

Quarterly Report 1

March 31, 2001



Message to shareholders

The Canam Manac Group posted a net income of \$7,440,000 or \$0.22 per share, for the first quarter ended March 31, 2001, compared with \$9,336,000 or \$0.27 per share, in 2000. For the same period, sales reached \$249,170,000 compared with \$252,835,000 in 2000.

In the steel components sector, Canam once again had excellent results with sales of \$195,203,000 compared with \$177,594,000 in 2000, or an increase of 9.9%. Net segmented income was \$10,716,000 compared with \$9,619,000, or an increase of 11.4%. The 17 steel components plants processed 123,931 tons of steel compared with 122,308 tons in 2000.

In the semitrailer and forestry equipment sectors, sales for Manac and Tanguay Industries reached \$53,406,000 compared with \$74,571,000 in 2000. This decrease results from a slowdown in the trucking industry. The segmented loss for the quarter was \$839,000 compared with net income of \$2,908,000 in 2000. Manac fabricated 1,635 semitrailers compared with 2,387 in 2000.

For the entire Canam Manac Group, gross profit was \$47,867,000 compared with \$49,474,000 in 2000. Financial charges totalled \$5,233,000. Depreciation of fixed assets and amortization of goodwill was \$6,670,000 compared with \$7,109,000 in 2000. Operating income (EBITDA) was \$22,933,000 compared with \$26,568,000 in 2000.

Backlog in the steel joist and components sector in North America was 163,389 tons as of March 31, 2001, compared with 137,742 tons in 2000, or an increase of 18.6%. In the semitrailer sector, backlog was 1,308 units compared with 1,674 units on December 31, 2000, a decrease of 21.9%.

The Group's competitive position and market share in the steel components and semitrailer sectors has improved and we are optimistic about our performance in the steel sector and the improvement of results for Manac in 2001.

The Board of Directors approved the payment of a quarterly dividend of \$0.04 per Class "A" subordinate voting share payable on June 29, 2001 to shareholders on record as of June 15, 2001.

Ville de Saint-Georges, Beauce
April 27, 2001



Marcel Dutil
Chairman of the Board
President and Chief Executive Officer

Management's Discussion and Analysis

Consolidated quarterly results

For the first quarter of 2001, consolidated sales for The Canam Manac Group reached \$249,170,000 compared with \$252,835,000 for the same period last year, a decrease of 1.4%.

In the steel components sector, sales increased by 9.9% to \$195,203,000. In Canada, sales of joists and other steel components increased by 13.2% while sales in the United States and Mexico increased by 11.2% and 7.6% respectively. In France, sales decreased 27.5% as a result of a more selective approach by management towards construction projects.

In the semitrailer sector, Manac was affected by an industry slowdown which decreased sales by 29.3% while its market share rose from 2.5% to 4.5% in the first quarter of 2001.

Gross profit decreased by \$1,607,000 to reach \$47,867,000 in 2001 and the gross profit margin was 19.2% compared with 19.6% in 2000, reflecting losses from our French subsidiary as well as a slowdown in the semitrailer sector.

Operating costs totalled \$24,934,000 in 2001, an increase of \$2,029,000 compared with 2000. Most of this increase comes from the addition of specialized labor and employee training to meet increasing demand for our products in the last part of 2000 and the beginning of 2001. The increase is also due to a rise in the value of the U.S. dollar and current inflation levels. Operating income (EBITDA) reached \$22,933,000 or 9.2% of sales in 2001

compared with 10.5% of sales in 2000 reflecting a general decrease in gross profit combined with an increase in operating costs.

Depreciation of fixed assets and amortization of goodwill decreased from \$7,109,000 in 2000 to \$6,770,000 in 2001 due to accelerated depreciation for the previous year while financial charges dropped slightly from \$5,374,000 to \$5,233,000 in 2001. The gain on the sale of investments was \$1,770,000 and primarily represents the amount retained when the Company sold its 35% investment in Steel Fabricators LLC in November of last year. This amount was received during the first quarter.

The Group reported a net income of \$7,440,000 or \$0.22 per share compared with \$9,336,000 or \$0.27 for the same quarter last year.

Consolidated statement of cash flows

Cash flows from operating activities totalled \$16,015,000 and include mainly net income, depreciation of fixed assets and amortization of goodwill as well as the items related to non-cash operating working capital totalling \$1,053,000 while financing activities generated \$1,702,000. Investment activities required \$22,112,000 of which, \$19,381,000 was used to continue the modernization of our plants and equipment and \$3,200,000 to finance the previously initiated purchase of preferred shares in Total Containment Inc.

