Gesco should also be concluded before the end of 2004.

The backlog of orders in the construction products sector in North America was \$183.8 million as at June 30, 2004, compared with \$161.5 million as at March 31, 2004, representing a year-over-year increase of 14%.

The Board of directors decided that no dividend will be paid to shareholders for the current quarter.



Marcel Dutil C.M.
Chairman of the Board and Chief Executive Officer



Marc Dutil
President and Chief Operating Officer
Ville de Saint-Georges, Beauce

August 9, 2004

SCOPE OF MANAGEMENT'S FINANCIAL ANALYSIS

The following analysis should be read in conjunction with the Company's consolidated financial statements and notes for the quarter ended June 30, 2004 and the quarter ended March 31, 2004 and for the year ended December 31, 2003. Reference should also be made to the annual management's discussion and analysis of financial position and operating results in the Company's 2003 annual report, and to the section of that report describing risks and uncertainties.

The Company applies information disclosure rules and takes require action to comply with new standards once they come into force. As of this quarter, the Company applied prospectively one of the standards sought by regulatory authorities. For that reason, the interim financial statements, which for the first quarter bore the notice that they were "unaudited and had not been reviewed by external auditors" will now simply bear the notice that they are unaudited pursuant to CICA Handbook Section 7050.08 and to Regulation 51-102.

The Company applies accounting principles which are in accordance with Canadian generally accepted accounting principles. The preparation of consolidated financial statements requires management to make estimates and judgments that affect the amounts recorded for assets, liabilities, sales and costs, and disclosures of contingent assets and liabilities. The Company regularly reassesses estimates that are based on prior experience and reasonable assumptions.

All amounts are expressed in Canadian dollars unless otherwise indicated. As at June 30, 2004, the exchange rate used in the balance sheets was CAD\$1.3487 = US\$1, compared with CAD\$1.2924 = US\$1 as at December 31, 2003. In the income statements, the average exchange rate for the second quarter of 2004 was CAD\$1.3567 = US\$1, compared with CAD\$1.4044 = US\$1 in the second quarter of 2003.

DISCONTINUED OPERATIONS

The financial statements contain items related to discontinued operations, including assets of Manac division's semitrailer sector which were sold in the second quarter of 2004, and operations that were discontinued in France in 2002. Accounting standards require the Company to reflect these transactions in the presentation of financial statements. Details of the Manac transaction appear below.

All comparative figures have been restated to take the sale of Manac's net assets into account, effective on April 25, 2004.

OPERATING RESULTS

During the second quarter of 2004, operating results of the Canam Manac Group (excluding loss on disposal of investments of \$19,436,000 and net earnings from discontinued operations of \$9,375,000) generated net income of \$529,000. Following nine quarters of losses, the positive operating results for this quarter (excluding previously mentioned items) mark a turnaround in the Company's business cycle.

The Company's consolidated sales for the second quarter of 2004 increased to \$164.0 million, or 27.1% over the \$129.1 million for last year's comparative quarter. Sales were up 16.1% since the beginning of the year, in line with industry's growth. Despite a significant increase in the price of steel which is the Company's core raw material, cost of sales only rose by 15.3% in the second quarter, compared with an increase of 10.1% for the first six months of 2004.

The Group's gross income rose 2.6 times in the second quarter, from \$10.8 million to \$27.6 million. On a year-to-year basis, gross margin increased by 69.1% during the first six months of 2004, as compared to the comparative period of 2003.

The Company did not profit in 2004 from the exchange gains that had been realized in the first and second quarters of the previous year. A total net gain of \$12.7 million had been realized and cashed on the foreign exchange contracts during the first six months of 2003.

Quarterly and half-year results also revealed the impact of the cost cutback programs that the Company has put into effect since the turnaround began. Despite the growth in sales and gross margins, sales and administrative expenses dropped to 10.2% of sales in the second quarter of 2004, compared with 11.7% of sales for the same period in 2003, and to 10.8% of sales for the first six months of 2004, compared with 12.6% of sales for the first half of 2003.

The loss on disposal of investments was primarily due to the entire write-off of the Group's investment in Fabtech Industries Inc., through its American subsidiary, Canam Steel Corporation. Fabtech is a portfolio company which owns many steel frame plants in the United States. This investment of US\$14.3 million, approved in 2002 by the Board of directors, was intended to provide the Company with the necessary synergies to maintain and increase its market shares in the United States. Fabtech's results were negatively impacted by the poor economic environment in the United States, and a decision to write off the entire investment was appropriately taken. The write-off did not, however, have any impact on the current or future cash position of the Canam Manac Group. No capital future tax asset was recorded with the loss.

