

Quarterly Report 1

March 31, 2003



Beyond the cycles

Message to Shareholders and Employees

The Canam Manac Group was affected by the slowdown in the economy that mainly affected the construction markets in the United States and Mexico during the first quarter ending March 31, 2003. Sales reached \$190,389,000 compared with \$219,427,000 in 2002. Net loss reached \$7,661,000 or \$0.22 per share compared with a net loss of \$1,595,000 or \$0.05 per share in 2002. These figures include \$1,736,000 before income taxes related to the closing of our facility in Lafayette, Indiana.

Consequently, Canam's steel components sector experienced a weak quarter. Total sales reached \$121,875,000 compared with \$164,627,000 in 2002, a decrease of 26%. In the United States, the decline reached 50%. Segmented net loss was \$5,162,000 compared with net earnings of \$3,708,000 in 2002. This loss is mainly attributed to the American steel joist market which continues to suffer from the economic slowdown and a production overcapacity of 40% as well as unfavorable weather that hit the Atlantic coast. Hambro, Murox and Expanpro however, are increasing and continue to improve the production and profitability of our construction systems.

The 14 plants in the steel components sector processed 79,355 tons of steel compared with 97,748 tons in 2002, a decrease of 19%.

In the semitrailer sector, sales for Manac increased by 23% to \$64,436,000 compared with \$52,565,000 in 2002. Segmented net earnings reached \$243,000 compared with a net loss of \$1,310,000 for the same period in 2002. During the first quarter, Manac began fabricating aluminum platforms at its plant in Oran, Missouri.

For the period ending March 31, 2003, Manac manufactured 1,984 semitrailers compared with 1,623 in 2002, an increase of 23%. The return to profitability for Manac confirms the success of its specialization strategy in the semitrailer industry.

Sales of forestry equipment for Tanguay Industries were \$3,289,000 compared with \$1,503,000 in 2002 and the segmented net loss reached \$223,000 compared with a loss of \$332,000. The forestry sector has been affected by the consequences of the conflict on softwood lumber.

For The Canam Manac Group, gross profit reached \$21,900,000 compared with \$33,577,000 in 2002. Financial charges were \$5,416,000. Depreciation of fixed assets totaled

\$8,580,000 compared with \$7,574,000 in 2002. The Group's operating income (EBITDA) was \$1,458,000 compared with \$11,656,000 in 2002.

The backlog of orders in the North American steel joist and steel components sector was 162,986 tons as of March 31, 2003, compared with 132,284 tons in 2002. Most of this increase is due to heavy structural steel projects. Over the last several weeks, selling prices have increased in Canada and the United States.

In the semitrailer sector, the backlog of orders was 1,834 units compared with 1,891 as of March 31, 2002, a slight decrease of 3%.

Because of the economic slowdown no dividend will be paid 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
April 25, 2003

Management's Discussion and Analysis

Consolidated quarterly results

Over the first quarter of 2003, sales for The Canam Manac Group were \$190,389,000, a decrease of 13.2% compared with first quarter sales in 2002.

These results reflect the 26.0% drop in the steel components sector from \$164,627,000 in 2002 to \$121,875,000 in the first quarter of 2003. Throughout North America and particularly in the United States, the lower volumes were the result of a decrease of approximately 20% in the value of non-residential construction contracts since the beginning of 2003 compared with the same period in 2002.

The semitrailer and forestry equipment sectors however, regained strength with Manac sales increasing 22.6% while sales for Tanguay Industries rose 118.8% when compared with the first three months of 2002.

Gross margin for The Canam Manac Group was \$21,900,000 representing 11.5% of sales compared with 15.3% for the same quarter last year. This decline in margin is the direct result of the decrease in the selling prices of steel components. The effect of the permanent closure of the Lafayette facility in Indiana was \$1,736,000 before income taxes. Excluding this not recurring element, gross margin would have been 12.4%.

In the first quarter of 2003, selling and administration expenses represented 11.1% of sales. The company has continually controlled its expenses as demonstrated by its business decisions since the beginning of this difficult economic cycle.

