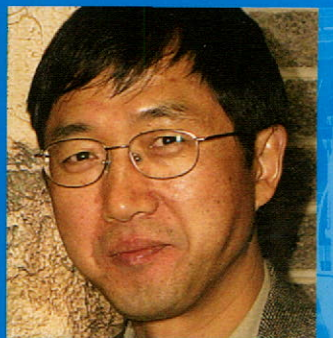




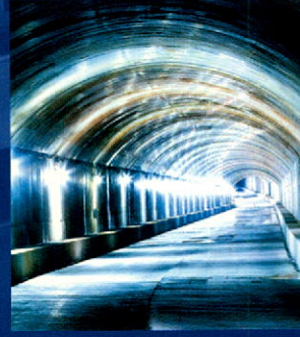
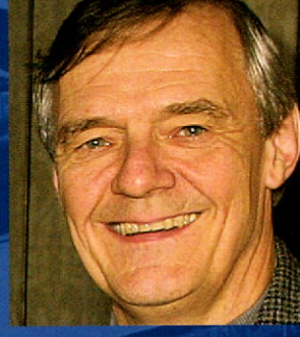
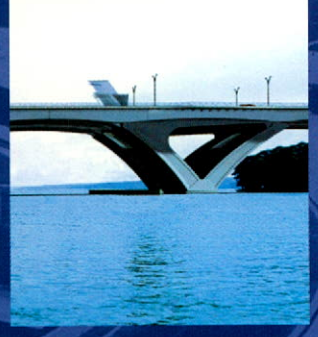
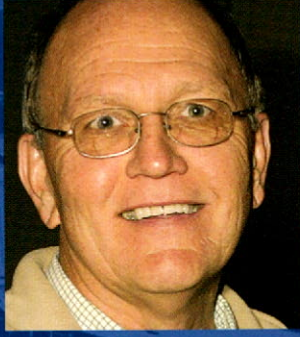
People Building Value Annual Report 2004



ST. LAWRENCE CEMENT GROUP Inc.

CANADIAN COMPANIES A.R.

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## Our Mission

We will pursue sustainable growth in all of our businesses. We are committed to **building value** for: **our customers**, by providing the best service in the industry, constantly improving our products and developing innovative solutions to individual customer needs; **our employees**, by offering an environment that provides challenges and opportunities for growth and learning, as well as fostering teamwork; **our community**, by managing our businesses in an environmentally sound manner and participating in community programs; and **our shareholders**, by achieving sustainable long-term profitability superior to the industry.



St. Lawrence Cement Group is a leading producer and supplier of products and services for the construction industry, serving some 8,000 customers in Canada and on the eastern seaboard of the United States. St. Lawrence Cement Group has 2,900 employees: 1,670 in Ontario, 725 in Québec and the Atlantic Provinces, 380 in the United States and 125 at its Mount Royal Corporate Office.



Holcim Ltd, a Swiss company, holds 64% of St. Lawrence Cement Group shares mainly through its U.S. subsidiary, Holcim (US) Inc. Holcim Ltd is one of the world's leading suppliers of cement, concrete and aggregates. With a presence in over 70 countries on all continents, the Group currently employs more than 45,000 people.

### Table of Contents

Financial Highlights	02
Message to Shareholders	03
Review of Operations	06
Management's Discussion and Analysis	14
Consolidated Financial Statements	21
Facilities	44
Business Units	46
Officers and Directors	47
Investor Information	48

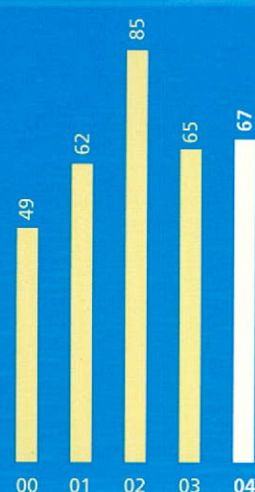
# Financial Highlights

	2004	2003
<b>Operations</b> (millions of dollars)		
Sales	1,278.0	1,149.2
Net earnings	67.2	65.4
Operating cash flow	136.9	120.2
Additions to property, plant and equipment	75.5	77.3
<b>Financial position</b> (millions of dollars)		
Working capital, excluding cash and cash equivalents	56.9	108.3
Total long-term debt	193.8	229.4
Shareholders' equity	610.5	590.1
<b>Per share values</b> (dollars)		
Basic earnings	1.61	1.58
Operating cash flow	3.29	2.91
Dividends	0.52	0.50
Book value	14.62	14.22
<b>Financial ratios</b>		
Working capital	1.3:1	1.7:1
Total long-term debt on total capitalization (%)	20	23
Operating profit on sales (%)	10.3	10.4
Return on average equity (%)	11.2	11.2

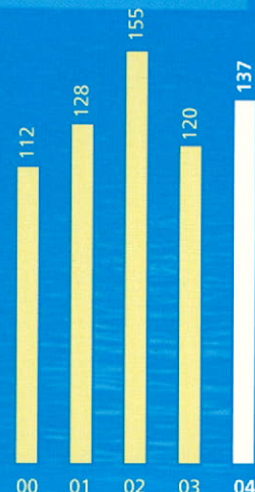
**Sales**  
(millions of dollars)



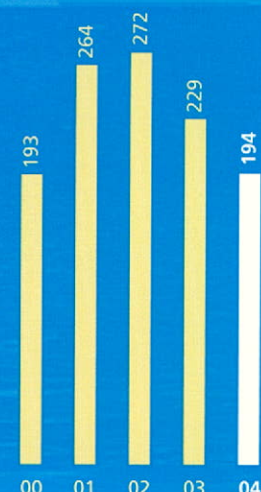
**Net Earnings**  
(millions of dollars)



**Operating Cash Flow**  
(millions of dollars)



**Total Long-term Debt**  
(millions of dollars)



## Message to Shareholders

We are pleased to report another solid year for St. Lawrence Cement Group in 2004. Sales, net earnings and operating cash flow exceeded 2003 levels and we maintained strong competitive positions in all of our markets. Based on these results, a healthy balance sheet and favourable prospects, our Board of Directors increased the quarterly dividend by 12% in November.

### Financial results

Consolidated sales were up 11% to \$1,278 million in 2004 compared to \$1,149 million in 2003. Operating profit increased 10% to \$131 million and net earnings rose to \$67 million compared to \$65 million in 2003. Excluding losses and gains on the sale of assets and investments in both years, basic earnings per share in 2004 were \$1.61 compared to \$1.51 in 2003, an increase of 7%.

The improvement in our 2004 results was driven mainly by higher cement prices in all markets, higher sales volumes of aggregates and increased construction revenues.

- Our U.S. division achieved a good turnaround despite lower sales than in 2003 caused by a negative currency impact of nearly \$20 million resulting from the weaker U.S. dollar, as well as reduced volume and more expensive imported cement for resale.
- Our Québec & Atlantic division recorded higher sales but its contribution was lower than in 2003 due to competitive pressures in concrete and higher delivery costs stemming from new transportation regulations in Québec.
- Our Ontario division had another strong year with cement, aggregates and construction services all improving over 2003.

We continued to reduce debt thanks to our solid operating cash flow, which increased 14% to \$137 million in 2004 compared to \$120 million in 2003. Our total long-term debt declined to \$194 million compared to \$229 million at the end of 2003 despite investments of \$65 million in business acquisitions and capital expenditures of \$76 million during 2004. Long-term debt decreased to 20% of total capitalization at the end of 2004, the lowest level in five years, compared to 23% at the end of 2003.

Concrete Runway  
Vancouver  
International  
Airport



### Non-financial measures

In 2004, we made improvements in many critical areas of our business that are not directly quantified in our financial statements.

- By making safety our first priority and focusing our efforts across the company, we further reduced our lost-time injury frequency rate by 25% in 2004 to 7.5, although we deployed two fatal accidents.
- Since early 2005, all of our cement and grinding facilities are certified ISO 9001, the internationally recognized quality management standard. We will use this tool to increase product quality and customer satisfaction in the years ahead.

- Key indicators of environmental performance at our manufacturing plants, such as reportable incidents, external complaints and CO<sub>2</sub> emissions per ton of cementitious production, continued to decline. The environmental management systems at all of our cement and grinding plants meet the highest international standards through ISO 14001 certification.
- We further reduced consumption of conventional fossil fuels through increased use of alternate energy sources. By safely recovering thermal energy from waste materials, and recycling industrial by-products with cementitious properties, we are supporting sustainable development.

These achievements and initiatives are just as important to our continuing success as our financial performance.



Concrete Testing  
Laboratory  
École Polytechnique  
de Montréal

### Strategy execution

Better cost management is critical to our long-term profitability and market leadership. Several of our facilities made good progress in cost reduction in 2004 and we will redouble our efforts in 2005. About half of our 2005 capital spending is earmarked for efficiency improvements in our cement plants under a fitness program that is already yielding positive results. We are also controlling our selling and administrative expenses, which represented 7% of sales in 2004 compared to over 8% in the previous year.

In the past few years, we have reinforced our vertical integration in Canada through several acquisitions. In addition to securing our supply of quality aggregates for many years to come, these acquisitions are contributing to our results. With our strong financial position, we continue to look for attractive assets in both Ontario and Québec.

To serve our U.S. markets, our long-term objective is to build a replacement cement plant in Greenport, New York. Our proposed facility would reduce the regional supply gap through a competitive domestic source while generating major economic benefits locally and significant environmental improvement. In 2004, we improved the design so that 90% of the plant would not be visible from the surrounding area. We also applied for a revised air permit that calls for a 28% reduction in critical emissions compared to our original permit application, which already met regulatory environments. The permitting process is running its course and important decisions are expected in 2005.

As a member of the Holcim Group, we are capitalizing on synergies with our sister company Holcim (US). We have already achieved important cost savings by pooling our resources to create shared services in information technology and procurement. In 2005, we will establish a finance service centre for North America and we are exploring other avenues to increase the efficiency of both companies.

#### Prospects for 2005

The prospects for the construction industry were generally favourable entering 2005. In our U.S. markets, cement supplies remained tight as a result of insufficient regional capacity and difficulties in sourcing imported cement at competitive prices due to the escalation in ocean freight rates and strong global cement demand. We have secured our requirements for 2005 and our U.S. customers can count on us to supply their needs. In our Canadian markets, government infrastructure investment is expected to match 2004 levels and our backlog starting the year was strong. Reflecting demand levels at the end of 2004, price increases have been implemented for 2005 cement deliveries in all of our markets.

Our results for the full year 2005 will depend on a pick-up in the office, industrial, and institutional markets to compensate for an anticipated decline in residential construction from the record levels achieved in 2004. Our industry is also facing margin pressure from the escalation in energy prices, a significant component of our cost of sales. Overall, our objective for 2005 is to maintain strong cash generation by continuing to improve manufacturing and administrative efficiencies and our ability to satisfy customers.

#### Acknowledgements

Our employees again showed tremendous dedication in 2004. Their commitment to excellence is a vital asset for our company and we thank them sincerely for their hard work and keen interest in our progress. We acknowledge the support of our customers and assure them of our diligence in meeting their needs under tight cement supply conditions and a high level of construction activity in our markets.

**Philippe Arto**  
President and  
Chief Executive Officer



**Benoit H. Koch**  
Chairman of the Board



**Philippe Arto**  
President and Chief Executive Officer

**Benoit H. Koch**  
Chairman of the Board

# People Building Value

At St. Lawrence Cement Group, we strive to build value for all our stakeholders. We do this by pursuing sustainable development and embedding the triple bottom line – economic, environmental and social – into our strategic roadmap and business plans.

Reflecting our distinct geographic markets, we operate as three divisions – Ontario, Québec & Atlantic and United States – each possessing the necessary local knowledge, assets and autonomy to respond effectively to regional customers. We are united in our execution by a set of fundamental mindsets that are common across all three divisions. These mindsets, which we also share with other members of the global Holcim Group, are powerful beacons that guide employees across the company towards our long-term objectives.

The performance of our employees determines our success. As individuals and team members, they are responsible for execution whether in production, direct customer service or a supporting role such as procurement. Their willingness to embrace our mindsets and their passion towards every task differentiates our company and drives our progress. This is how our people build value.



Bob Klinger  
Member of the  
Occupational Health  
and Safety Committee  
Hagerstown  
Cement Plant

## Corporate Social Responsibility

Occupational Health and Safety (OH&S) is our first priority, on par with the welfare of our communities. Both are important components of our corporate social responsibility (CSR) approach.

We want every employee to think "Safety First!" at all times. We continuously reinforce this mindset by taking every opportunity to emphasize the importance of safety and by adopting a common approach to occupational health and safety (OH&S) across the company. The harmonization process began with comprehensive audits of practices at each facility, which led to action plans and implementation in line with a rigorous template based on best practices.

Measurable improvements are already evident and our company continues to lead the overall construction industry in OH&S performance. Although we deplored two fatal accidents, we achieved a 25% decrease in the company-wide lost-time injury frequency rate (LTIFR) in 2004. This performance followed a 27% LTIFR reduction in 2003. Our objective for 2005 is to reach and consistently maintain a LTIFR of below 5.