Net loss from continued operations was \$18.9 million as at June 30, 2004. Excluding the impact from Fabtech, this loss would have translated into earnings from continued operations of \$529,000. The Company believes that the net income recorded for the second quarter is a sign that the expected recovery has started.

Net after-tax gain on the disposal of Manac's assets was \$8.4 million, with pre-tax gain being \$11.0 million. Net assets sold in this transaction had a book value of \$50.5 million. The Group retained ownership of the assets located in Orangeville, Ontario, as well as the balance sheet items pertaining to semitrailers leased to clients.

Consolidated net loss for the second quarter of 2004 was \$9.5 million, and comes in addition to the loss of \$6.8 million for the first quarter. Consolidated

loss from the beginning of the year was \$16.3 million, compared with \$12.1 million for the first half of 2003. The \$16.3 million figure includes a loss of \$19.4 million relating to the write-off of an investment and the gain of \$8.4 million attributable to Manac, while in 2003, the loss included an unusual foreign exchange gain of \$12.7 million.

FINANCIAL POSITION

Balance sheet items have also been restated to reflect the Manac transaction.

Cash of \$8.3 million reflects the Company's deposit of US\$4.0 million with the Bank of America as a guarantee to Canam Steel Corporation's insurers for the worker compensation policies. Company management intends to use other less restrictive forms of coverage.

Receivables are up 12.7% compared to December 31, 2003, with an increase in sales of 16.1% since the beginning of the year. The Company continues to rigorously and effectively manage its client relationships.

Inventories are up 26.5%, due to the increased cost of steel. Raw materials and finished products rose 24.2% and 27.4% respectively. As at June 30, steel inventory was at the same level as at the end of 2003. The Company is aware of just how important sound inventory management is, particularly in the midst of an active recovery period.

Investments decreased \$22.0 million, as a result of the write-off of the Fabtech investment, the sale of the Group's investment in a limited partnership ownership of an aircraft, and the redemption, as stipulated in 2001 agreements, of Finloc preferred shares.

On the liabilities side, bank loans of \$24.3 million represent in their entirety the use of Canam Steel Corporation and Grupo Canam's credit lines granted by the Bank of America. The portion of long-term debt due within one year includes the next payment of US\$15.4 million to senior notes holders in May 2005 and the balance of the bank credit line with Canadian banks. The non-rotating portion of this

debt declined by \$20.0 million during the period. Long-term debt was reduced by the amount paid last May to senior notes holders.

Current and long-term assets and liabilities from discontinued operations reflect the inclusion of items related to the semitrailer sector and sold under the transaction which occurred during the second quarter of 2004. They add to the previously recorded items for operations discontinued in France. The latter did not change during the second quarter of 2004, except for a net change on foreign exchange contracts of \$184,000.

CASH POSITION

Cash flow from operating activities continued to play a material role during the last quarter, and reflected an increased volume of business and an increase in the price of raw materials. During the past three months, operating cash flows were (\$11,0 million) compared with (\$16,4 million) since the beginning of the year.

Financing cash flows were (\$37.7 million) for the quarter, reflecting management's intention to reduce overall debt.

Investment cash flows were \$2.4 million. Investments in property, plant and equipment and intangible assets were at their lowest levels (namely \$3.5 million) since the beginning of 2004, while disposals of investments and property, plant and equipment totalled \$6.3 million.

This \$46.2 million negative cash flow was offset by cash flows from discontinued operations of \$52.6 million, resulting in an increase in overall cash flows of \$6.4 million for the Company.

CONTRACTUAL COMMITMENTS

No major changes which are not in the normal course of operations occurred in the Company's contractual commitments during the period ended June 30, 2004, except for a reduction of \$5.5 million approximately in commitments relating to operating lease contract to a company under common control, following the disposal of the Manac division's net assets.

OFF-BALANCE SHEET ARRANGEMENTS

The Company entered into futures contracts to cover future purchases denominated in US dollars. As at June 30, 2004, the total amount of these contracts was \$3,380,000, at an exchange rate of 1.30.

The Company was released from guarantees related to certain bank loans and letters of credit valued at \$5.5 million during the period, on behalf of a company under common control. Following the sale of certain fixed assets of the discontinued operation in France, the Company increased its guarantees by \$1,040,000 (635,000 Euros) in favor of the purchaser. It has also provided guarantees of \$25,000,000 in favor of the purchaser of Manac's net assets.