The Canam Manac Group realized net exchange gains of \$912,000 through careful management of instruments used to protect against currency rate fluctuations.

Earnings before interest, income taxes, and depreciation were \$1,458,000 including the permanent closure of the Lafayette facility. Excluding this extraordinary element, the EBITDA of the first quarter of 2003 would have been \$3,194,000. The lower earnings result from a decrease in selling prices and sales volume of steel components. Manac improved its EBITDA for the first quarter of 2003 to \$3,072,000 from negative \$681,000 for the same period in 2002.

The net loss for The Canam Manac Group for the first three months of 2003 was \$7,661,000 compared with earnings of \$752,000 for continuing operations for the same period last year. Excluding the closure of the Lafayette facility, the net

loss for the first quarter of 2003 would have been \$6,550,000.

Most variations on the balance sheet result from the effects of currency fluctuations between the Canadian and US dollar over the first quarter. The rate used was CA\$1.4678 / US\$1.00 on March 31, 2003 while the rate was \$1.5796 on December 31, 2002.

Moreover, management decided not to record the revolving credit used of \$88,460,000 as long-term debt (as allowed by current accounting principles) even if an agreement was reached at the end of the quarter between The Canam Manac Group and its financial institutions. This renewable agreement, which was closed after the end of the quarter, is for a period of 400 days. Management has deemed it appropriate to keep this amount for the portion of the debt due within one year.

Consolidated statement of cash flows

Cash flows from continuing operations were null. The net loss of \$7,661,000 was more than compensated by depreciation. Cash flows from financing generated \$1,069,000 while cash flows from investments show the decrease in the acquisition of assets from \$6,063,000 in the first quarter of 2002 to \$1,710,000 in the first quarter of this year.

Dividends paid in the first quarter were \$0.02 per share, or \$682,000.

Capital Structure and Financial Resources

Shareholder's equity declined by \$14,239,000 particularly due to the net loss for the period and currency rate fluctuations of the Canadian dollar during the quarter.

Operating capital was \$27,161,000 as of March 31, 2003, compared with \$29,672,000 as of December 31, 2002. This item is affected by the conservative accounting treatment that management applied to the revolving line of credit, as explained above

Outlook

At the end of the quarter, the backlog of orders for the steel components sector represented 162,986 tons, an increase of 23.2% compared with 132,284 tons in the first quarter of last year. Prices have also started to increase.

Levels for semitrailers remained stable with 1,834 units as of March 31 of this year, compared with 1,891 units in March 2002.

Management's Discussion and Analysis

Subsequent Events

Revolving Loan

The Company and its banking institutions comprised of the National Bank of Canada, the Royal Bank of Canada and the Caisse centrale Desjardins signed a new global credit of \$100,000,000 on April 23, 2003. This global credit will have a period of 400 days (renewable for an additional period of 400 days), and is composed of two installments, the first is for \$25,000,000 in revolving credit and a second for \$75,000,000 in non-revolving credit. The conditions associated with this global credit stem from the current restrictive conditions in the financing market, compared with those of 1997 and the current difficult market situation face by the Company.

Convertible Debentures

The Canam Manac Group and a syndicate of underwriters led by BMO Nesbitt Burns Inc. reached a joint agreement in the form of convertible unsecured subordinated debentures worth \$27,000,000 on April 23, of this year. This gain in capital, which will be added to the Company's equity in the second quarter, will be used, among other purposes, to reimburse the installment of US\$15,400,000 of the long-term debt negotiated in 1997.

The new debentures are due on May 1, 2008, bear annual interest of 9.25% and are convertible at all times, by the holders, into subordinate shares of The Canam Manac Group at a price of \$6.25 per share.

Leroux Steel

On April 11, 2003, The Canam Manac Group signed an agreement to tender the stock in Leroux Steel held by The Canam Manac Group, in a public offering in a takeover bid by Russel Metals Inc. Closure is set for June 2003. In the event that this takeover bid is successful, The Canam Manac Group will collect approximately \$15,600,000.