Many notable achievements were recorded in our manufacturing plants and business units in 2004. The Hagerstown cement plant continued its excellent performance with no lost-time accidents since the end of 2002 and a severity rate of zero since December 2003. LTIFR was reduced to zero at Camden while Catskill made an impressive turnaround with a single incident in 2004.

The Mississauga and Catskill cement plants each won cement industry "Innovations in Safety Awards". Catskill was recognized for an innovative solution that reduces accident risk associated with the cleaning of its slurry tanks. The Mississauga plant was honoured for an imaginative system of street signs, some named for exemplary employees. The signage facilitates navigation through the site, including for evacuation purposes in case of an emergency.



**Instilling CSR values**

CSR plans were developed for all major facilities in 2004. A key objective is to establish and maintain open dialogue with local stakeholders at all of our major facilities. Among actions in this regard, we organized more than 200 community events across the company that attracted thousands of neighbours and local officials to our production sites. In many locations, our plant managers meet on a regular basis with community representatives to present information about our operations, discuss issues of mutual interest and answer questions.



▲ Mississauga Open House

- Tree Planting
- Milton Quarry
- Dufferin Aggregates

◀ Celebration of a Phenix Award  
Joliette



Over 5,000 visitors attended various Open House events organized at different sites operated by Dufferin Aggregates in Ontario. Our Joliette plant hosted a celebration after obtaining a Phenix Award, a prestigious environmental award for sustainable development, creating an opportunity to recognize the contribution of our employees and remind local leaders and political representatives of the plant's important contribution to the community.

# Sustainable Environmental Performance

The objective of sustainable environmental performance is fully embedded in our business plans and actions. All of our cement manufacturing facilities have successfully obtained ISO 14001 registration and now operate under a common environmental management system (EMS). Our Catskill cement plant was certified ISO 14001 in 2004, joining the Mississauga, Camden, Hagerstown and Joliette plants in this distinguished circle. Adherence to ISO standards subjects our plants to rigorous independent audits to examine the effectiveness of our management systems and supports continuous improvement.

Joliette  
Cement Plant



Catherine Goyer  
Member of the  
ISO 14001 Team  
Demix Agrégats



Photo credit: Isabelle Beaudoin, Joliette

In 2004, we also completed the installation of monitoring and reporting equipment on the stacks of our four cement plants. Continuous measurement and recording of stack emissions will provide precise information to confirm the steady progress we are making in our eco-efficiency indicators.

We voluntarily decreased net CO<sub>2</sub> emissions per tonne of cementitious production by 9% in the 1990s and we are on track to achieve our long-term objective of a further reduction of 15% by 2010. This will be achieved through the beneficial use of by-products of other industries that have cementitious properties, including blast furnace slag, which we use to manufacture GranCem®, fly ash and silica fume. In 2004, we participated in conclusive tests of a new cementitious product derived from the recycling of spent potliners from aluminum smelters. The product, called CAISiFrit™, has similar properties to slag cement and will be used starting 2005 in special blended cements produced in Québec.

We are also reducing the use of virgin raw materials and fossil fuels in cement production by substituting alternative fuels and raw materials (AFR), such as used tires and biomass waste. Our Joliette plant reached a thermal substitution rate of 31% in 2004 and expects further gains in 2005 after doubling its granular feed capacity and obtaining authorization to co-process additional materials. We have created AFR business units in each of our three divisions to accelerate the rate of substitution and to increase our visibility as a company capable of putting selected types of waste materials to beneficial use in our manufacturing process.

**Daming Shi**  
Member of the  
Noise Reduction Team  
Mississauga  
Cement Plant



#### Highlights

Several facilities distinguished themselves in 2004 through their environmental performance. For example, concerted efforts by employees at the Mississauga plant, which is located in a large urban area, to eliminate noise resulted in zero complaints from residents and positive feedback from the community. The Hagerstown plant implemented a recirculation system which will minimize water use.

Our concrete business units in Ontario and Québec both developed recycling solutions for returned concrete at ready-mix plants. Recycling extends the life of our natural resources, increases revenues and reduces costs by eliminating disposal fees and the transportation of materials to off-site locations.



L'Acadie Circle  
Highway 40  
Montréal

**Jerry Vincent**  
Member of the  
ISO 14001 Team  
Demix Agrégats



Dufferin Aggregates rehabilitated three sites and obtained 11 industry advancement awards from the Aggregate Producers' Association of Ontario, including several for innovative restoration work. The Carden Quarry received the 2004 Award of Excellence, which is given to a single operation in Ontario each year in recognition of continuous effort towards property enhancement, progressive rehabilitation and community relations.

Demix Agrégats obtained ISO 14001 certification for its four Québec quarries, becoming the first aggregates producer in Québec to obtain this distinction.

We plan to publish a comprehensive Sustainability Report in 2005 with full details of our environmental performance and CSR actions.

## Permanent Marketing Innovation

The construction industry is highly competitive and customers can usually select from several suppliers and materials for their projects. Our constant challenge is to position our company as the best supplier and our products as the materials of choice. Excellence in customer service is an effective differentiator when facing competition within our segment of the industry. But it takes that and more to convince government specifiers, architects, consulting engineers, developers and other decision-makers that cement is best suited to their projects. This is where permanent marketing innovation comes into play.

Over the years, our employees have developed advanced technical knowledge of our products and their potential uses. Through in-depth analysis and compelling facts, they can often tilt the balance in our favour even when conventional wisdom suggests otherwise. For example, through rigorous life cycle analysis and other data, we have been able to demonstrate the long-term benefits of concrete pavement versus blacktop to win significant

Working closely with "green" building consultants, our United States division was instrumental in developing a specification that requires all construction sites to use 40% of mineral components in their concrete mix design to obtain LEED (Leadership in Environmental Design) innovation credits across the U.S. This industry

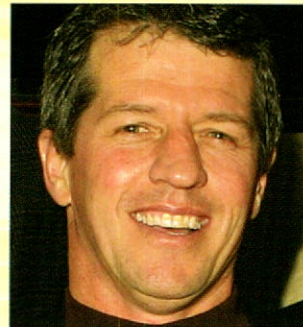


**Susan Pinder**  
Member of the  
Concrete Online Team  
Dufferin Concrete



**Concrete Online**  
Dufferin Concrete

**John Bell**  
Member of the  
Concrete Online Team  
Dufferin Concrete



highway contracts. Our knowledge has also allowed us to displace steel for bridges and buildings of all sizes. More recently, we have innovated with GranCem® and other mineral components to develop cement mixes that have won favour with builders of major public infrastructure projects as well as "green" building consultants.

Our Québec construction unit had a record year in 2004 with 120,000 m<sup>3</sup> of concrete highway paving, in addition to being selected as general contractor for a major rehabilitation of a runway and aprons at Montréal-Pierre-Elliott-Trudeau Airport using an all-concrete solution for a project originally specified for asphalt. For its part, our Ontario construction unit maintained its position as Canada's leading airport runway contractor by completing projects in Vancouver, Calgary and Toronto.

involvement and capacity to offer creative solutions led us to be chosen as the sole supplier of cement and GranCem® for the concrete foundation of 7 World Center, the first building to be rebuilt in the World Trade Center Complex in New York City.

### Customer service excellence

Differentiation through customer service excellence is an ongoing objective. In recent years, we have led the industry in offering our customers electronic order tracking and other vital account information through the Internet. Our three divisions have all launched their own on-line cement portals and the customer response has been very positive. These e-commerce sites provide another means of communicating with our customers and will, in time, account for a growing portion of our cement sales.

Dufferin Concrete launched Concrete Online in 2004, initially offering technical information, price lists, account information and other services to our Ontario ready-mix customers. It was named one of the top 100 technology projects in North America by *InfoWorld Magazine*, a major U.S. technology publication.

Quality is synonymous with customer service excellence. In 2004, we made a significant effort to achieve greater consistency in cement quality across all our plants and to strengthen the customer focus of our employees at these facilities. All cement plants and our Camden grinding facility obtained ISO 9001 certification by early 2005, giving us a common quality management system that should improve our performance beginning this year.



7 World Trade Center  
New York City



People Mover  
Lester B. Pearson  
International Airport  
Toronto



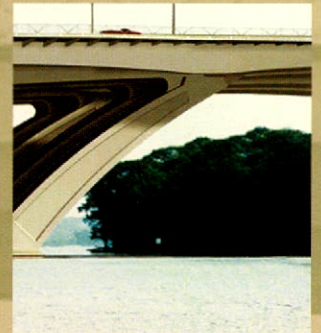
## Better Cost Management

Cost efficiency is a key factor in our financial performance and long-term sustainable leadership in our markets. Throughout 2004, our employees showed tremendous innovation and creativity in finding ways to reduce costs, optimize equipment use and improve operating efficiency. The progress made at the operating level was complemented by a further reduction in selling and administrative expenses, helping to offset cost increases in areas beyond our control.

The comprehensive fitness program underway at our cement plants holds the greatest potential for improving operating efficiencies. The program was launched in Mississauga in 2002, extended to the



Woodrow Wilson Bridge  
Potomac River  
Connecting Maryland  
and Virginia



Benoit Lemaire  
Member of the  
Grinder Repair Team  
Joliette  
Cement Plant



Joliette and Catskill plants in 2003 and 2004, respectively, and is scheduled to begin in Hagerstown in 2005. It begins with a thorough analysis of the production process at each plant and is followed by a targeted investment program over two to three years to rectify equipment and process issues that cause inefficiencies. The outcome to date at the Mississauga plant has been very positive, resulting in higher overall equipment efficiency and increased production.

## Human Resources Excellence

With the plant fitness program well underway, we are looking at ways to reduce our maintenance costs in the cement plants. Benchmarking indicates an opportunity to lower these expenses and we are in the early phase of applying Holcim best practices, beginning at the Mississauga plant.

Through persistent efforts over the years and additional reductions in 2004, we have successfully decreased our selling and administrative expenses to 7% of sales. Some of this success reflects joint initiatives with our sister company Holcim (US), including the sharing of information technology through a single service centre and the pooling of purchasing activities through a North American procurement organization.

### Highlights

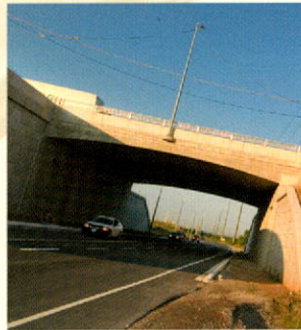
One of the highlights of the year in better cost management was the very successful process improvements to obtain the full potential of the equipment at

In 2004, we conducted a company-wide survey with the same questionnaire sent by mail to each of our 2,900 employees. The response rate was a healthy 72%. We believe this strong participation indicates that our employees are committed to improving our organization.



**Isabelle Beaudoin**  
Environment Advisor  
Joliette  
Cement Plant

Guelph Line  
Reconstruction  
Queen Elizabeth Way  
Greater Toronto Area



our Camden facility during the 2004 maintenance shutdown. As a result, the plant produced 575,000 tons of GranCem®, nearly 100,000 tonnes more than in the previous year. These repairs also led to significant reductions in natural gas and electricity consumption.

At the Joliette plant, employees found an ingenious solution to a serious equipment problem and avoided the need for costly replacement and potential production loss. By reversing the rotation of the largest grinding unit, they significantly reduced vibrations that were causing major damage, hereby extending the equipment life.

Employees in our aggregates operations in Ontario and Québec also left their mark. Following a series of acquisitions in recent years, Dufferin Aggregates made operational efficiency improvements through better integration of sites and use of equipment. Meanwhile, equipment optimization at the Varennes quarry resulted in additional production at a time of strong aggregates demand in Greater Montréal and higher sales.

**Barb Smith**  
CSR Coordinator  
Mississauga  
Cement Plant



The results showed that 75% of our employees find their work interesting and stimulating. Almost 80% consider health and safety to be the first priority for our company, a score that encourages us to maintain our focus on building a safe workplace.

The survey also indicated that our employees want more information about our strategies and greater involvement in shaping them. Management has made a commitment to increase the level of communication and to involve employees in the implementation of action plans in each business unit.

Our goal is to maintain an efficient and enriched work environment that will encourage and guide employees towards their full potential. In this way, our people will continue to build value for shareholders and our other stakeholders in the years to come.

# Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A"), dated February 1, 2005, is intended to assist the reader in the understanding and assessment of the trends and significant changes in our results of operations and financial condition. As such, this MD&A should be read in conjunction with the accompanying audited consolidated financial statements and the notes thereto for the years ended December 31, 2004 and 2003. All figures in this MD&A are expressed in Canadian dollars, unless otherwise stated. Any forward-looking statements may involve risks and uncertainties, including those noted under the heading "Factors Affecting Our Business" in this MD&A. Actual results could differ materially from those expressed or implied in such forward-looking statements.

## Overview

St. Lawrence Cement Group Inc. and its subsidiaries (referred to hereinafter as "we", "our" and "us") operate mainly in one industry segment – the manufacture and distribution of cement and related products for the construction industry.