CRITICAL ACCOUNTING ESTIMATES

Critical accounting estimates consist of the same items as at December 31, 2003 and as at March 31, 2004, namely property, plant and equipment held for sale and assets from discontinued operations.

CHANGE OF ACCOUNTING PRINCIPLES

The accounting principles are in accordance with those used in the preparation of the audited financial statements as at December 31, 2003 except for the accounting for foreign exchange forward contracts at fair value and the recording of any changes on the income statements as well as the restatement of the financial statements for the discontinuance of the semitrailer sector in compliance with CICA Handbook Section 3475.

OUTLOOK

The backlog of orders in the construction products sector in North America was \$183.8 million for the second quarter of 2004, as compared to \$161.5 million for the first quarter of 2004, representing a year-over-year increase of 14.0%.

RISKS AND UNCERTAINTIES

The Company is confident with respect to its mid- and long-term outlooks, while taking into account the risks and uncertainties described in the 2003 annual report. These could affect the Company's ability to achieve its strategic vision and growth objectives. The reader should take these risks and uncertainties into account.

INTEGRITY OF FINANCIAL STATEMENT DISCLOSURES

Company management assumes the responsibility for maintaining appropriate control systems and procedures and information systems, thereby ensuring that its information is reliable and complete. To prepare for any new standards, the Company has created an internal disclosure committee, which will seek outside guidance, together with members of the audit committee, in order to properly prepare for compliance with the new standards.

OTHER EVENTS

U.S.-based assets

Faced with the unsatisfactory bids received for the sale of the overall sheet-metal apron and joist production assets in the United States, the Company has resumed control of these operations. A new corporate structure was thereby established and a new strategy was put into place immediately. Combined with the market recovery, this new direction was obviously fruitful. Canam Steel Corporation is increasingly well positioned to reach an interesting level of profitability in a select business niche.

The Company nonetheless continues to closely monitor the special market context in the United States, so as to rapidly respond to every opportunity, particularly with plans to put the Lafayette, Indiana and Columbus, Ohio plants up for sale.

Mexico assets and Tanguay Industries

Agreements in principle, announced during the first quarter of 2004, should be completed before the end of 2004.

SUBSEQUENT EVENTS - FINANCING

Company management is maintaining a renewed business relationship with its creditors. Management believes that the Company is capable of ensuring the harmonious financing and refinancing of its credit facilities.

Loans payable bear interest at a rate based on bank acceptance, LIBOR and prime rates, plus a margin that varies according to credit agreements. These agreements include restrictive covenants that require compliance to some criteria on a quarterly basis. Among other things, certain covenants limit the amount of dividends that the Company can pay. Based on the results of the Company's second quarter, no dividend can be declared.

Rotating and non-rotating Canadian credits

The Company obtained from the financial institutions involved in its Canadian credit the requested renewal of its non-rotating credit. The new 400-day period extends the maturity date to July 1, 2005. This credit is, nonetheless, recorded on the balance sheet under current liabilities.

With respect to short-term credit, a renewal period is currently being discussed. The target period is early 2005.

U.S. bank credit

The renewal of bank credit affecting the short-term activities of the Canam Steel Corporation is being discussed. The target period is early 2005.

At a time of recovery in its U.S. operations, the Company initiated consultations with a number of U.S. banking institutions, including the Bank of America, with respect to a global refinancing of its operating activities. A new agreement should be entered into by the end of 2004.

Miscellaneous

As at June 30, 2004, 34,135,820 Class A subordinated shares and 1,916,280 share purchase warrants were outstanding. During the second quarter, the Company's Board announced changes to its executive variable compensation, resulting in the termination of the stock option plan.

Convertible debentures issued in 2003 for an amount of \$27,000,000 are convertible, at the bearer's option, into Class "A" subordinated shares at any time prior to maturity, at a conversion price of \$6.25 per share for a maximum of 4,320,000 shares. The Company holds an option to redeem debentures and pay the interest by issuing Class "A" subordinated shares.

This financial analysis along with additional information, including the Annual Information Form, can be found on SEDAR (www.sedar.com) and on the Company's website (www.canammanac.com).