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)

Quarter	2000		2001		2002		2003		
	Total	Per share	Total	Per share	Total	Per share	Total	Per share	
Net income	1 st	\$ 9,768	\$ 0.28	\$ 9,299	\$ 0.28	\$ 752	\$ 0.02	\$ (7,661)	\$(0.22)
(net loss)	2 nd	12,812	0.36	9,528	0.28	659	0.02		
from continuing	3 rd	19,330	0.57	8,235	0.25	(2,263)	(0.07)		
operations	4 th	22,693	0.66	7,306	0.21	(100)	0.00		
	Total	\$ 64,603	\$ 1.87	\$ 34,368	\$ 1.02	\$ (952)	\$(0.03)		
Net income	1 st	\$ 9,336	\$ 0.27	\$ 7,440	\$ 0.22	\$ (1,595)	\$(0.05)	\$ (7,661)	\$(0.22)
(net loss)	2 nd	11,841	0.33	8,268	0.25	(10,617)	(0.31)		
	3 rd	17,113	0.50	6,918	0.21	(2,263)	(0.07)		
	4 th	17,272	0.51	4,977	0.14	(100)	0.00		
	Total	\$ 55,562	\$ 1.61	\$ 27,603	\$ 0.82	\$(14,575)	\$(0.43)		
Sales,	1 st	\$ 243,164		\$ 243,716		\$ 219,427		\$ 190,389	
other revenues	2 nd	241,201		242,961		230,607			
and dividends	3 rd	292,757		258,838		255,444			
	4 th	301,439		268,956		231,241			
	Total	\$ 1,078,561		\$ 1,014,471		\$ 936,719			

Consolidated Statements of Earnings

Periods ended March 31 (in thousands of dollars, except per share amounts) (unaudited)	Three months	
	2003	2002
Sales	\$ 188,392	\$ 218,820
Other revenues and dividends	1,997	607
	190,389	219,427
Cost of sales	168,489	185,850
Gross profit	21,900	33,577
Selling and administrative expenses	21,116	20,963
Exchange losses (gain)	(912)	748
Profit sharing	238	210
	1,458	11,656
Depreciation of fixed assets	8,580	7,574
Financial expenses	5,416	4,379
Loss before income tax recovery and undernoted item	(12,538)	(297)
Income tax recovery		
Current	(4,170)	(1,045)
Future	(702)	-
	(4,872)	(1,045)
Earnings (loss) before undermentioned items	(7,666)	748
Share of earnings of significantly-influenced company	5	4
Net earnings (loss) from continuing operations	(7,661)	752
Net loss from discontinued operation (note 3)	-	(2,347)
Net loss	\$ (7,661)	\$ (1,595)
Net earnings (net loss) per Class "A" subordinate share		
Basic:		
From continuing operations	\$ (0.22)	\$ 0.02
From discontinued operation	-	(0.07)
Total	\$ (0.22)	\$ (0.05)
Diluted:		
From continuing operations	\$ (0.22)	\$ 0.02
From discontinued operation	-	(0.07)
Total	\$ (0.22)	\$ (0.05)
Weighted average number of shares		
Basic	34,089	34,009
Diluted	34,308	34,497
Number of Class "A" subordinate shares	34,111	34,014
Number of Class "C" shares	5,150	5,150

Consolidated Statements of Retained Earnings

Periods ended March 31 (in thousands of dollars) (unaudited)	Three months	
	2003	2002
Opening balance before restatement	\$ 137,955	\$ 160,543
Deferred exchange loss	-	(2,565)
Restated	137,955	157,978
Net loss	(7,661)	(1,595)
Dividends	(682)	(1,360)
Closing balance	\$ 129,612	\$ 155,023