We serve three regional markets – Ontario, Québec and the Atlantic Provinces, and the Northeastern United States – and manage our operations, including marketing and sales, primarily through three corresponding geographic divisions. The financial performance of our divisions is measured and evaluated mainly on their sales and operating profit.

Our Canadian divisions are each vertically integrated. Their combined assets include two cement plants, 11 cement distribution terminals, one joint-venture slag granulator, one mineral components distribution terminal, 41 ready-mix concrete plants, 27 quarries and sand pits, and two construction operations. Our U.S. division operates two cement plants, one GranCem® facility, ten cement distribution terminals and one mineral components terminal. We use the term "cementitious products" to designate various types of cement, GranCem® (our brand of slag cement) and other mineral components such as fly ash and silica fume which are added to cement mixes to obtain specific properties.

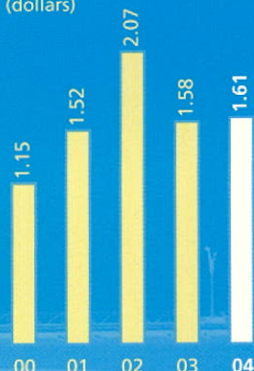
In our mature industry, a key driver of profitability is cost management across the company, particularly in cement manufacturing, through targeted actions to improve overall

equipment efficiency and the increased use of alternative fuels to offset the rising cost of conventional energy sources, mainly coal. In our Canadian markets, our vertical integration strategy contributes to overall efficiency for our operations as well as for our customers. In our U.S. markets, the proposed construction of a replacement cement plant in Greenport, New York ("Greenport Project") aims at securing an appropriate supply of cement for the local markets and at reducing costs. The replacement plant would also provide a significant tangible and enduring environmental improvement to the surrounding area. This project is currently in the permitting phase. As a member of the Holcim Group, we also pursue opportunities to improve efficiency through shared service initiatives with our sister company Holcim (US) in order to reduce our administrative costs.

We have made notable progress in the execution of our strategy in the past two years resulting in overall performance improvement in our cement plants and reductions in selling and administrative expenses. We have also reinforced our vertical integration in Ontario by adding long-term aggregates reserves through acquisitions and by ongoing investment in our concrete plants. In 2004, we invested \$64.8 million for acquisitions in Ontario. We acquired a sand and gravel operation in the Kitchener/Waterloo region, our partner's 60% interest in Cayuga Materials and Construction Ltd. ("Cayuga") in the Hamilton area and the remaining 50% interest in a ready-mix concrete producer in Leamington.

## Basic Earnings per Share

(dollars)



## Selected Financial Data

The following table presents selected audited financial data for the past three years derived from our financial statements:

(millions of dollars, except per share data)	2004	2003	2002
Sales	1,278.0	1,149.2	1,189.2
Operating profit	131.4	119.3	139.3
Net earnings	67.2	65.4	85.3
Basic earnings per share	1.61	1.58	2.07
Diluted earnings per share	1.61	1.58	2.06
Total long-term debt	193.8	229.4	272.2
Total assets	1,213.3	1,143.1	1,172.1
Dividends per share	0.52	0.50	0.50



### Consolidated Results of Operations

(Year ended December 31, 2004 compared to year ended December 31, 2003)

Demand for our products and services was generally strong in 2004, led by high residential construction activity in all our markets and good levels of infrastructure spending in Ontario and Québec. Our consolidated sales increased by 11.2% to \$1,278.0 million in 2004 compared to \$1,149.2 million in 2003. Excluding the impact of acquisitions and exchange rate variations, the growth in our sales was 5.8%.

Demand for cementitious products was firm and two price increases were implemented in 2004 in Ontario and in the U.S., and one in Québec and Atlantic. Our sales volumes were stable, however, with increases in production offset by lower availability of imported cement for sale in our U.S. markets. Consolidated sales of cementitious products were \$488.0 million in 2004 compared to \$483.9 million in 2003. The 2004 figure takes into account a \$20.8 million reduction in U.S. sales upon translation to Canadian dollars for reporting purposes due to the depreciation of the U.S. dollar.

Aggregates sales volumes increased 24.4% in 2004, reflecting strong demand in Ontario and Québec, as well as higher production capacity in Ontario following recent acquisitions. Concrete sales volumes were stable in a very competitive market and revenues from construction services and other rose to \$396.0 million in 2004 compared to \$304.0 million in the previous year.

Cost of sales increased by \$114.1 million in 2004 (or 12.9% vs 2003) due to a number of factors such as energy, maintenance and product mix. Prices of energy-related costs – coal, coke, natural gas, electricity and diesel fuel – continued to rise in 2004 while plant maintenance costs increased, partly as a result of major modifications to our GranCem® facility in the U.S., which led to a significant production increase and lower operating costs. Construction services, which typically generate lower margins, increased significantly as a proportion of our sales mix in 2004, and cost of sales also reflected the increased scale of our aggregates business in Ontario following recent acquisitions. The increase in cost of sales in the U.S. division was partly mitigated upon translation to Canadian dollars. As a percentage of sales, cost of sales increased to 78.1% in 2004 compared to 76.9% in 2003.

Gross profit in 2004 was \$280.0 million or 21.9% of sales, compared to \$265.3 million or 23.1% of sales in 2003, reflecting the increase in cost of sales explained above. Cementitious products accounted for \$184.3 million of gross profit in 2004 compared to \$178.9 million in 2003.

Reflecting targeted cost reduction initiatives implemented in previous years and continued cost control in 2004, selling and administrative expenses declined to 7.0% of sales compared to 8.2% of sales in 2003. In absolute dollars, selling and administrative expenses decreased to \$89.8 million compared to \$93.9 million in 2003. Depreciation and amortization of fixed assets and other long-term assets totalled \$58.8 million in 2004 compared to \$52.1 million in the previous year. This increase is explained mainly by the growth in property, plant and equipment as a result of business acquisitions at the beginning of 2004. In addition, we recorded a charge of \$1.0 million for the amortization of asset retirement costs following the adoption of a new accounting standard which is described under the heading "Critical Accounting Estimates".

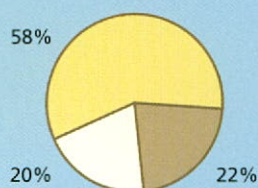
Operating profit increased by 10% to \$131.4 million in 2004 compared to \$119.3 million in 2003. This improvement was driven mainly by higher selling prices for cementitious products, an increase in aggregates sales volumes and prices, as well as the reduction in selling and administrative expenses.

#### Consolidated Sales Volumes and Construction Revenues

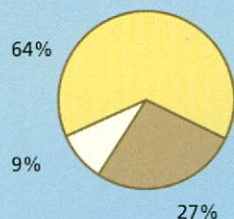
	2004	2003	2002	2001	2000
Cementitious products (millions of tonnes)	5.1	5.1	5.1	4.8	4.8
Aggregates (millions of tonnes)	21.2	17.1	16.6	15.7	14.6
Concrete (millions of cubic meters)	2.5	2.5	2.5	2.5	2.3
Construction services (millions of dollars)	396.0	304.0	312.3	352.9	270.0

■ Ontario  
■ Québec and Atlantic  
■ United States

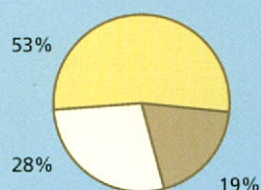
#### Sales Contribution by Division – 2004 (percentage)



#### Operating Profit by Division – 2004 (percentage)



#### Property, Plant and Equipment and Goodwill (percentage) (\$881 million as of Dec. 31, 2004)



Other expenses were \$5.5 million in 2004 compared to \$2.4 million in 2003, reflecting mainly a change in the accounting treatment of our investment in Cayuga Materials and Construction Ltd. Since 1999, when we acquired a 40% participation in Cayuga, we accounted for this investment using the equity method and our share of the net income (loss) was recorded in other income (expenses). Since the end of the first quarter of 2004 when our ownership interest increased to 100%, Cayuga is fully consolidated.

Financial expenses declined to \$17.7 million in 2004 compared to \$18.1 million in 2003. This decrease reflects lower average debt during 2004. The loss on sale of assets and investments was \$0.1 million in 2004 compared to a gain of \$5.5 million in 2003. During 2003, we recorded pre-tax gains of \$4.7 million from the sale of our 49% interest in Unilock Ltd., an Ontario-based manufacturer of paving stones and retaining walls and our Ontario concrete block operations, as well as \$0.7 million from the sale of property, plant and equipment.

Income taxes were \$41.0 million in 2004 compared to \$38.9 million in 2003, reflecting higher pre-tax earnings. The effective tax rate for 2004 was 37.9% compared to 37.2% in the previous year.

As a result of the above, net earnings were \$67.2 million compared to \$65.4 million in 2003. Basic earnings per share in 2004 were \$1.61 compared to \$1.58 in the previous year. Excluding non-recurring gains and other items in both years, basic earnings per share were \$1.61 in 2004 and \$1.51 in 2003, an increase of 7%.

#### Results by Geographic Segment

##### Ontario Division

Business conditions improved in Ontario in 2004, particularly in the Greater Toronto Area, after a challenging year in 2003. Sales to external customers increased 18% to \$735.8 million in 2004 compared to \$622.6 million in the previous year. Sales growth was driven by higher revenues from construction services, cement price increases and higher aggregates sales volumes as a result of acquisitions. Operating profit improved to \$84.5 million in 2004 compared to \$78.2 million in 2003.

##### Québec & Atlantic Division

Cement demand in Québec increased in 2004, led by residential construction and infrastructure spending, while demand in the Atlantic Provinces remained stable. Sales to external customers increased to \$286.5 million compared to \$260.5 million in 2003, reflecting growth in construction services revenues and higher cement prices. Operating profit decreased to \$35.0 million compared to \$40.2 million in 2003, mainly as a result of competitive market conditions in the concrete market.

##### United States Division

Cement demand in our U.S. markets rebounded in 2004 and pricing improved due to supply shortages. Strong global demand and an escalation in ocean freight rates made it difficult to secure cement imports at competitive prices. As a result, our sales volumes of cementitious products were lower than in 2003 despite increased production at our GranCem® facility. Sales to external customers declined to \$255.7 million compared to \$266.1 million in 2003 due to the lower volumes and a \$19.6 million impact from the translation of United States division sales to Canadian dollars for reporting purposes. Operating income improved to \$11.9 million compared to \$0.9 million in 2003.

#### Fourth Quarter Results of Operations

(Three months ended December 31, 2004 compared to three months ended December 31, 2003)

Consolidated sales in the fourth quarter ended December 31, 2004 were \$381.2 million, an increase of 19% compared to \$321.1 million in the same period in 2003. Construction services, which typically generate lower margins, accounted for the largest share of the sales increase in the fourth quarter of 2004. The sales contribution from construction materials was lower than expected as a result of

extremely poor weather throughout December which caused a sharp decline in cement and concrete sales volumes in Ontario and Québec for the month. The negative impact of the weak December sales on the full quarter contrasted with the exceptionally strong sales volumes in December 2003 due to favourable weather conditions. As a result, fourth quarter net earnings were \$19.8 million (\$0.47 per basic share) compared to \$21.8 million (\$0.53 per basic share) in the same quarter of 2003.

Fourth quarter operating profit declined to \$36.9 million in the 2004 fourth quarter compared to \$42.2 million in the same 2003 period due to the unfavourable sales mix, additional costs associated with an unscheduled production shutdown at the Mississauga cement plant, and an early start to annual maintenance in our concrete and aggregates business units.

Operating cash flow remained strong in the fourth quarter at \$36.5 million compared to \$34.2 million in the same 2003 quarter. As a result of lower working capital, net cash provided by operations was \$128.9 million compared to \$113.1 million in the fourth quarter of 2003.

### Seasonality and Quarterly Fluctuations

The construction industry is highly seasonal in our geographic markets due to weather patterns and, as a result, we typically record lower sales and net losses during the January-March quarter. Sales and earnings in the October-December quarter may also be affected by the early arrival of winter. Therefore, our operating results in one interim period should not be considered as indicative of our financial performance for a full year.

The following table presents selected unaudited quarterly data for the years 2004 and 2003:

(millions of dollars)	2004				2003			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	141.4	326.8	428.6	381.2	126.9	299.9	401.3	321.1
Operating profit (loss)	(26.1)	49.9	70.7	36.9	(21.4)	38.7	59.7	42.3
Net earnings (loss)	(19.3)	27.5	39.2	19.8	(13.7)	22.0	35.3	21.8

### Consolidated Balance Sheets

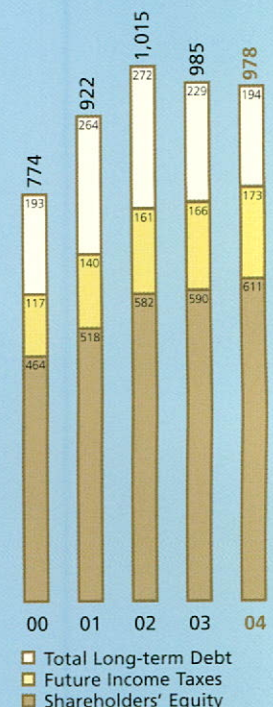
(December 31, 2004 compared to December 31, 2003)

Consolidated assets increased to \$1,213.3 million in 2004 compared to \$1,143.1 million at the end of 2003, as a result of higher property, plant and equipment, investments and other long-term assets. The increase in property, plant and equipment was mainly due to business acquisitions and additions to property, plant and equipment in excess of annual depreciation in 2004, offset partly by a reduction in the value of U.S. property, plant and equipment due to the impact of the weaker U.S. dollar. Investments and other long-term assets increased in 2004 as a result of goodwill from business acquisitions and an additional \$3.7 million (US\$3.1 million) of capitalized development costs related to the Greenport Project. At the end of 2004, capitalized development costs related to this project totalled \$69.4 million (US\$57.9 million).