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



Daniel Paillé
Vice-President and
Chief Financial Officer

QUARTERLY RESULTS

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

2004 Quarters	March 31 ⁽¹⁾⁽²⁾	June 30 ⁽¹⁾	Sept. 30	Dec. 31	Total
Sales	\$131,170	\$164,019			\$295,189
Net loss from continuing operations	(5,909)	(18,907)			(24,816)
Net loss	(6,810)	(9,532)			(16,342)
Basic and diluted net loss per share from continuing operations	(0.18)	(0.57)			(0.75)
Basic and diluted net loss per share	(0.21)	(0.29)			(0.50)
Total assets	706,813	630,612			
Long-term debt	158,673	139,196			
2003 Quarters⁽²⁾					
Sales	\$125,219	\$129,090	\$169,675	\$177,037	\$601,021
Net loss from continuing operations	(7,904)	(3,857)	(6,746)	(18,124)	(36,631)
Net loss	(7,661)	(4,448)	(7,114)	(19,522)	(38,745)
Basic and diluted net loss per share from continuing operations	(0.23)	(0.12)	(0.21)	(0.55)	(1.11)
Basic and diluted net loss per share	(0.22)	(0.14)	(0.22)	(0.59)	(1.17)
Total assets	770,488	771,337	743,474	686,873	
Long-term debt	189,479	161,362	160,877	157,442	
Cash dividend declared:					
Per Class "A" subordinate share	0.02	--	--	--	0.02
Per Class "C" share	0.005	--	--	--	0.01
2002 Quarters⁽²⁾					
Sales	\$166,233	\$174,073	\$191,956	\$152,885	\$685,147
Net earnings (loss) from continuing operations	2,062	1,129	(2,567)	(923)	(299)
Net loss	(1,595)	(10,617)	(2,263)	(100)	(14,575)
Basic and diluted net earnings (loss) per share from continuing operations	0.06	0.03	(0.07)	(0.03)	(0.01)
Basic and diluted net loss per share	(0.05)	(0.31)	(0.07)	0.00	(0.43)
Total assets	733,831	747,392	774,838	798,177	
Long-term debt	221,454	104,927	197,927	197,768	
Cash dividend declared:					
Per Class "A" subordinate share	0.04	0.04	0.04	0.04	0.16
Per Class "C" share	0.005	0.005	0.005	0.005	0.02
2001 Quarters⁽²⁾					
Sales	\$193,064	\$192,468	\$214,822	\$217,095	\$817,449
Net earnings from continuing operations	10,387	10,706	9,945	8,864	39,902
Net earnings	7,440	8,268	6,918	4,977	27,603
Net earnings per share from continuing operations					
Basic	0.31	0.32	0.30	0.26	1.19
Diluted	0.30	0.31	0.29	0.26	1.16
Net earnings per share					
Basic	0.22	0.25	0.21	0.14	0.82
Diluted	0.22	0.24	0.21	0.14	0.81
Total assets	794,850	779,946	785,845	745,480	
Long-term debt	215,004	189,128	214,561	197,215	
Cash dividend declared:					
Per Class "A" subordinate share	0.04	0.04	0.04	0.79	0.91
Per Class "C" share	0.005	0.005	0.005	0.005	0.02

(1) No cash dividend declared for the first two quarters of 2004.

(2) Restated.

CONSOLIDATED STATEMENTS OF EARNINGS

Periods ended June 30 (in thousands of dollars, except per share amounts) (unaudited)	Three months		Six months	
	2004	2003 (restated)	2004	2003 (restated)
Sales	\$ 164,019	\$ 129,090	\$ 295,189	\$ 254,309
Cost of sales	136,459	118,336	251,748	228,621
Gross profit	27,560	10,754	43,441	25,688
Selling and administrative expenses	16,670	15,167	32,010	32,029
Exchange gain	(709)	(9,839)	(1,187)	(10,751)
Continuous improvement program	295	225	561	315
Dividend income from a common control company	(500)	(520)	(1,000)	(1,040)
	11,804	5,721	13,057	5,135
Depreciation of property, plant and equipment	5,065	5,790	10,017	11,676
Amortization of intangible assets	263	134	433	283
Financial expenses (note 3)	5,269	5,263	10,241	10,642
Loss (gain) on disposal of property, plant and equipment	364	(623)	344	(689)
Loss on disposal of investments	19,436	991	19,445	843
Expenses related to the closing of plants	232	-	232	1,120
Loss before income tax expense (recovery) and undermentioned items	(18,825)	(5,834)	(27,655)	(18,740)
Income tax expense (recovery)				
Current	970	(307)	(156)	(4,602)
Future	(891)	(1,915)	(2,663)	(2,617)
	79	(2,222)	(2,819)	(7,219)
Loss before undermentioned items	(18,904)	(3,612)	(24,836)	(11,521)
Share in significantly-influenced companies' earnings (loss)	(3)	(245)	20	(240)
Net loss from continuing operations	(18,907)	(3,857)	(24,816)	(11,761)
Net earnings (net loss) from discontinued operations (note 4)	9,375	(591)	8,474	(348)
Net loss	\$ (9,532)	\$ (4,448)	\$ (16,342)	\$ (12,109)
Net loss per share				
Basic and diluted:				
From continuing operations	\$ (0.57)	\$ (0.12)	\$ (0.75)	\$ (0.35)
From discontinued operations	0.28	(0.02)	0.25	(0.01)
Total	\$ (0.29)	\$ (0.14)	\$ (0.50)	\$ (0.36)
Weighted average number of shares				
Basic	34,136	34,134	34,136	34,112
Diluted	34,182	34,136	34,178	34,212
Number of Class "A" subordinate shares outstanding			34,136	34,136
Number of Class "C" shares			5,150	5,150