Consolidated Balance Sheets

(in thousands of dollars)	2003 As at March 31 (unaudited)	2002 As at December 31 (audited)
Assets		
Current assets		
Cash	\$ 2,915	\$ 2,917
Short-term investments	587	632
Accounts receivable	141,274	152,266
Inventories	136,901	131,412
Income taxes recoverable	4,960	11,545
Future income tax assets	10,178	10,461
Prepaid expenses and other assets	8,575	6,590
Current assets of discontinued operation	6,144	6,144
Total current assets	311,534	321,967
Investments	113,698	116,335
Fixed assets	287,314	303,886
Semitrailers sold as an operating lease	31,209	29,058
Other assets of discontinued operation	3,435	3,435
Future income tax assets	7,661	7,814
Other assets	15,637	15,682
	\$ 770,488	\$ 798,177
Liabilities		
Current liabilities		
Bank loans	\$ 22,290	\$ 22,403
Accounts payable and accrued liabilities	145,647	151,307
Income taxes payable	1,060	2,284
Future income tax liabilities	2,457	2,457
Long-term debt due within one year	112,919	113,844
Total current liabilities	284,373	292,295
Long-term debt	191,788	200,084
Obligation relating to residual values	5,896	5,896
Deferred revenues	29,779	26,396
Future income tax liabilities	15,114	15,729
Class "C" shares	2,105	2,105
	529,055	542,505
Shareholders' Equity		
Share capital	114,770	114,682
Retained earnings	129,612	137,955
Contributed surplus	1,055	991
Cumulative translation adjustments	(4,004)	2,044
	241,433	255,672
	\$ 770,488	\$ 798,177

Consolidated Statements of Cash Flows

Periods ended March 31 (in thousands of dollars) (unaudited)	Three months	
	2003	2002
Cash flows related to the following activities:		
Operations		
Net earnings (loss) from continuing operations	\$ (7,661)	\$ 752
Items not affecting cash		
Depreciation	8,668	7,574
Future income tax recovery	(702)	- -
Gain on disposal of fixed assets	(64)	(22)
Other revenues	(1,308)	(7)
Deficiency in pension contributions over pension expense	46	117
Compensation cost related to stock options	64	- -
Share of earnings of significantly-influenced company	(5)	(4)
	<u>(962)</u>	<u>8,410</u>
Net change in non-cash operating working capital items		
Decrease (increase) in accounts receivable	5,047	13,334
Decrease (increase) in inventories	(10,376)	(2,010)
Decrease (increase) in income taxes recoverable	5,788	(1,123)
Decrease (increase) in prepaid expenses and other assets	(455)	(1,481)
Increase (decrease) in accounts payable	2,852	(10,878)
Increase (decrease) in deposit on contract	(366)	(9,374)
Increase (decrease) in interest payable	(76)	(18)
Increase (decrease) in income taxes payable	(1,006)	(1,013)
	<u>1,408</u>	<u>(12,563)</u>
Cash flows from continuing operations	446	(4,153)
Financing		
Proceeds from issuance of shares	88	26
Dividends paid	(682)	(26,866)
Increase in long-term debt and bank loans	2,476	39,652
Repayment of long-term debt and bank loans	(728)	(761)
Variation in long-term receivables	29	134
Issue expenses related to new credit facility	(300)	- -
Other	186	293
Cash flows from continuing financing activities	<u>1,069</u>	<u>12,478</u>
Investment		
Proceeds from disposal of fixed assets	182	43
Acquisition of fixed assets	(1,710)	(6,063)
Proceeds from disposal of investments	- -	95
Acquisition of investments	(317)	- -
Distribution from limited partnership	482	- -
Cash flows from continuing investing activities	<u>(1,363)</u>	<u>(5,925)</u>
Effect of foreign exchange rates changes on cash	(154)	19
Net increase (decrease) in cash from continuing operations	(2)	2,419
Net cash flows of the discontinued operation	- -	(1,760)
Cash - Beginning of period	2,917	1,776
Cash - End of period	\$ 2,915	\$ 2,435
Supplementary information		
Interest paid	\$ 5,457	\$ 4,509
Income taxes paid	\$ 188	\$ 982

Notes to Consolidated Financial Statements

1. Significant accounting policies

The interim unaudited consolidated financial statements of the Company, as at March 31, 2003, have been prepared in accordance with Canadian generally accepted accounting principles.