Current assets declined to \$302.5 million compared to \$307.7 million in 2003, mainly as a result of a reduction in accounts receivable caused primarily by weak sales volumes in the final month of 2004 and an increase in our securitization program. Cash and cash equivalents declined to \$36.1 million compared to \$44.5 million at the end of 2003. Current liabilities increased to \$209.6 million at the end of 2004 compared to \$154.8 million in 2003, mainly due to higher accounts payable and accrued liabilities resulting from an increase in construction services and other revenues in the fourth quarter of 2004 compared to the same period in the previous year.

### Total Capitalization

(millions of dollars)

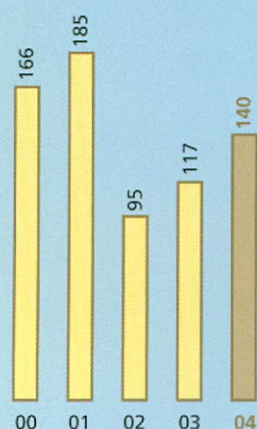


Long-term debt, including the current portion, declined to \$193.8 million at the end of 2004 compared to \$229.4 million in 2003, despite investments of \$64.8 million on business acquisitions and \$75.5 million on additions to property, plant and equipment. Our ratio of long-term debt to total capitalization was a healthy 20:80 compared to 23:77 at the end of 2003.

#### Contractual Obligations

Payments Due by Period (millions of dollars)	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Long-term debt	193.8	7.3	154.0	0.7	31.8
Operating leases	75.0	18.5	28.7	21.3	6.5
Other long-term obligations	5.7	3.4	1.9	–	0.4
<b>Total contractual obligations</b>	<b>274.5</b>	<b>29.2</b>	<b>184.6</b>	<b>22.0</b>	<b>38.7</b>

#### Additions to Property, Plant and Equipment and Business Acquisitions (millions of dollars)



#### Liquidity and Financial Resources

Operating cash flow increased by 14% to \$136.9 million compared to \$120.2 million in 2003. Net cash provided by operations was \$170.7 million compared to \$111.6 million in 2003, reflecting targeted efforts to reduce working capital and lower than expected sales volumes of construction materials in the final month of 2004.

Net cash used for investments was \$132.6 million in 2004 compared to \$70.2 million in 2003. The 2003 total includes proceeds of \$37.9 million from the sale of assets and investments compared to proceeds of \$2.4 million in 2004. Additions to property, plant and equipment in 2004 totalled \$75.5 million compared to \$77.3 million in 2003 and we used cash of \$64.8 million for business acquisitions compared to \$39.4 million in 2003.

Financing activities used net cash of \$46.5 million compared to \$40.3 million in 2003. The net decrease in long-term debt was \$29.3 million in 2004. Based on a stable annual dividend of \$0.50 per share in 2004, dividend payments were \$21.1 million in 2004 compared to \$20.7 million in 2003, reflecting an increase in the number of shares outstanding. We purchased approximately 10,300 common shares for cancellation in 2004, requiring \$0.2 million of cash, compared to nil in 2003. We believe the redemption of our shares to be an appropriate use of corporate funds below certain price levels.

Following a review of our financial position and business prospects, the Board of Directors approved a 12% increase in the dividend to \$0.56 cents per share, payable at a quarterly rate of \$0.14 beginning on February 1, 2005 to shareholders of record on January 15, 2005.

Our budget for additions to property, plant and equipment in 2005 is in line with the \$75.5 million spent in 2004 and will be funded through operating cash flow and borrowings. The increase is explained mainly by the implementation of targeted efficiency improvement actions at three cement plants in 2005. This plant fitness program was launched at the Mississauga plant in 2002 and extended to the Joliette and Catskill plants in 2003 and 2004, respectively.

Two unsecured revolving credit facilities are available to us in the form of an \$80.0 million facility with Canadian banks and a \$108.0 million (US\$90.0 million) facility with U.S. banks. These three-year facilities can be renewed annually at each anniversary date.

#### Consolidated Results of Operations

(Year ended December 31, 2003 compared to year ended December 31, 2002)

Significant changes in results of operations in 2003 compared to 2002 are explained in our annual MD&A for 2003.

### Outstanding Share Data

The weighted average number of Class "A" and Class "B" common shares outstanding as of December 31, 2004 was 41,632,541. The comparable figure used in computing basic earnings per share in 2003 was 41,370,209 shares.

As of December 31, 2004, our outstanding share capital consisted of 26,504,203 Class "A" subordinate voting shares (2003: 26,260,852), 15,252,848 Class "B" multiple voting shares (2003: 15,252,848) and 588,285 Class "1" special voting shares convertible into Class "A" shares (2003: 749,830). More information on our share capital is found in Note 11 to the consolidated financial statements on pages 33 and 34.

### Critical Accounting Estimates

Our financial statements are presented in Canadian dollars in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). The preparation of these financial statements in conformity with GAAP requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

We estimate the salvage value of property, plant and equipment related to our quarries and the liabilities associated with future removal and site restoration costs. In this regard, effective January 1, 2004, we adopted a new standard issued by the Canadian Institute of Chartered Accountants ("CICA") relating to asset retirement obligations: Section 3110 – *Asset Retirement Obligations*. This section requires that the fair value of a liability for an asset retirement obligation be recognized in the period it is incurred when a reasonable estimate of fair value can be made. The fair value of the liability is added to the carrying amount of the associated asset and this additional carrying amount is depreciated over the life of the asset. The adoption of this standard resulted in a charge of \$10.9 million, net of taxes of \$6.1 million, against retained earnings. In 2004, we incurred accretion expenses of \$1.4 million and depreciation and amortization expenses of \$1.0 million relating to the amortization of the asset retirement cost. The estimate of the total liability for future asset retirement obligations is subject to change based on amendments to laws and regulations and as new information concerning our operations becomes available.

We account for employee pension plans and other post-retirement benefits using assumptions as to discount rates, long-term rates of return on plan assets and rates of compensation increase that have a significant impact on the expenses and liabilities of these plans. The discount rate used to calculate the accrued benefit obligations for both the pension benefit plans and other benefit plans declined to 5.8% as of December 31, 2004 from 6.1% as of December 31, 2003. The expected long-term rate of return on plan assets was 7.75% in 2004 and 2003. Each 0.25% decrease in the expected return on assets would increase expenses by \$0.3 million. We expect employee future benefits expense to increase by approximately \$1.3 million in 2005.

We no longer amortize goodwill, in accordance with the CICA standard relating to the accounting for goodwill and intangible assets. Instead we test for impairment annually, or more frequently if events or changes in circumstances indicate that the related asset might be impaired. We have not recorded any goodwill impairment since adopting this standard effective January 1, 2002.

### Changes in Accounting Policies

Effective June 30, 2004, we adopted the CICA's revised disclosure recommendations relating to Section 3461– *Employee Future Benefits*. These recommendations, which require additional disclosure about the assets, obligations, cash flows and net periodic benefit cost of defined benefit pension plans and other post-retirement benefit plans, do not change the measurement or recognition of these plans.

We will adopt several new CICA recommendations effective January 1, 2005 for which the impact had not been determined as of the date of this MD&A. The impact of such changes, if any, will be reported in conjunction with the first quarter 2005 financial results.

\* Accounting Guideline 15 – *Consolidation of Variable Interest Entities*. This guideline relates to the application of consolidation principles to certain entities that are subject to control on a basis other than ownership of voting interest.

\* CICA Handbook Section 3860 – *Financial Instruments – Disclosure and Presentation*. This section clarifies how to account for certain financial instruments that have liability characteristics and equity characteristics.

### Off-balance Sheet Arrangements

We sell accounts receivable to a large financial institution under a revolving securitization agreement while continuing to service, administer and collect such receivables. At the end of 2004, we negotiated a new three-year revolving agreement and increased the total amount of accounts receivable sold to \$112.0 million from \$100.0 million. As of December 31, 2004, \$112.0 million of receivables had been sold and the additional \$12.0 million was used to repay an equivalent amount of long-term debt.

In the normal course of business, we may issue standby letters of credit arising from transactions to purchase materials from suppliers and, under certain circumstances, guarantee customer debts. The total of such guarantees as of December 31, 2004 was \$5.7 million, compared to \$6.6 million at the end of 2003. We are also party to various lease agreements, mainly for mobile and construction equipment. The amounts due annually under such contracts are presented in the table entitled "Contractual Obligations" on page 18.

### Related Party Transactions

In the normal course of business, we buy and sell clinker and cement under contracts negotiated with subsidiaries of Holcim Ltd, our ultimate parent company. We also receive a variety of services in consideration of consulting fees. Details of these transactions are provided in Note 15 to the consolidated financial statements.

### Factors Affecting Our Business

Demand for our products and services is driven by such factors as the value of residential and non-residential construction permits, infrastructure investment by the various levels of government and the rate of economic growth in our markets. On the cost side, inflation has not been an important factor in the past several years; however, in 2003 and 2004 we experienced significant increases in the cost of coal, coke, natural gas, electricity and diesel fuel. The ability to raise selling prices to cover such cost increases, which are largely beyond our control, and/or to offset or mitigate the negative impact of such increases through efficiency improvements and greater use of alternative energy sources, is critical to our profitability.

We maintain positive relations with our employees and have not experienced a strike at a major facility in several years. In 2004, we signed long-term collective agreements at one of our cement plants and an aggregates operation. This followed the signing of new long-term contracts at several major facilities in 2003.

In support of our commitment to sustainable development and positive community relations, our divisions and business units have integrated environmental objectives into their annual and long-term business plans. We invest continuously to improve the environmental performance of our facilities. In 2004, environment-related investments totalled \$4.2 million compared to \$8.1 million in 2003.

In order to consolidate our market position in the Northeastern U.S., we are seeking permits from municipal, state and federal authorities for our Greenport Project. We have received support from local residents who welcome the long-term economic and environmental benefits of our project; however, well-organized opponents have caused delays in the permitting process. Should we be unable to proceed with the Greenport Project, or to otherwise secure additional cement supplies at a competitive cost to serve our U.S. customers on a long-term basis, our growth prospects in this market would be limited. Furthermore, failure to obtain the necessary permits would result in a significant impairment of the related capitalized development costs.

We are expecting a decision in 2005 on the appeal of a court ruling rendered in 2003 under which we may be required to pay up to an estimated \$15 million to a group of residents of Beauport, Québec, the site of a cement plant we shut down several years ago for economic reasons. As the ultimate outcome of this litigation cannot be determined at the present time, we will record any charge in the period during which the judgment on the appeal is rendered or when the matter is otherwise settled.

### Outlook

In our U.S. markets, cement supplies remained tight entering 2005 as a result of insufficient regional capacity and difficulties in sourcing imported cement at competitive prices due to the escalation in ocean freight rates and strong global cement demand. In our Canadian markets, government infrastructure investment is expected to match 2004 levels and we had a healthy backlog to start the year. Reflecting strong demand at the end of 2004, price increases were implemented for cement deliveries in 2005.

Our results for the full year 2005 will depend on a pick-up in activity in the office, industrial and institutional markets to compensate for an anticipated decline in residential construction compared to the record levels achieved in 2004. Our industry is also facing margin pressure from the escalation in energy costs, a significant component of our cost of sales. Overall, our objective for 2005 is to maintain strong cash generation by continuing to improve manufacturing and administrative efficiencies and our ability to satisfy customers.

### Additional Information

For more information about our company, including press releases, our Annual Information Form and other disclosure, please visit our Web site at [www.stlawrencecement.com](http://www.stlawrencecement.com) or go to [www.sedar.com](http://www.sedar.com).

# St. Lawrence Cement Group Inc. Consolidated Financial Statements 2004

## Management's Report on Financial Reporting Responsibility

The accompanying consolidated financial statements of St. Lawrence Cement Group Inc. and all the information in this annual report are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with accounting principles that are generally accepted and considered to be the most appropriate in the circumstances. The consolidated financial statements include certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with that in the consolidated financial statements.

St. Lawrence Cement Group Inc. maintains systems of internal accounting and administrative controls designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Corporation's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and is responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board, and all of its members are independent directors. The Audit Committee meets periodically with management, as well as the external and internal auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities, and to review the annual report, the consolidated financial statements and the external and internal auditors' reports. The Audit Committee reports its findings to the Board for consideration when approving the consolidated financial statements for issuance to the shareholders. The Audit Committee also considers, for review by the Board and approval by the shareholders, the engagement or reappointment of the external auditors.