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

Periods ended June 30 (in thousands of dollars) (unaudited)	Three months		Six months	
	2004	2003	2004	2003
Opening balance	\$ 89,419	\$ 129,612	\$ 96,628	\$ 137,955
Net loss	(9,532)	(4,448)	(16,342)	(12,109)
Dividends	--	--	--	(682)
Convertible debenture issue expenses, net of related income taxes of \$367	--	(736)	--	(736)
Interest on convertible debentures, net of related income taxes of \$207 (3 months in 2004) and \$403 (six months in 2004) (\$135 in 2003)	(419)	(275)	(818)	(275)
Closing balance	\$ 79,468	\$ 124,153	\$ 79,468	\$ 124,153

CONSOLIDATED BALANCE SHEETS

(in thousands of dollars)	2004 As at June 30 (unaudited)	2003 As at December 31 (audited) (restated)
Assets		
Current assets		
Cash	\$ 8,339	\$ 1,796
Short-term investments	135	258
Accounts receivable	146,496	130,032
Inventories	105,903	83,700
Income taxes recoverable	5,695	6,693
Future income tax assets	8,766	6,165
Prepaid expenses and other assets	3,396	4,237
Current assets of discontinued operations	9,791	47,577
Total current assets	288,521	280,458
Investments		
Property, plant and equipment	77,646	99,609
Forestry equipment leased to customers	196,173	210,982
Property, plant and equipment held for sale	335	382
Property, plant and equipment held for sale	13,701	4,281
Long-term assets of discontinued operations	39,537	75,970
Future income tax assets	9,463	9,939
Intangible assets	1,658	1,773
Other assets	3,578	3,479
	\$ 630,612	\$ 686,873
Liabilities		
Current liabilities		
Bank loans	\$ 24,311	\$ 22,534
Accounts payable and accrued liabilities	109,372	94,360
Income taxes payable	573	668
Future income tax liabilities	69	66
Current liabilities of discontinued operations	11,861	37,307
Portion of long-term debt due within one year	87,792	98,451
Total current liabilities	233,978	253,386
Long-term debt	139,196	157,442
Obligation relating to residual values	77	77
Deferred revenues	6,391	6,738
Future income tax liabilities	12,215	11,832
Long-term liabilities of discontinued operations	23,387	28,296
Class "C" shares (note 5)	2,105	2,105
	417,349	459,876
Shareholders' Equity		
Share capital (note 5)	114,839	114,839
Convertible debentures	27,000	27,000
Retained earnings	79,468	96,628
Contributed surplus	1,382	1,262
Cumulative translation adjustments	(9,426)	(12,732)
	213,263	226,997
	\$ 630,612	\$ 686,873