Capital structure and financial resources

Shareholders' equity increased from \$279,620,000 in December of last year to \$285,563,000 as of March 31, 2001 mainly reflecting the net quarterly income less the last quarterly dividend payment and share repurchases at the beginning of 2001. Working capital remained stable at \$145,176,000 while debt increased by \$14,860,000 to reach \$287,898,000 due to the purchase of assets during the quarter. The Group currently has available lines of credit totalling \$167,000,000 of which, less than 53% is used and considers that cash flows will be more than sufficient to respond to the Group's financial needs in 2001.

As of March 31, 2001, the Group's backlog in the steel sector totalled 163,389 tons, an increase of 8.8% compared with December of last year and 18.6% compared with the same period in 2000.

In the semitrailer sector, backlog reached 1,308 units, a decrease of 21.9% compared with December and 53.4% compared with March of 2000.

The Group is optimistic about the performance of the steel sector for the rest of the year as well as improved results for Manac in the second half of 2001.

Quarterly Results

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

Quarter	1998		1999		2000		2001		
	Total	Per share	Total	Per share	Total	Per share	Total	Per share	
Net income	1 st	\$ 1,666	\$ 0.04	\$ 4,288	\$ 0.12	\$ 9,336	\$ 0.27	\$ 7,440	\$ 0.22
	2 nd	4,360	0.12	9,114	0.26	11,841	0.33		
	3 rd	9,029	0.24	15,356	0.43	17,113	0.50		
	4 th	11,011	0.30	18,835	0.54	17,272	0.51		
	Total	\$ 26,066	\$ 0.70	\$ 47,593	\$ 1.35	\$ 55,562	\$ 1.61		
Sales	1 st	\$ 198,599		\$ 224,186		\$ 252,835		\$ 249,170	
	2 nd	219,479		227,946		251,798			
	3 rd	287,941		287,999		300,084			
	4 th	294,681		303,483		305,880			
	Total	\$1,000,700		\$ 1,043,614		\$ 1,110,597			

Consolidated Statement of Income

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

Period ended March 31	three months	
	2001	2000
Sales	\$ 249,170	\$ 252,835
Cost of goods sold	201,303	203,361
Gross profit	47,867	49,474
Sales and administration charges	23,379	21,737
Profit-sharing	1,555	1,168
Depreciation of fixed assets	6,620	6,678
Amortization of goodwill	150	431
Financial charges	5,233	5,374
Gain on disposal of investments	(1,770)	--
	35,167	35,388
Income before income taxes and undernoted items	12,700	14,086
Provision for income taxes		
Current	4,747	4,991
Future	(143)	(621)
	4,604	4,370
Net income before undernoted items	8,096	9,716
Share of loss of related companies	(656)	(380)
Net income	\$ 7,440	\$ 9,336
Net income per outstanding Class "A" subordinate shares		
Basic	\$ 0.22	\$ 0.27
Diluted	\$ 0.22	\$ 0.26
Weighted average number of outstanding Class "A" subordinate shares		
Basic	33,455	35,302
Diluted	34,224	36,185
Number of outstanding Class "A" subordinate shares as of March 31	33,448	35,163
Number of outstanding Class "C" shares as of March 31	\$ 5,150	\$ 5,150

Consolidated Statement of Retained Earnings

(in thousands) (unaudited)

Period ended March 31	three months	
	2001	2000
Opening balance	\$ 164,727	\$ 121,828
Net income	7,440	9,336
Dividends	(1,338)	(900)
Premium on redemption of shares	(911)	(705)
Closing balance	\$ 169,918	\$ 129,559

Consolidated Balance Sheet

(in thousands) (unaudited)	2001 As of March 31	2000 As of December 31
Assets		
Current assets		
Cash	\$ 3,136	\$ 7,171
Temporary investments	3,403	3,332
Accounts receivable	195,683	208,748
Inventories	162,386	152,737
Income taxes receivable	1,254	1,405
Future income tax assets	6,037	8,131
Prepaid expenses	4,220	2,950
Total current assets	376,119	384,474
Investments	103,960	100,676
Fixed assets	294,270	275,173
Future income tax assets	1,304	1,334
Other assets	19,197	17,697
	\$ 794,850	\$ 779,354
Liabilities		
Current liabilities		
Bank loans	\$ 22,166	\$ 27,772
Accounts payable and accrued liabilities	179,563	178,619
Income taxes payable	166	5,958
Future income tax liabilities	2,073	707
Long-term debt due within one year	26,975	25,615
Total current liabilities	230,943	238,671
Long-term debt	238,757	219,651
Deferred credits	32,434	31,057
Future income tax liabilities	5,048	8,250
Class "C" shares	2,105	2,105
	509,287	499,734
Shareholders' Equity		
Share capital	112,323	113,152
Retained earnings	169,918	164,727
Deferred translation adjustments	3,322	1,741
	285,563	279,620
	\$ 794,850	\$ 779,354