The consolidated financial statements have been audited by KPMG LLP, the external auditors, in accordance with generally accepted auditing standards on behalf of the shareholders. KPMG LLP has full and free access to the Audit Committee.

**Philippe Arto**  
President and Chief Executive Officer

**Dean Bergmame**  
Vice-president and Chief Financial Officer

February 1, 2005

## Auditors' Report to the Shareholders of St. Lawrence Cement Group Inc.

We have audited the consolidated balance sheets of St. Lawrence Cement Group Inc. as at December 31, 2004 and 2003 and the consolidated statements of income and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

## Consolidated Statements of Earnings and Retained Earnings

Years ended December 31, 2004 and 2003

(thousands of Canadian dollars except per share data)

	2004	2003
Sales	\$ 1,277,971	\$ 1,149,207
Cost of sales	997,972	883,892
<b>Gross profit</b>	<b>279,999</b>	<b>265,315</b>
<b>Expenses</b>		
Selling and administrative	89,788	93,920
Depreciation and amortization of property, plant and equipment and other long-term assets	58,780	52,052
<b>Operating profit</b>	<b>131,431</b>	<b>119,343</b>
Other expenses	5,454	2,364
<b>Earnings before interest and taxes</b>	<b>125,977</b>	<b>116,979</b>
Financial expenses (Note 12)	17,703	18,095
Loss (gain) on sale of assets and investments (Note 5)	122	(5,450)
<b>Earnings before income taxes</b>	<b>108,152</b>	<b>104,334</b>
<b>Income taxes (Note 13)</b>		
Current	30,169	31,122
Future	10,818	7,766
	40,987	38,888
<b>Net earnings</b>	<b>\$ 67,165</b>	<b>\$ 65,446</b>
<b>Retained earnings at beginning of year</b>		
As previously reported	\$ 474,204	\$ 429,889
Adoption of new accounting standard for asset retirement obligations (Note 1)	(10,946)	-
As restated	\$ 463,258	\$ 429,889
Premium paid on redemption of shares	(212)	-
Dividends	(21,789)	(21,131)
<b>Retained earnings at end of year</b>	<b>\$ 508,422</b>	<b>\$ 474,204</b>
<b>Basic earnings per share</b>	<b>\$ 1.61</b>	<b>\$ 1.58</b>
<b>Diluted earnings per share</b>	<b>\$ 1.61</b>	<b>\$ 1.58</b>

The accompanying notes are an integral part of the consolidated financial statements.



## Consolidated Balance Sheets

As at December 31, 2004 and 2003  
(thousands of Canadian dollars)

	2004	2003
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 36,122	\$ 44,540
Accounts receivable (Note 6)	127,363	133,969
Inventories (Note 7)	105,499	105,708
Prepaid expenses and other	10,729	5,812
Income taxes recoverable	10,615	4,850
Future income taxes (Note 13)	12,221	12,782
	<b>302,549</b>	<b>307,661</b>
Property, plant and equipment (Note 8)	806,018	753,364
Goodwill	75,255	42,117
Investments and other assets (Note 9)	23,210	33,578
Employee future benefits (Note 14)	6,275	6,350
	<b>\$ 1,213,307</b>	<b>\$ 1,143,070</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 187,724	\$ 145,075
Dividends payable	5,975	5,283
Construction advances, net	8,577	4,104
Current portion of long-term debt (Note 10)	7,298	310
	<b>209,574</b>	<b>154,772</b>
Employee future benefits (Note 14)	3,765	3,389
Long-term provision (Note 1)	29,571	-
Long-term debt (Note 10)	186,471	229,092
Future income taxes (Note 13)	173,388	165,681
	<b>602,769</b>	<b>552,934</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 11)	133,812	129,947
Cumulative translation adjustments	(32,148)	(14,124)
Retained earnings	508,422	474,204
Contributed surplus	452	109
	<b>610,538</b>	<b>590,136</b>
	<b>\$ 1,213,307</b>	<b>\$ 1,143,070</b>
<b>Commitments and contingent liabilities (Note 16)</b>		

The accompanying notes are an integral part of the consolidated financial statements.

Approved by the Board of Directors,

Benoît H. Koch  
Director

Jacques Laurent  
Director

## Consolidated Statements of Cash Flows

Years ended December 31, 2004 and 2003

(thousands of Canadian dollars)

	2004	2003
<b>Operations</b>		
Net earnings	\$ 67,165	\$ 65,446
Depreciation and amortization	58,780	52,052
Future income taxes	10,818	7,766
Loss (gain) on sale of assets and investments (Note 5)	122	(5,450)
Other	–	385
Operating cash flow	136,885	120,199
Net changes in working capital balances (Note 19)	33,790	(8,634)
Net cash provided by operations	\$ 170,675	\$ 111,565
<b>Investments</b>		
Additions to property, plant and equipment	\$ (75,510)	\$ (77,310)
Proceeds from sale of assets and investments	2,366	37,913
Business acquisitions – net of cash (Note 3)	(64,824)	(39,422)
Decrease in long-term receivables	6,937	2,971
Investment in associated businesses	–	(124)
Other	(1,531)	5,735
Net cash used for investments	\$ (132,562)	\$ (70,237)
<b>Financing</b>		
Share capital issued	\$ 4,116	\$ 2,736
Redemption of shares	(249)	–
Increase in long-term debt	124,000	–
Decrease in long-term debt	(153,301)	(22,280)
Dividends paid	(21,097)	(20,715)
Net cash used for financing	\$ (46,531)	\$ (40,259)
Net (decrease) increase in cash and cash equivalents	\$ (8,418)	\$ 1,069
Cash and cash equivalents, beginning of year	44,540	43,471
Cash and cash equivalents, end of year	\$ 36,122	\$ 44,540

### Supplemental disclosure of cash flow information (Note 19)

The accompanying notes are an integral part of the consolidated financial statements.

# Notes to Consolidated Financial Statements

Years ended December 31, 2004 and 2003  
(tabular amounts are expressed in thousands of Canadian dollars)

## 1. Change in Accounting Policy

### Asset Retirement Obligations

Effective January 1, 2004, the Company adopted the new Canadian Institute of Chartered Accountants (CICA) standard relating to the accounting for asset retirement obligations. The guidance found in Handbook Section 3110 applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and (or) normal use of the asset. Section 3110 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred when a reasonable estimate of fair value can be made. The fair value of the liability is added to the carrying amount of the associated asset and this additional carrying amount is depreciated over the life of the asset. The liability is accreted at the end of each reporting period through charges to operating expenses. If the obligation is settled for other than the carrying amount of the liability, the Company recognizes a gain or loss on settlement. Previously, the Company accrued for such costs in connection with its quarry operations on a unit of production basis over the estimated life of the reserves.

All legal obligations for the retirement of long-lived assets were identified and the fair value of these obligations was determined as of January 1, 2004. Upon the adoption of the new standard, the Company recorded the current fair value of its expected cost related to retirement obligations. The cumulative effect of the change related to prior years resulted in a charge of \$10.9 million, net of taxes of \$6.1 million, against retained earnings.

The analysis of the asset retirement obligations for the year ended December 31, 2004 is as follows:

Initial liability on adoption of the new standard	\$ 29,594
Additional liability for 2004	3,378
Accretion expense	1,381
Payment of obligation	(4,782)
Balance as at December 31, 2004	\$ 29,571

Included in depreciation and amortization of property, plant and equipment and other long term assets, is a charge of \$1.0 million for the amortization of the asset retirement cost.

The asset retirement obligation is included in the long-term provision balance in the consolidated balance sheet.

The following assumptions were used to estimate the fair values of the obligation on the initial date of adoption and as at December 31, 2004:

Total undiscounted amount of the estimated cash flows	\$ 172,358
Expected timing of payment of the cash flows	2004 to 2060
Risk-free interest rate	3% to 5.23%

The estimate of the total liability for future asset retirement obligations is subject to change based on amendments to laws and regulations and as new information concerning the Company's operations becomes available. Future changes, if any, to the estimated total liability as a result of amended requirements, laws, regulations and operating assumptions may be significant and would be recognized prospectively as a change in estimate, when applicable.

## 2. Significant Accounting Policies

### a) Consolidated and other long-term investments

St. Lawrence Cement Group Inc. carries on its business through its own divisions, subsidiaries, associated businesses and joint ventures. The accounts of subsidiary companies are consolidated with those of St. Lawrence Cement Group Inc. The Company follows the equity method of accounting for associated businesses which the Company has the ability to significantly influence, generally representing 20% to 50% ownership. Joint ventures, which are established to carry out specific projects, are accounted for using the proportionate consolidation method, whereby the Company's proportionate share of the assets, liabilities, revenues and expenses is aggregated with those of St. Lawrence Cement Group Inc. and its subsidiaries.

## 2. Significant Accounting Policies (cont'd)

### b) Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange at the balance sheet date. Other balance sheet items denominated in foreign currencies are translated at the rates prevailing at the respective transaction dates. Income and expenses denominated in foreign currencies are translated at average rates prevailing during the year. Gains or losses on foreign exchange are recorded in the consolidated statements of earnings.

The Company's foreign operations are translated using the current rate method. Foreign denominated assets and liabilities are translated at the rate of exchange in effect at the balance sheet date. Revenues and expenses are translated at the yearly average rate of exchange. Gains or losses on translation are presented in shareholders' equity as cumulative translation adjustments.

### c) Cash and cash equivalents

Investments with original maturities of three months or less are classified as cash equivalents.

### d) Accounts receivable

Accounts receivable are recorded at cost net of the provision for doubtful accounts. Any gains or losses on the sale of accounts receivable are calculated by comparing the carrying amount of the accounts receivable sold to the total of the cash proceeds on sale and the fair value of the retained interest in such receivables on the date of transfer. Fair values are determined on a discounted cash flow basis. Costs related to the agreement are recognized in earnings in the period incurred and are included in financial expenses.

### e) Inventories

Inventories of finished goods and work in process are stated at the lower of average cost and net realizable value. Raw materials and supplies are valued at the lower of cost and replacement cost.

### f) Property, plant and equipment

Property, plant and equipment are recorded at cost, including interest incurred during the construction period of major projects. Depreciation is calculated using the straight-line method, based on the following estimated useful lives:

Buildings and structures	20 to 33 years
Machinery and equipment	14 to 20 years
Furniture, vehicles and tools	3 to 12 years

The estimated useful lives of assets are reviewed by management and adjusted, if necessary. Quarries are amortized on the basis of tonnes extracted relative to estimated total reserves.

In the current year the Company adopted the new CICA standard relating to the accounting for asset retirement obligations. The new standard requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred, when a reasonable estimate of fair value can be made. The fair value of the liability is added to the carrying amount of the associated asset and this additional carrying amount is depreciated over the life of the asset. The liability is accreted at the end of each reporting period through charges to operating expenses. If the obligation is settled for other than the carrying amount of the liability, the Company recognizes a gain or loss on settlement. Previously, the Company accrued for such costs in connection with its quarry operations on a unit of production basis over the estimated reserves.

The estimate of the total liability for future removal and site restoration costs is subject to change based on amendments to laws and regulations and as new information concerning the Company's operations becomes available. Future changes, if any, to the estimated total liability as a result of amended requirements, laws, regulations and operating assumptions may be significant and would be recognized prospectively as a change in estimate, when applicable.

## 2. Significant Accounting Policies (cont'd)

### g) Goodwill

The Company assesses the goodwill of the individual reporting units for impairment in the third quarter of each year and when events or changes in circumstances indicate that goodwill might be impaired.

The Company assesses goodwill for impairment in two steps:

- i) Identification of a potential impairment is determined by comparing the fair value of a reporting unit to its carrying value. Fair value is based on estimates of discounted future cash flows or other valuation methods. When the fair value of the reporting unit is less than its carrying value, it is allocated to all of its assets and liabilities, based on their respective fair values. The amount by which the fair value of the reporting unit exceeds the amounts assigned to its assets and liabilities represents the implied carrying value of goodwill.
- ii) Determination of an impairment is performed by comparing the implied carrying value of goodwill to its impaired value. Any excess is charged to earnings.

### h) Other long-term assets

Other long-term assets consist of licenses and customer relationships. The licenses and customer relationships are amortized over the remaining terms of the contracts.

### i) Revenue recognition

Revenues from the sale of cement and other construction materials are recognized at the time the products are shipped and the collection of the resulting receivables are reasonably assured. Revenues from construction contracts are recorded by the percentage of completion method, based on the labour costs incurred during the year in relation to the estimated total labour costs for each project.

### j) Income taxes

The Company follows the asset and liability method of accounting for income taxes. Future tax assets and liabilities are recognized for the future tax consequences attributable to the difference between financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to be recovered or settled. This method also requires the recognition of future tax benefits such as operating loss carry forwards, to the extent that realization of such benefits is more likely than not.

Future income tax assets are evaluated and if realization is not considered to be more likely than not, a valuation allowance is provided.

### k) Employee future benefits

Effective June 30, 2004, the Company adopted the CICA's revised disclosure recommendations relating to employee future benefits. These recommendations require additional disclosure about the assets, obligations, cash flows and net periodic benefit cost of defined pension plans and other post-retirement benefit plans. These recommendations do not change the measurement or recognition of these plans.