CONSOLIDATED STATEMENTS OF CASH FLOWS

Periods ended June 30 (in thousands of dollars) (unaudited)	Three months		Six months	
	2004	2003 (restated)	2004	2003 (restated)
Cash flows from the following activities:				
Operating				
Net loss from continuing operations	\$ (18,907)	\$ (3,857)	\$ (24,816)	\$ (11,761)
Items not affecting cash				
Depreciation of property, plant and equipment	5,065	5,790	10,017	11,676
Amortization of intangible assets	263	134	433	283
Amortization of financial expenses	306	251	717	341
Future income tax expense (recovery)	(891)	(1,915)	(2,663)	(2,617)
Loss (gain) on disposal of property, plant and equipment	364	(623)	344	(689)
Loss on disposal of investments	19,436	991	19,445	843
Revenue from leased forestry equipment	(51)	--	(51)	--
Deficiency in pension contributions over pension expense	250	394	470	440
Compensation cost related to stock options	60	64	120	128
Share in significantly-influenced companies' loss (earnings)	3	245	(20)	240
	5,898	1,474	3,996	(1,116)
Net change in non-cash operating working capital items				
Increase in accounts receivable	(13,188)	(14,064)	(13,669)	(9,544)
Increase in inventories	(11,159)	(7,457)	(21,119)	(14,038)
Decrease (increase) in income taxes recoverable	4,040	(720)	1,581	5,068
Decrease in prepaid expenses and other assets	1,452	1,130	951	853
Increase in accounts payable and accrued liabilities	2,839	16,091	11,725	20,110
Decrease in deposit on contract	--	(133)	--	(499)
Decrease in interest payable	(1,165)	(291)	(1,105)	(367)
Increase (decrease) in income taxes payable	320	(288)	1,209	(1,294)
	(16,861)	(5,732)	(20,427)	289
Cash flows from continuing operating activities	(10,963)	(4,258)	(16,431)	(827)
Financing				
Proceeds from issuance of shares	--	69	--	157
Dividends paid	--	--	--	(682)
Increase in long-term debt and bank loans	36	1,970	6,239	3,466
Repayment of long-term debt and bank loans	(37,079)	(26,173)	(37,331)	(31,783)
Gross proceeds from debenture issue	--	27,000	--	27,000
Variation in long-term receivables	6	(31)	(367)	(2)
Issue expenses related to long-term debt	(375)	(765)	(432)	(1,065)
Issue expenses related to convertible debentures	--	(1,098)	--	(1,098)
Other	(283)	994	(394)	1,168
Cash flows from continuing financing activities	(37,695)	1,966	(32,285)	(2,839)
Investing				
Proceeds from disposal of property, plant and equipment	1,257	421	2,523	603
Additions to property, plant and equipment	(2,422)	(1,761)	(3,198)	(2,653)
Additions to intangible assets	(180)	(50)	(290)	(203)
Acquisition of investments	--	(37)	--	(223)
Proceeds from disposal of investments	3,747	1,009	3,749	1,157
Distribution from limited partnerships	62	--	62	482
Other assets	(40)	--	(25)	--
Cash flows from continuing investing activities	2,424	(418)	2,821	(837)
Effect of foreign exchange rate changes on cash	18	(67)	55	(160)
Net change in cash from continuing operations	(46,216)	(2,777)	(45,840)	(4,663)
Net cash flows of discontinued operations	52,636	1,310	52,383	3,901
Cash - Beginning of period	1,919	2,675	1,796	1,970
Cash - End of period	\$ 8,339	\$ 1,208	\$ 8,339	\$ 1,208
Supplementary information				
Interest paid	\$ 5,465	\$ 5,172	\$ 9,894	\$ 10,616
Income taxes paid	\$ 201	\$ 88	\$ 378	\$ 276

1. SIGNIFICANT ACCOUNTING POLICIES

The interim unaudited consolidated financial statements of the Company, as at June 30, 2004, have been prepared in accordance with Canadian generally accepted accounting principles and must be examined considering the most recent annual financial statements.

These principles are according to those used in the audited 2003 annual financial statements except for the following. Since January 1, 2004, the Company has posted its foreign exchange contracts at fair value and any subsequent variation of this value is reflected in the earnings. An unrealized translation gain of \$98,000 (loss of \$73,000 in the first quarter) was recognized to reflect the fair value of the foreign exchange contracts. Moreover, the company retroactively set out in Chapter 3475 of the CICA Handbook in order to reflect the discontinued semitrailer operations in its financial statements. The impact of these applied recommendations is discussed in Note 4.

2. SEGMENTED INFORMATION

Historically, the steel components sector generally has lower performance in the first six months of the year. The following statements do not include the discontinued operations.

Periods ended June 30 (in thousands of dollars) (unaudited)	Three months				
	Steel components	Forestry equipment	Head office	Total	
Sales	2004	\$ 157,983	\$ 5,742	\$ 294	\$ 164,019
	2003 (restated)	\$ 125,704	\$ 3,112	\$ 274	\$ 129,090
Net loss from continuing operations	2004	\$ (16,391)	\$ (245)	\$ (2,271)	\$ (18,907)
	2003 (restated)	\$ (194)	\$ (278)	\$ (3,385)	\$ (3,857)

	Six months				
	Steel components	Forestry equipment	Head office	Total	
Sales	2004	\$ 285,019	\$ 9,710	\$ 460	\$ 295,189
	2003 (restated)	\$ 247,359	\$ 6,401	\$ 549	\$ 254,309
Net loss from continuing operations	2004	\$ (19,752)	\$ (620)	\$ (4,444)	\$ (24,816)
	2003 (restated)	\$ (5,356)	\$ (501)	\$ (5,904)	\$ (11,761)