These principles are according to those used in the audited 2002 annual financial statements.

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 operation.

Periods ended March 31 (in thousands) (unaudited)		Three months				Total
		Steel components	Semitrailers	Forestry equipment	Head office	
Sales, other revenues and dividends	2003	\$ 121,875	\$ 64,436	\$ 3,289	\$ 789	\$ 190,389
	2002	\$ 164,627	\$ 52,565	\$ 1,503	\$ 732	\$ 219,427
Segmented net revenues (loss)	2003	\$ (5,162)	\$ 243	\$ (223)	\$ (2,519)	\$ (7,661)
	2002	\$ 3,708	\$ (1,310)	\$ (332)	\$ (1,314)	\$ 752

Net loss - Head office	Three months	
	2003	2002
Financial charges	\$ (3,136)	\$ (2,436)
Income taxes recovery	1,777	1,483
Other expenses	(1,160)	(361)
	\$ (2,519)	\$ (1,314)

Sales, other revenues and dividends by country ⁽¹⁾	Three months	
	2003	2002
Canada	\$ 115,697	\$ 76,074
United States	69,167	137,793
Mexico	5,525	5,560
	\$ 190,389	\$ 219,427

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

3. Discontinued operation

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 results of the discontinued operation are as follows:

Periods ended March 31 (in thousands of dollars) (unaudited)	Three months	
	2003	2002
Sales	\$ --	\$ 5,627
Operating net loss ⁽¹⁾	--	(2,347)
Net loss on disposal of operation ⁽¹⁾	--	--
Net loss from discontinued operation	\$ --	\$ (2,347)

(1) No income tax expense applicable.

4 Contingencies

The Company is contesting a few 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.

Regarding the guaranteed loans of related companies, no significant changes have been made since December 31, 2002.

Notes to Consolidated Financial Statements

5. Subsequent Events

a) 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 will be 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 intends to use the net proceeds of \$26,190,000 to pay the annual instalment of outstanding Senior Notes maturing in May 2007 of approximately US\$15,429,000 and the balance for general corporate purposes.

The unsecured subordinate debentures will be accounted as shareholders' equity in accordance with generally accepted accounting principles.

b) Long-term Debt

On April 23, 2003, the Company replaced its current revolving loan of \$100,000,000 into a new 400-day \$1000,000,000 credit facility consisting of a \$25,000,000 revolving credit and a \$75,000,000 non-revolving credit, renewable for an additional 400-day period. Both of these loans carry interest at a fixed or variable rate based on the prime rate. An amount of \$40,000,000 of non-revolving credit is guaranteed by the Company who granted a first mortgage on its moveable and immovable assets.

The Company also made financial commitments and is restricted by covenants, one of which states that dividends are to be paid according to specific rates. For the quarter ending March 31, 2003, the Company did not pay any dividends.

6. 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, 2001	34,008,220	\$ 114,374
Issued Class "A" subordinate shares on options exercised	70,600	308
Outstanding as at December 31, 2002	34,078,820	\$ 114,682
Issued Class "A" subordinate shares on options exercised	32,000	88
Outstanding as at March 31, 2003	34,110,820	\$ 114,770

Class "C" shares

Outstanding as at December 31, 2002 and March 2003	5,150,000	\$ 2,105
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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. As at March 31, 2003, 1,983,280 options were outstanding.



SHAREHOLDERS INFORMATION

Stock Exchange Listing

Class "A" subordinate shares

The Toronto Stock Exchange

Trading symbol: CAM.A

CUSIP NUMBER

Class "A" subordinate shares: 13710C107



11535, 1^{re} Avenue, bureau 500
Ville de Saint-Georges (Québec) G5Y 7H5
Telephone: (418) 228-8031
Fax: (418) 228-1750
www.canammanac.com

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