The Company has defined benefit pension plans (some with a defined contribution component) covering substantially all of its salaried employees and some of the hourly-paid employees. The benefits are based on years of service and the employee's compensation. The defined benefit pension plans are currently funded, except for one supplemental arrangement which is not funded.

The Company also sponsors defined life insurance benefits, disability plans, medical and dental benefits for substantially all active employees.

Post-retirement benefits are offered by the Company, in accordance with the retiree plan in effect at the time the employee retires and for which the employee is eligible. The Company measures the costs of its obligations based on its best estimate.

The Company accrues its obligation under employee benefit plans as the employees render the services necessary to earn pension and other post-retirement benefits.

## 2. Significant Accounting Policies (cont'd)

### k) Employee future benefits (cont'd)

The Company has adopted the following policies:

- i) The cost of pensions and post-retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of expected plan investment performance, discount rate, salary escalation, retirement ages and expected health care costs.
- ii) For the purpose of calculating expected return on plan assets, those assets are valued at fair value.
- iii) Past service costs from pension plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of the amendment.
- iv) The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees.

### l) Derivative financial instruments

Derivative financial instruments are used by the Company in the management of its interest rate exposure. Seeing that derivative instruments are used for hedging purposes only, the cost of acquiring derivative financial instruments is amortized over the duration of the agreement. The income or expense resulting from the use of these instruments is included in net earnings for the period.

### m) Earnings per share

Basic earnings per share are computed by dividing net earnings by the weighted average number of Class "A" subordinate voting shares and Class "B" multiple voting shares outstanding for the year. Diluted earnings per share are computed in the same manner except the weighted average number of Class "A" and Class "B" shares outstanding for the period is increased to include additional shares from the assumed exercise of Class "1" special voting shares, if dilutive. The number of additional shares is calculated by assuming that outstanding special shares are exercised, and the proceeds from such exercises are used to repurchase Class "A" shares at the average share price for the period.

### n) Share purchase plans

The Company has two share purchase plans, which are described in Note 11b). Compensation expense is recognized when shares are issued to employees under the share purchase plan and over the vesting period for the special voting shares. Any consideration paid by employees on purchase of shares is credited to share capital. If shares are repurchased from employees, the excess of the consideration paid over the carrying amount of the shares is charged to retained earnings. Loans to officers for the purchase of special shares are presented as a reduction in the share capital related thereto.

### o) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### 3. Business Acquisitions

- a) In the first quarter of 2004, the Company acquired the assets of a sand and gravel operation in Ontario. In addition, the Company purchased the remaining outstanding shares in Cayuga Materials and Construction Ltd. Prior to this transaction, the Company owned 40% and was accounting for its investment using the equity method. Finally, the Company purchased the remaining 50% of the shares of 1259824 Ontario Inc., a ready-mix concrete producer. These transactions have been accounted for using the purchase method and the results of these operations have been included in the consolidated financial statements since the respective dates of acquisition. The total purchase price for the three acquisitions was \$64.8 million, which included an amount for working capital.

The following schedule summarizes the fair value of the assets acquired and liabilities assumed at their respective date of acquisition.

Net working capital	\$ 5,242
Property, plant and equipment	28,363
Goodwill and other long-term assets	33,272
Customer relationship	4,000
Asset retirement obligations	(3,377)
Future income taxes	(2,676)
<b>Net assets acquired</b>	<b>\$ 64,824</b>

The goodwill was allocated to the Ontario segment and is partially deductible for tax purposes.

- b) On April 30, 2003, the Company acquired the assets of an aggregate business in Ontario. The results of the operations have been included in the consolidated financial statements since that date. The purchase price was determined to be \$39.4 million, which included an amount for working capital.

The following schedule summarizes the estimated fair market value of the assets acquired at the date of acquisition.

Net working capital	\$ 994
Property, plant and equipment	26,277
Goodwill	10,901
Intangible asset	1,250
<b>Net assets acquired</b>	<b>\$ 39,422</b>

The intangible asset relates to a non-competition agreement and is amortized over its remaining useful life of five years. The goodwill was allocated to the Ontario segment and is partially deductible for tax purposes.

#### 4. Stock-Based Compensation and Other Stock-Based Payments

The Company applies the fair value based method to all employee stock options granted after January 1, 2003. Under the fair value based method, the compensation cost is measured at fair value at the date of grant and is expensed over the award's vesting period.

Had compensation expense been determined based upon fair values at the date of grant for awards issued in 2002 under all plans, the Company's pro forma net income and earnings per share would have been as follows:

	2004	2003
Reported net earnings	\$ 67,165	\$ 65,446
Adjustment using the fair market value method		
Special shares incentive plan	(349)	(360)
Pro forma net earnings	\$ 66,816	\$ 65,086
Basic and diluted earnings per share	\$ 1.61	\$ 1.58
Adjustment using the fair market value method	\$ (0.01)	\$ (0.01)
Pro forma basic earnings per share	\$ 1.60	\$ 1.57
Pro forma diluted earnings per share	\$ 1.60	\$ 1.57

The pro forma disclosure omits the effect of awards granted prior to January 1, 2002.

The following assumptions were used to estimate the fair values of the awards granted as at December 31:

	2004	2003
Risk-free interest rate	2.86% to 4.22%	3.08% to 4.76%
Expected life	2 to 10 years	2 to 10 years
Expected volatility	19.39%	17.36%
Dividend yield	nil	nil

#### 5. Sale of Assets and Investments

The following represents the detail of the proceeds, the assets and investments disposed, as well as the (losses) gains on disposals:

	2004	2003
Proceed from sale of assets and investments	\$ -	\$ 27,700
Investments and assets disposed		
Working capital	-	3,783
Property, plant and equipment	-	881
Goodwill	-	767
Investments and other assets	-	17,535
Gain on sale of assets and investments	\$ -	\$ 4,734
(Loss) gain on disposal of property, plant and equipment	(122)	716
Total (loss) gain on sale of assets	\$ (122)	\$ 5,450

These amounts are shown as a (loss) gain on sale of assets and investments on the consolidated statements of earnings and retained earnings.



## 6. Accounts Receivable

The Company has a revolving agreement, expiring in February 2005, to sell eligible trade receivables, on a limited recourse basis, up to a maximum of \$112.0 million (\$100.0 million in 2003) of receivables outstanding at any point in time.

The Company has retained the responsibility for servicing, administering and collecting the accounts receivables sold.

At December 31, 2004, an amount of \$121.5 million (\$109.9 million in 2003) of accounts receivable was sold under this program, of which \$9.5 million (\$9.9 million in 2003) was kept by the Company as a retained interest, resulting in a net consideration of \$112.0 million (\$100.0 million in 2003) on the sale. The retained interest is recorded in the Company's accounts receivable, and its fair value approximates its cost given the short nature of the collection period of the accounts receivable sold. The rights of the Company over the retained interest are subordinated to the rights of the investors under this program. There is no recourse under this program over the Company's other assets for failure of debtors to pay when due, other than the retained interest of the Company.

Securitization fees vary based on commercial paper rates in Canada. Proceeds from revolving sales between the securitization trusts and the Company in 2004 were \$1,047.0 million (\$951.0 million in 2003).

## 7. Inventories

	2004	2003
Finished goods and work in process	\$ 65,096	\$ 63,682
Raw materials and supplies	40,403	42,026
	<b>\$ 105,499</b>	<b>\$ 105,708</b>

## 8. Property, Plant and Equipment

	Cost	Accumulated Depreciation	2004 Net Book Value
Land and quarries	\$ 246,207	\$ (55,687)	\$ 190,520
Buildings and structures	235,186	(145,695)	89,491
Machinery and equipment	660,980	(341,486)	319,494
Furniture, vehicles and tools	304,670	(227,008)	77,662
Construction in progress	128,851	-	128,851
	<b>\$ 1,575,894</b>	<b>\$ (769,876)</b>	<b>\$ 806,018</b>

	Cost	Accumulated Depreciation	2003 Net Book Value
Land and quarries	\$ 184,731	\$ (37,293)	\$ 147,438
Buildings and structures	256,158	(166,597)	89,561
Machinery and equipment	604,019	(303,800)	300,219
Furniture, vehicles and tools	289,610	(206,601)	83,009
Construction in progress	133,137	-	133,137
	<b>\$ 1,467,655</b>	<b>\$ (714,291)</b>	<b>\$ 753,364</b>

## 9. Investments and Other Assets

	2004	2003
Investments in associated businesses	\$ 1,008	\$ 9,860
Long-term receivables	5,623	12,560
Long-term assets held for resale	7,550	7,290
Deferred charges	89	193
Other	8,940	3,675
	<b>\$ 23,210</b>	<b>\$ 33,578</b>

Long-term receivables bear interest from 0% to 10%. The amount due within one year amounted to \$6.7 million and is included in accounts receivable. Reimbursement of these receivables is expected as follows:

	2006	2007	2008	2009	Thereafter
	\$ 3,405	\$ 1,241	\$ 752	\$ 191	\$ 34

## 10. Long-Term Debt

	Year of maturity	2004	2003
Bank revolving credits a)	2007	\$ 47,808	\$ 84,103
Long-term debt:			
Industrial revenue bonds (US \$18,000,000) b)	2020	21,568	23,254
Debt to a related party c) d)	2005, 2007 and 2017	120,925	120,925
Other		3,468	1,120
Total long-term debt		193,769	229,402
Less current portion		7,298	310
		<b>\$ 186,471</b>	<b>\$ 229,092</b>

a) The Company has available two unsecured revolving credit facilities in the form of an \$80.0 million facility with Canadian banks and a \$108.0 million (US \$90.0 million) facility with U.S. banks.

These three-year facilities can be renewed annually on mutual consent at each anniversary date. If the facilities are not renewed, they will automatically fall into a two-year term loan.

Various interest options are available to the Company for these revolving credits. During the year, the average effective interest rate was 2.6% (2.7% in 2003).

b) The Company obtained industrial revenue bonds, which are payable in 2020. These bonds were issued at variable rates. The Company entered into a swap agreement to fix the interest rate at 5.46% for a five-year period (see Note 18), which will mature in 2005. The bonds are secured by a letter of credit issued on behalf of the Company by a large multi-national financial institution.

c) In 2002, the Company borrowed \$115.0 million from a sister company, wholly-owned by the ultimate parent company, through two loan agreements. The first loan, amounting to \$105.0 million, is repayable at maturity in October 2007 and bears a fixed interest rate of 6.31%. The second loan, amounting to \$10.0 million, is repayable at maturity in September 2017 and bears a fixed rate of 7.36%. The interest rates on both these loans were fixed at the then market rates.

d) On December 30, 2003, the Company entered into two loan agreements for a total of \$5.9 million. These loans were contracted with two sister companies, wholly-owned by the ultimate parent company. The loans are repayable in June 2005 and bear no interest.

e) Payments on bank revolving credits and long-term debt are as follows for the next five years and thereafter:

	2005	2006	2007	2008	2009	Thereafter
	\$ 7,298	\$ 797	\$ 153,230	\$ 367	\$ 285	\$ 31,792

## 11. Share Capital

	Number of shares	2004 Stated value	Number of shares	2003 Stated value
<b>Share capital issued</b>				
<b>Class "A" subordinate voting shares (1 vote)</b>				
Balance at beginning of year	26,260,852	\$ 90,639	26,045,640	\$ 87,696
Conversion of Class "1" special voting shares	212,475	3,257	169,725	2,133
Redemption of shares (a)	(10,300)	(37)	–	–
Issued under the employee share purchase plan	41,176	884	45,487	810
Balance at end of year	26,504,203	\$ 94,743	26,260,852	\$ 90,639
<b>Class "B" multiple voting shares (3 votes)</b>				
Balance at beginning and end of year	15,252,848	\$ 38,525	15,252,848	\$ 38,525
<b>Class "1" special voting shares (1 vote)</b>				
Balance at beginning of year	749,830	\$ 13,300	805,125	\$ 12,977
Conversion to Class "A" subordinate voting shares	(212,475)	(3,257)	(169,725)	(2,133)
Issued under the special share purchase plan	84,830	2,451	114,430	2,456
Redemption of shares (b)	(33,900)	(653)	–	–
	588,285	11,841	749,830	13,300
Less: loans to officers for Class "1" special voting shares	–	(11,297)	–	(12,517)
Balance end of year	588,285	\$ 544	749,830	\$ 783
<b>Total share capital</b>	<b>42,345,336</b>	<b>\$ 133,812</b>	<b>42,263,530</b>	<b>\$ 129,947</b>

The weighted average number of Class "A" and Class "B" shares outstanding for the year is 41,632,541 (41,370,209 in 2003) for the purposes of earnings per share calculations.

### a) Authorized share capital

The authorized share capital of the Company presently consists of Class "A" shares, Class "B" shares and Class "1" special shares issuable in series, all without par value. All shares can be issued in an unlimited number. All shares are entitled to the same dividends.

Under certain circumstances, holders of Class "A" shares are entitled to convert their shares into Class "B" shares in order to permit said holders to participate in an offer to purchase Class "B" shares.