Net loss - Head office	Three months		Six months	
	2004	2003 (restated)	2004	2003 (restated)
Financial charges	\$ (3,054)	\$ (3,255)	\$ (6,174)	\$ (6,391)
Income taxes recovery	1,566	1,420	3,198	3,197
Other expenses	(783)	(1,550)	(1,468)	(2,710)
	\$ (2,271)	\$ (3,385)	\$ (4,444)	\$ (5,904)

Sales ⁽¹⁾	Three months		Six months	
	2004	2003 (restated)	2004	2003 (restated)
Canada	\$ 72,749	\$ 62,990	\$ 143,237	\$ 113,739
United States	83,931	59,639	140,755	128,584
Mexico	7,272	6,247	11,002	11,772
Europe and Asia	67	214	195	214
	\$ 164,019	\$ 129,090	\$ 295,189	\$ 254,309

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

2. SEGMENTED INFORMATION (CONTINUED)

(in thousands of dollars) (unaudited)	2004 As at June 30	2003 As at December 31 (restated)
Assets		
Reportable segments	\$ 478,287	\$ 467,884
Not attributed to segments	102,997	95,442
Attributed to discontinued operations	49,328	123,547
	\$ 630,612	\$ 686,873

3. FINANCIAL EXPENSES

Periods ended June 30 (in thousands of dollars) (unaudited)	Three months		Six months	
	2004	2003 (restated)	2004	2003 (restated)
Interest on bank loans	\$ 539	\$ 383	\$ 617	\$ 765
Interest on long-term debt	4,424	4,629	8,907	9,536
Amortization of deferred financing expenses and others	306	251	717	341
	\$ 5,269	\$ 5,263	\$ 10,241	\$ 10,642

4. DISCONTINUED OPERATIONS

On April 15, 2002, the Board of Directors of The Canam Manac Group Inc. approved a plan to sell the operations of Canam S.A. which operates the structural steel plant in Niort. The first plant located in Jarny ceased operations on April 19, 2002.

The sale of the net assets of the Manac division, which specializes in the fabrication of semitrailers, was concluded on April 25, 2004. The sale realized \$64,511,000 of which \$58,542,000 is cash settled (a balance of \$2,581,000 is due on June 30, 2004) and the balance converted to non-voting, non-participating preferred shares. The assets and liabilities handed over in consideration are disclosed in the following table:

(in thousands of dollars) (unaudited)	Manac As at April 25, 2004
Current assets	
Cash	\$ 920
Accounts receivable	28,540
Inventories	22,701
Other current assets	1,883
Total current assets	54,044
Property, plant and equipment and intangible assets	27,960
Semitrailers leased to customers	698
Investments	367
Future income tax assets	541
Other assets	332
Goodwill	5,400
Accounts payable and accrued liabilities	38,550
Long-term debt	1,215
Obligation relating to residual values	377
Deferred revenues	\$ 450

4. DISCONTINUED OPERATIONS (CONTINUED)

The following table summarizes the financial information on discontinued operations:

Periods ended June 30 (in thousands of dollars) (unaudited)	Three months		Six months	
	2004	2003 (restated)	2004	2003 (restated)
Sales	\$ 20,045	\$ 63,566	\$ 68,979	\$ 127,706
Operating net gain (loss)	1,019	(591)	118	(348)
Net gain on disposal of operations	8,356	--	8,356	--
Net gain (loss) from discontinued operations	\$ 9,375	\$ (591)	\$ 8,474	\$ (348)

Assets and liabilities of discontinued operations are as follows:

(in thousand of dollars) (unaudited)	2004 As at June 30			2003 As at December 31 (restated)		
	Semitrailers	France	Total	Semitrailers	France	Total
Assets						
Current assets						
Cash	\$ --	\$ --	\$ --	\$ 560	\$ --	\$ 560
Accounts receivable	2,581	7,112	9,693	18,533	7,079	25,612
Inventories	98	--	98	20,797	--	20,797
Other current assets	--	--	--	608	--	608
Total current assets of discontinued operations	2,679	7,112	9,791	40,498	7,079	47,577
Property, plant and equipment	--	--	--	30,052	--	30,052
Semitrailers leased to customers	25,365	--	25,365	28,631	--	28,361
Property, plant and equipment held for sale	9,665	--	9,665	9,665	--	9,665
Goodwill	--	--	--	5,400	--	5,400
Investment	2,756	--	2,756	307	--	307
Other assets	--	1,751	1,751	175	1,740	1,915
Total assets of discontinued operations	\$ 40,465	\$ 8,863	\$ 49,328	\$ 114,728	\$ 8,819	\$ 123,547
Liabilities						
Current liabilities						
Accounts payable and accrued liabilities	\$ 8,913	\$ --	\$ 8,913	\$ 37,307	\$ --	\$ 37,707
Income taxes expense	2,764	--	2,764	--	--	--
Future income tax liabilities	184	--	184	--	--	--
Total current liabilities of discontinued operations	11,861	--	11,861	37,307	--	37,707
Other liabilities	23,387	--	23,387	28,296	--	28,296
Total assets of discontinued operations	\$ 35,248	\$ --	\$ 35,248	\$ 65,603	\$ --	\$ 65,603