Consolidated Statement of Cash Flows

Period ended March 31 (in thousands) (unaudited)	2001	2000
Cash flow related to the following activities:		
Operations		
Net income	\$ 7,440	\$ 9,336
Items not affecting cash flow		
Depreciation and amortization	7,182	7,407
Future income taxes	143	(621)
Gain on disposal of fixed assets	(3)	(319)
Gain on disposal of investment	(456)	--
Share of loss of related companies	656	380
	<u>14,962</u>	<u>16,183</u>
Net change in non-cash operating working capital items		
Decrease in accounts receivable	18,952	10,073
Increase in inventories	(6,880)	(3,866)
Decrease (increase) in income taxes receivable	159	(736)
Increase in prepaid expenses	(1,160)	(2,464)
Decrease in trade payables	(4,231)	(15,660)
Increase in interest payable	102	57
Decrease in income taxes payable	(5,889)	(16,565)
	<u>1,053</u>	<u>(29,161)</u>
Cash flow related to operating activities	<u>16,015</u>	<u>(12,978)</u>
Financing		
Redemption of shares	(1,742)	(1,209)
Proceeds on issuance of shares	2	58
Dividends	(1,338)	(900)
Increase in long-term debt and bank loans	15,513	38,740
Repayment of long-term debt and bank loans	(10,442)	(4,666)
Long-term receivables	(63)	243
Other	(228)	710
Cash flow related to financing activities	<u>1,702</u>	<u>32,976</u>
Investment		
Proceeds on disposal of fixed assets	64	199
Acquisition of fixed assets	(19,381)	(13,206)
Proceeds on disposal of investments	1,598	--
Acquisition of investments	(4,393)	(8,877)
Cash flow related to investing activities	<u>(22,112)</u>	<u>(21,884)</u>
Unrealized exchange in cash and cash equivalents	<u>360</u>	<u>(28)</u>
Net increase in cash and cash equivalents	<u>(4,035)</u>	<u>(1,914)</u>
Cash and cash equivalents at beginning of year	<u>7,171</u>	<u>2,817</u>
Cash and cash equivalents at end of period	<u>\$ 3,136</u>	<u>\$ 903</u>
Supplementary information		
Interest paid	\$ 5,345	\$ 5,360
Income taxes paid	\$ 10,427	\$ 17,297

Notes to Consolidated Financial Statements

1. Significant accounting policies

The interim unaudited consolidated financial statements of the Company, as of March 31, 2001, were prepared according to generally accepted accounting principles in Canada. These principles are according to those found in the 2000 Annual Report.

2. Change in accounting policies

In January 2001, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") relative to net earnings per share. Basic earnings per share are based on the weighted average number of the total number of issued regular shares outstanding, and is obtained by dividing the net earnings payable to regular shareholders by the weighted average number of outstanding shares during the period. The diluted earnings per share are obtained by dividing the net income payable to regular shareholders by the sum of the weighted average number of regular shares used to calculate the basic earnings per share and the number of regular shares that would be issued if all the potentially dilutive regular outstanding shares were converted according to the share repurchase method. These new recommendations from the CICA were applied retroactively.

3. Segmented information

The Company decided to combine semitrailers and forestry equipment into a single sector on account of the low materiality of the forestry equipment sector. Historically, the steel components sector generally has lower performance in the first six months of the year.

(in thousands) (unaudited)
Period ended March 31

		Steel components	three months Semitrailers and forestry equipment	Head office	Total
Third party sales	2001	\$ 195,203	\$ 53,406	\$ 561	\$ 249,170
	2000	\$ 177,594	\$ 74,571	\$ 670	\$ 252,835
Segmented net income (loss)	2001	\$ 10,716	\$ (839)	\$ (2,437)	\$ 7,440
	2000	\$ 9,619	\$ 2,908	\$ (3,191)	\$ 9,336

Net loss - Head office

	2001	2000
Financial charges	\$ (2,911)	\$ (2,986)
Depreciation of fixed assets	(512)	(465)
Income taxes recovery	1,806	1,811
Other expenses	(820)	(1,551)
	\$ (2,437)	\$ (3,191)

Information by geographic area

	2001 Sales ⁽¹⁾	2000 Sales ⁽¹⁾
Canada	\$ 113,871	\$ 131,813
United States	123,747	105,781
France	7,009	9,672
Mexico	4,543	5,569
	\$ 249,170	\$ 252,835

(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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