During the year the Company redeemed 10,300 Class "A" shares for \$249 thousand. These shares had a stated value of \$37 thousand, resulting in a loss on redemption of \$212 thousand.

### b) Stock-based compensation and other stock-based payments

#### i) Employee share purchase plan

The Company has a share purchase plan for all of its employees in Canada. Under this plan, a maximum of 2,500,000 Class "A" shares may be issued at a price equal to 90% of the average market price of transactions on each trading day of the most recent quarter ended prior to the issuance date. As at December 31, 2004, 1,397,223 (1,356,047 in 2003) Class "A" shares had been issued under this plan. During the year, a total of 41,176 (45,487 in 2003) shares were issued under this share purchase plan.

## 11. Share Capital (cont'd)

### b) Stock-based compensation and other stock-based payments (cont'd)

#### ii) Class "1" special voting shares

As of December 31, 2004, under a special share purchase plan, the Company has reserved 919,440 (1,004,270 in 2003) Class "1" shares for issuance to senior management employees at a price equal to the average market price of transactions during the last ten trading days of October. The Class "1" shares are redeemable within certain time limits and bear conversion privileges to Class "A" shares. During the year, a total of 84,830 (114,430 in 2003) shares have been issued under this special share purchase plan. The fair value of the Class "1" shares as at December 31, 2004, calculated using the Black-Scholes pricing model, was \$8.25 (\$6.35 for 2003) and is being amortized over the vesting period.

The plan provides that the Company may offer financial assistance to eligible senior management employees who apply for it so as to cover the full subscription price of the Class "1" shares purchased. The amount of the financial assistance is automatically repayable to the Company upon the conversion of Class "1" shares. If the Class "1" shares are not converted, the amount is repayable at the expiry of the term. This financial assistance takes the form of interest-free loans.

During the year, the Company redeemed 33,900 Class "1" shares for their stated value of \$653 thousand. These Class "1" shares were redeemed from employees who are no longer with the Company.

The following table summarizes information about Class "1" shares outstanding and exercisable at December 31, 2004:

Range of exercise prices	Number	Class "1" shares outstanding		Class "1" shares exercisable	
		Weighted average exercise price (\$)	Weighted average remaining contractual life (years)	Number	Weighted average exercise price (\$)
\$8.90 – \$13.45	28,050	10.81	2.42	28,050	10.81
\$14.95 – \$17.26	163,550	16.27	5.19	132,200	16.22
\$19.45 – \$28.89	396,685	22.37	8.51	52,825	20.33

## 12. Financial Expenses

	2004	2003
Interest on long-term debt:		
Related party	\$ 7,382	\$ 7,388
Other – net of interest revenue of \$0.6 million (\$0.8 million in 2003)	5,488	5,277
Securitization fees	2,331	2,633
Dividends on first ranking preferred shares	–	90
Loss on foreign exchange	2,502	2,707
	\$ 17,703	\$ 18,095

**13. Income Taxes**

	2004		2003	
Income taxes on earnings at combined basic tax rates	\$ 39,189	36.2%	\$ 37,286	35.7%
Add (deduct) tax effect of following:				
Federal large corporations tax	652		967	
Losses applied to reduce current taxes	(691)		(407)	
Foreign exchange impact	2,445		-	
Permanent differences	1,320		1,064	
Sale of assets and investments (Note 5)	-		(502)	
Increase in tax rates	-		6,005	
Other	(1,928)		(5,525)	
	1,798	1.7	1,602	1.5
	\$ 40,987	37.9%	\$ 38,888	37.2%

The tax effects of temporary differences that give rise to significant portions of the future tax assets and future tax liabilities at December 31 are presented below:

	2004	2003
Current liability (asset):		
Construction contract accounting methods	\$ 4,180	\$ 2,820
Provisions – deductible for tax purposes in the future	(16,401)	(7,702)
Non capital losses carry-forward	-	(7,900)
	(12,221)	(12,782)
Long-term liability:		
Property, plant and equipment – differences in net book value and undepreciated capital cost	165,538	163,907
Other	7,850	1,774
	173,388	165,681
Net future tax liability	\$ 161,167	\$ 152,899

**14. Employee Future Benefits**

The Company has seven registered Canadian defined benefit pension plans (two of which have a defined contribution component) and one Canadian supplemental arrangement which provides pension benefits in excess of statutory limits (for both defined benefit and defined contribution components). The Company also has one U.S. defined benefit pension plan and one U.S. supplemental arrangement which provides pension benefits in excess of statutory limits. In addition, the Company sponsors post-retirement benefits for eligible Canadian employees. The Company offers access to health and dental care coverage to its retired U.S. employees until they are eligible for Medicare. In some cases, the Company also subsidizes the cost of this coverage.

The total amount of employer contributions and benefit payments for defined benefit pension plans and other benefit plans amounted to \$6.6 million in 2004. The total amount of employer contributions to the deferred profit sharing plan amounted to \$821 thousand for the year ended December 31, 2004.

The Company measures the accrued benefit obligations and the fair value of the plans' assets for accounting purposes as at December 31 of each year.

The most recent actuarial valuations for the registered Canadian defined benefit pension plans were performed as at July 31, 2001 (two plans), as at December 31, 2001 (two plans), as at December 31, 2002 (two plans) and as at December 31, 2003 (one plan). Actuarial valuations of the registered Canadian defined benefit pension plans are required every three years.

The most recent actuarial valuation for the U.S. defined benefit pension plan was performed as at December 31, 2003 and the next required valuation will be as at December 31, 2004.

#### 14. Employee Future Benefits (cont'd)

The significant actuarial assumptions used in measuring the Company's accrued benefit obligations and benefit costs are as follows (weighted-average assumptions as at December 31):

	Pension benefit plans				Other benefit plans			
	2004		2003		2004		2003	
	Cdn	US	Cdn	US	Cdn	US	Cdn	US
<b>Benefit plan cost:</b>								
Discount rate	6.1%	6.1%	6.5%	6.5%	6.1%	6.1%	6.5%	6.5%
Expected long-term rate of return on plan assets	7.75%	7.75%	7.75%	7.75%	n/a	n/a	n/a	n/a
Rate of compensation increase	3.5%	3.5%	3.5%	3.5%	n/a	n/a	n/a	n/a
<b>Accrued benefit obligations:</b>								
Discount rate	5.8%	5.8%	6.1%	6.1%	5.8%	5.8%	6.1%	6.1%
Rate of compensation increase	3.5%	3.5%	3.5%	3.5%	n/a	n/a	n/a	n/a

The assumed Canadian health care cost trend rate used to obtain the accrued benefit obligation at December 31, 2004 was 10% in 2005 and decreasing by 0.5% starting in 2006 to attain 5.0% in 2015 and thereafter. The assumed United States health care cost trend rate at December 31, 2004 was 11% in 2005 decreasing by 1% each year to attain 5% in 2011 and thereafter. The impact of a one percentage point change in assumed health care cost trend rates would have the following effects:

	1% increase	1% decrease
Effect on service and interest costs	\$ 67,400	\$ (56,200)
Effect on accrued benefit obligation	\$ 546,900	\$ (464,700)

The Company's net benefit plan cost is as follows:

	Pension benefit plans		Other benefit plans	
	2004	2003	2004	2003
Current service cost, net of employee contributions (excluding defined contribution components)	\$ 5,383	\$ 4,812	\$ 225	\$ 203
Interest cost	10,903	10,499	334	343
Actual return on plan assets	(15,224)	(14,436)	—	—
Actuarial loss on accrued benefit obligations	8,555	14,615	478	290
Plan amendments	—	411	42	—
Curtailment gain	—	(138)	—	—
Settlement loss	—	42	—	—
Special termination benefits	275	—	—	—
<b>Adjustments to recognize the long-term nature of employee future benefit costs:</b>				
Difference between expected return and actual return on plan assets for the year	3,647	3,770	—	—
Difference between actuarial loss (gain) recognized for the year and the actual actuarial loss (gain) on accrued benefit obligations for the year	(7,136)	(13,448)	(416)	(241)
Difference between amortization of past service cost recognized for the year and the cost of plan amendments for the year	128	(147)	35	76
Net defined benefit plan cost	\$ 6,531	\$ 5,980	\$ 698	\$ 671
Net defined contribution plan cost	\$ 629	\$ 493	\$ —	\$ —

The net benefit plan cost is included in selling and administrative expenses in the consolidated statements of earnings.

#### 14. Employee Future Benefits (cont'd)

Information about the Company's defined benefit pension plans and other benefit plans, in aggregate, is as follows:

	Pension benefit plans		Other benefit plans	
	2004	2003	2004	2003
<b>Benefit obligations:</b>				
Balance at beginning of year	\$ 179,269	\$ 159,406	\$ 5,402	\$ 5,234
Current service cost	6,796	6,150	225	203
Interest cost	10,903	10,499	334	343
Benefits paid	(10,079)	(8,894)	(321)	(308)
Foreign exchange and other items	(450)	(1,771)	(138)	(360)
Plan amendment	–	(364)	42	–
Actuarial loss	9,039	14,243	478	290
<b>Balance at end of year</b>	<b>\$ 195,478</b>	<b>\$ 179,269</b>	<b>\$ 6,022</b>	<b>\$ 5,402</b>
<b>Plan assets:</b>				
Fair value at beginning of year	\$ 150,162	\$ 139,848	\$ –	\$ –
Actual return on plan assets	15,234	14,454	–	–
Employer contributions	6,283	5,336	321	308
Employee contributions	1,404	1,338	–	–
Benefits paid	(10,079)	(8,894)	(321)	(308)
Foreign exchange and other items	(532)	(1,920)	–	–
<b>Fair value at end of year</b>	<b>\$ 162,472</b>	<b>\$ 150,162</b>	<b>\$ –</b>	<b>\$ –</b>
Funded status – deficit	\$ (33,006)	\$ (29,107)	\$ (6,022)	\$ (5,402)
Unamortized past service cost	1,164	1,292	589	624
Unamortized net actuarial losses	38,117	34,165	2,059	1,643
Exchange differences	–	–	(391)	(254)
<b>Accrued benefit asset (liability)</b>	<b>\$ 6,275</b>	<b>\$ 6,350</b>	<b>\$ (3,765)</b>	<b>\$ (3,389)</b>

Included in the above accrued benefit obligations and fair value of plan assets at year-end are the following amounts in respect of benefit plans that are not fully funded:

	Pension benefit plans		Other benefit plans	
	2004	2003	2004	2003
Accrued benefit obligation	\$ (195,478)	\$ (161,239)	\$ (6,022)	\$ (5,402)
Fair value of plan assets	162,472	130,823	–	–
<b>Balance at end of year</b>	<b>\$ (33,006)</b>	<b>\$ (30,416)</b>	<b>\$ (6,022)</b>	<b>\$ (5,402)</b>

Plan assets, in aggregate, measured as at December 31, consist of the following:

	Pension benefit plans		Other benefit plans	
	2004	2003	2004	2003
Equity securities	55.3%	57.8%	–	–
Debt securities	44.4%	41.9%	–	–
Other	0.3%	0.3%	–	–

## 15. Related Party Transactions

During the year, in the normal course of business, the Company was subject to the following related party transactions:

	2004	2003
Clinker and cement sold to companies under common control	\$ 19,290	\$ 19,270
Clinker and cement bought from companies under common control	44,281	48,222
Consulting services provided by subsidiaries of parent company	13,419	11,616

These transactions are recorded at the amount of consideration established and agreed to by the related parties.

As at December 31, 2004, \$3.5 million (\$4.4 million in 2003) of receivables from and \$6.5 million (\$0.2 million in 2003) of payables to companies under common control are included in accounts receivable and accounts payable and accrued liabilities, respectively. In addition, included in the dividend payable is an amount of \$3.4 million (\$3.4 million in 2003) payable to our parent company.

On December 30, 2003, through a series of transactions, the Company acquired the accumulated tax losses of an investment owned by the Company and two sister companies. This transaction was recorded at the exchange amount and resulted in an increase in future income tax assets of \$7.9 million, \$5.9 million of long-term debt, \$2.0 million of future income tax revenue and a reduction of \$0.6 million of investments in associated businesses.

## 16. Commitments and Contingent Liabilities

### a) Leases

Minimum annual payments under long-term operating leases for each of the five succeeding years are:

	2005	2006	2007	2008	2009
	\$ 18,486	\$ 15,234	\$ 13,497	\$ 11,792	\$ 9,505

### b) Contingent liabilities

#### i) Beauport class action suit

On May 9, 2003 a judgment on the class action suit initiated by a group of Beauport, Québec residents was rendered in favour of the plaintiffs, whereby a maximum of \$15.0 million could be paid. This judgment follows legal proceedings initiated in 1993 with respect to the operations of a former cement plant. Based on an analysis of the judgment rendered, the Company has appealed the decision. As the ultimate outcome of this litigation is presently not determinable, the loss to the Company, if any, will be recorded in the period in which the appeal judgment will be rendered, or the matter will be settled or when the loss can be reasonably estimated.