Net cash flows from discontinued operations are as follows:

Periods ended June 30 (in thousands of dollars) (unaudited)	Three months		Six months	
	2004	2003 (restated)	2004	2003 (restated)
Cash flows from (applied to):				
Operating activities	\$ 5,218	\$ (13,238)	\$ 6,158	\$ (15,816)
Financing activities	(1,312)	15,289	(2,004)	21,152
Investing activities	48,730	(741)	48,229	(1,435)
Net change in cash from discontinued operations ⁽¹⁾	\$ 52,636	\$ 1,310	\$ 52,383	\$ 3,901

⁽¹⁾ Additional information on non-monetary transactions:

The sale of the net assets of the Manac division yielded \$2,756 and a balance of \$2,581 remains to be received from this sale.

5. SHARE CAPITAL

Authorized

- Unlimited number of Class "A" subordinate shares, without par value participating, entitling the holder to one vote per share.
- Unlimited number of Class "C" shares, without par value, entitling their holders to five votes per share, redeemable at the option of the holder at a redemption price equal to the average paid-up capital per Class "C" share, bearing an annual, preferential, fixed, non-cumulative dividend of \$0.02666 per share and conferring an anti-dilution right by providing a subscription right, as the case may be, to the issuance of an additional number of Class "C" shares should Class "A" subordinate shares be issued.
- Unlimited number of Class "D", "E" and "F" shares, without par value, issuable in one or more series and whose attributes are to be determined by the directors.

Issued and paid

Class "A" subordinate shares	Number	Amount (in thousands of dollars)
Outstanding as at December 31, 2002	34,078,820	\$ 114,682
Issued Class "A" subordinate shares on options exercised	57,000	157
Outstanding as at December 31, 2003 and June 30, 2004	34,135,820	\$ 114,839
Class "C" shares		
Outstanding as at December 31, 2003 and June 30, 2004	5,150,000	\$ 2,105

Stock Option Plan

In 1985, the Company introduced a stock option plan and made it available to key employees (the "Plan"). Within the terms of the Plan, the Company may issue a maximum of 3,500,000 Class "A" subordinate shares to key employees.

The compensation costs charged to earnings in the first quarter for all options were \$60,000, the corresponding credit was accounted for in the contributed surplus.

As at June 30, 2004, 1,916,280 options were outstanding. No options were granted during the quarter.

6. CONVERTIBLE DEBENTURES

On April 23, 2003, the Company closed the offering of \$27,000,000 aggregate principal amount convertible unsecured subordinated debentures due 2008. The debentures bear interest at an annual rate of 9.25%, payable semi-annually. Each debenture is convertible into subordinate voting shares at the option of the holder at any time prior to maturity at a conversion price of \$6.25 per subordinate voting share. The Company has the option of reimbursing the debentures and paying the interest by issuing Class "A" subordinate shares.

7. CONTINGENCIES AND COMMITMENTS

The Company is contesting some lawsuits, claims and imminent litigations for compensation. In the opinion of management, the resolution of any such lawsuits or claims will not have a significant adverse effect on the financial position of the Company.

During the quarter, the Company has reduced the guaranteed loan of a common controlled company and commitments by \$5,500,000.

As part of the disposal of property, plant and equipment of the discontinued operation in France, the Company has guaranteed \$1,040,000 (635,000 EUROS) on behalf of the purchaser.

Moreover, as part of the disposal of Manac's assets and liabilities, the Company has guaranteed \$25,000,000 on behalf of the purchaser.

SHAREHOLDERS INFORMATION

STOCK EXCHANGE LISTING

Class "A" subordinated shares

TSX

Trading symbol: CAM.A

Non-secured subordinate convertible
debentures at a rate of 9.25% expiring in 2008

TSX

Trading symbol: CAM.DB

CUSIP NUMBERS

Class "A" subordinate shares: 13710C107

Convertible debentures: CA13710CAB3

EARNINGS RELEASE DATE

3rd quarter: November 8, 2004



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