#### ii) Disclosure of guarantees

The Company has entered into various guarantee agreements that arose out of transactions related to goods purchased from suppliers and to borrowings of the Company's customers.

The following table provides the undiscounted maximum amount of potential future payments for each major group of guarantees:

Standby letters of credit (i)	\$ 3,437
Guarantees on customer debts (ii)	2,264
Total	\$ 5,701

#### (i) Standby letters of credit

During the course of operations, the Company issued financial standby letters of credit in order to guarantee payments for certain purchases or taxes as well as to provide security to governmental bodies and agencies relating to rehabilitation or maintenance work that the Company may be obligated to perform. The latest maturity date of these letters of credit is December 2006.



## 16. Commitments and Contingent Liabilities (cont'd)

### b) Contingent liabilities (cont'd)

#### ii) Disclosure of guarantees (cont'd)

##### (ii) Guarantees on customers debts

During the course of operations, the Company issued guarantees to various banks in order to support the credit of certain customers. The latest maturity date of these guarantees is 2011. No amounts have been accrued for any estimated losses with respect to these partially secured guarantees, since it is deemed not probable that any customer would fail to meet its debt obligations. The assessment of whether it is probable that the Company will be required to make payments under the terms of the guarantee is based on an analysis of the trade receivables for these customers as well as on the current relationship and experience.

##### (iii) Director and officer indemnification agreements

Under its by-laws, the Company indemnifies its current and former directors and officers to the extent permitted by law, against any and all charges, costs, expenses, amounts paid in settlement and damages incurred by the directors and officers as a result of any lawsuit or any other judicial, administrative or investigative proceedings, subject to any statutory or other legal limitation. The nature of the indemnification agreements prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay to the guaranteed party. The Company has purchased directors' and officers' liability insurance. No amount has been recorded in the financial statements with respect to these indemnifications.

#### iii) Other

The Company is a party to claims and litigation arising in the normal course of operations. The Company does not expect the resolution of these matters to have a materially adverse effect on the financial position or results of operations of the Company.

## 17. Segmented Information

The Company and its subsidiaries operate in Ontario, in Québec and the Atlantic Provinces, and in the United States, mainly in one industry segment, the manufacture and distribution of cement and related products for the construction industry.

Each reportable segment is managed separately because each business requires different marketing strategies. The Company evaluates the performance of each reportable segment based on operating profit.

The accounting policies used for each of the reportable segments are the same as those used for the consolidated financial statements. Inter-segment sales are made at amounts of consideration agreed upon among the related segments.

## 17. Segmented Information (cont'd)

### Geographic Segments

	Ontario		Québec and Atlantic		United States		All Others		Totals	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Sales to external customers	735,836	622,597	286,478	260,534	255,657	266,076	–	–	1,277,971	1,149,207
Inter-segment sales	20,493	20,688	4,589	7,245	–	–	–	–	25,082	27,933
Amortization of property, plant and equipment and other long-term assets	32,447	25,834	11,448	9,637	14,885	16,581	–	–	58,780	52,052
Operating profit	84,539	78,246	34,952	40,228	11,940	869	–	–	131,431	119,343
Financial expense	–	–	–	–	–	–	17,703	18,095	17,703	18,095
Property, plant and equipment	410,241	347,560	151,561	140,546	244,216	265,258	–	–	806,018	753,364
Goodwill	60,408	27,136	13,132	13,132	1,715	1,849	–	–	75,255	42,117
Additions to property, plant and equipment	44,477	38,383	16,383	9,594	14,650	29,333	–	–	75,510	77,310
Additions to goodwill	33,272	10,901	–	–	–	–	–	–	33,272	10,901

Sales of cementitious products totaled \$488.0 million (\$483.9 million in 2003). Sales of construction materials totaled \$394.0 million (\$361.3 million in 2003). Revenue from construction services totaled \$396.0 million (\$304.0 million in 2003).

## 18. Financial Instruments

### a) Credit risk

The Company's financial instruments that are exposed to a concentration of credit risk are essentially comprised of cash equivalents, accounts receivable, and long-term receivables.

The Company invests its available cash in short-term deposits with Canadian chartered banks.

Concentration of credit risk with respect to trade receivables is limited due to the Company's credit evaluation process and to the dispersion of a large number of customers across many geographic areas within Canada and the United States. The Company monitors, on a regular basis, the credit risk to which the Company is exposed in relation to its customers and the Company takes measures in order to mitigate any risk of loss which may include obtaining guarantees.

In order to grant credit, the Company bases its decision on an evaluation of each customer's financial situation. Provisions against losses from bad debts are set up according to credit risk, historical trends, general economic situation and other information.

### b) Interest rate derivatives

The Company enters into various interest rate ceiling (CAP) and interest rate conversion (SWAP) agreements. The counterparties to these agreements are large financial institutions, which present a minimal credit risk. Details of these agreements are as follows, as at December 31:

Type	Notional amount (\$)	Currency	Rate	Issuance date	Maturity
CAP	25,000	USD	Maximum 9.55%	May 2000	May 2005
SWAP	18,000	USD	5.46%	May 2000	June 2005

## 18. Financial Instruments (cont'd)

### c) Fair market value of financial instruments

The carrying values and the fair values of the Company's financial instruments are as follows:

	Carrying value	2004 Fair value	Carrying value	2003 Fair value
Total long-term receivables	\$ 12,327	\$ 11,648	\$ 16,528	\$ 15,162
Total long-term debt	(193,769)	(197,650)	(229,402)	(232,345)
Derivative financial instruments	–	(373)	–	(1,200)

The fair value differential of the long-term receivables is strictly due to the effect of discounting and does not consider other benefits attached to these notes.

The carrying values of accounts receivable, accounts payable, floating-rate investments and floating-rate debt approximate their fair values.

The fair value of fixed-rate investments and debts is estimated by discounting future contractual cash flows using market rates for similar instruments bearing similar risks.

The fair value of derivatives is estimated from quotes obtained from the Company's counterparties for the same or similar financial instruments.

### d) Interest rate risk

The Company's exposure to interest rate fluctuations is with respect to the use of its bank revolving credits which bear interest at floating rates.

## 19. Supplemental Disclosure of Cash Flow Information

	2004	2003
Net changes in working capital balances:		
Accounts receivable	\$ 12,205	\$ (10,295)
Inventories	988	(3,115)
Prepaid expenses and other	(4,917)	1,483
Income taxes recoverable	(5,765)	(3,483)
Accounts payable and accrued liabilities	26,806	8,989
Construction advances, net	4,473	(2,213)
	\$ 33,790	\$ (8,634)
Cash paid during the year for:		
Interest	\$ 15,073	\$ 17,796
Income taxes	30,111	34,472
Non-cash transactions:		
Additions to property, plant and equipment included in accounts payable and accrued liabilities	\$ 13,428	\$ 5,728
Future income taxes (Note 13)	–	5,925
Cash and cash equivalents consist of:		
Cash balances	\$ 36,122	\$ 29,540
Short-term investments	–	15,000
Total cash and cash equivalents	\$ 36,122	\$ 44,540

# Financial Summary

	2004	2003	2002
<b>Operating results</b> (millions of dollars)			
Sales	1,278.0	1,149.2	1,189.2
Depreciation and amortization	58.8	52.1	62.5
Financial expenses	17.7	18.1	13.9
Operating profit	131.4	119.3	139.3
Unusual write-offs and other items	–	–	–
Provision for income taxes	41.0	38.9	48.6
Net earnings	67.2	65.4	85.3
<b>Balance sheet</b> (millions of dollars)			
Current assets	302.5	307.7	304.2
Current liabilities	209.6	154.8	161.4
Working capital, excluding cash and cash equivalents	56.9	108.3	99.4
Property, plant and equipment	806.0	753.4	772.6
Total assets	1,213.3	1,143.1	1,172.1
Long-term debt	186.5	229.1	265.2
Future income tax liability	173.4	165.7	160.8
Shareholders' equity	610.5	590.1	581.7
<b>Changes in financial position</b> (millions of dollars)			
Operating cash flow	136.9	120.2	155.0
Additions to property, plant and equipment	75.5	77.3	97.4
(Decrease) increase in long-term debt	(29.3)	(22.3)	10.1
Issues of capital stock	4.1	2.7	1.7
Dividends paid	21.1	20.7	21.1
<b>Per share values</b> (dollars)			
Basic earnings	1.61	1.58	2.07
Operating cash flow	3.29	2.91	3.75
Dividends	0.52	0.50	0.50
Book value	14.62	14.22	14.09
Common share price range – High	30.00	22.20	26.00
Common share price range – Low	19.82	17.00	18.00
<b>Financial ratios</b>			
Working capital	1.3:1	1.7:1	1.6:1
Total long-term debt on total capitalization (%)	20	23	27
Operating profit on sales (%)	10.3	10.4	11.7
Return on average equity (%)	11.2	11.2	15.5
Interest coverage	7.1	6.5	9.7
<b>Production</b> (millions of tonnes)			
Annual cement and clinker capacity	3.7	3.7	3.7
<b>Quarterly net earnings (loss), unaudited</b> (millions of dollars)			
First quarter	(19.3)	(13.7)	(12.5)
Second quarter	27.5	22.0	36.2
Third quarter	39.2	35.3	36.7
Fourth quarter	19.8	21.8	24.9

2001	2000	1999	1998	1997	1996	1995	1994
1,187.2	1,054.4	937.6	850.4	828.6	795.7	676.1	591.2
61.5	49.3	39.6	39.7	38.5	35.0	36.0	35.2
17.7	17.7	11.2	8.9	14.5	14.4	12.4	14.3
120.2	108.5	116.7	109.4	95.7	76.6	60.3	42.7
-	-	-	-	6.2	33.8	1.7	1.4
37.3	30.5	36.8	34.2	33.0	12.6	21.2	11.0
62.2	48.5	71.0	65.1	42.1	16.2	24.8	13.0
268.5	244.8	255.7	226.1	242.9	223.2	227.0	218.1
199.0	153.7	166.7	143.8	145.4	140.1	137.7	100.0
69.5	91.1	88.9	82.3	97.5	83.1	89.3	118.1
757.0	609.4	489.5	461.8	421.5	405.7	411.6	384.8
1,121.0	927.7	823.1	738.9	744.9	707.0	702.2	661.7
263.8	193.0	122.2	101.9	151.2	166.8	168.6	184.6
140.2	117.1	82.7	72.9	75.3	65.0	65.9	64.5
518.1	463.5	451.2	418.9	373.0	335.2	330.1	312.6
128.0	111.8	119.1	104.6	99.8	73.8	59.8	49.0
105.2	151.4	76.5	72.5	44.1	42.4	69.6	35.8
70.7	69.8	20.4	(49.4)	(18.9)	1.6	(16.2)	(64.3)
3.3	2.5	3.2	4.5	2.0	2.5	1.8	3.0
21.0	21.2	21.7	19.9	15.5	8.8	8.8	-
1.52	1.15	1.64	1.47	0.95	0.37	0.56	0.30
3.12	2.64	2.76	2.39	2.26	1.67	1.35	1.12
0.50	0.50	0.50	0.48	0.30	0.20	0.20	-
12.58	11.08	10.45	9.56	8.40	7.84	7.68	7.32
23.90	19.25	20.25	20.00	14.75	10.35	11.50	12.88
14.75	13.85	14.90	11.75	9.95	6.63	7.00	9.00
1.3:1	1.6:1	1.5:1	1.6:1	1.7:1	1.6:1	1.6:1	2.2:1
29	26	19	17	25	29	29	31
10.1	10.3	12.5	12.9	11.5	9.6	8.9	7.2
12.7	10.6	16.3	16.4	11.9	4.9	7.7	4.2
6.6	5.3	11.0	11.7	8.1	5.6	4.4	2.7
3.7	3.7	3.7	4.1	4.1	4.7	4.7	4.7
(12.3)	(9.3)	(6.9)	(10.0)	(12.9)	(12.5)	(13.1)	(13.7)
21.4	14.0	24.5	26.1	16.9	(6.1)	9.6	8.4
32.4	28.9	33.1	28.0	26.0	23.3	19.3	12.8
20.7	14.9	20.3	21.0	12.1	11.5	9.0	5.5

# Facilities

## Ontario

**+** **Cement Plant**  
Mississauga  
(1,450,000 tonnes)

**○** **Cement Distribution Terminals**  
Duluth, MN  
Mississauga

**□** **Slag Granulator**  
Sault Ste. Marie  
(400,000 tonnes)

**▼** **Concrete Plants**  
Aberfoyle  
Agincourt  
Aylmer  
Beamsville  
Bowmanville  
Bradford  
Burlington  
Cambridge  
Etobicoke

**▼** **Concrete Plants (cont'd)**  
Georgetown  
Hannon  
Kitchener  
Leamington  
London  
Malton  
Maple  
Markham  
Mississauga  
Niagara Falls  
Orangeville  
Oshawa  
Pearson Airport  
Peterborough  
Port Hope  
Simcoe  
Stratford  
Tillsonburg  
Toronto  
Welland

**▲** **Quarries, Sand and Gravel Pits**  
Aberfoyle  
Acton  
Bethany  
Blair  
Breslau  
Buckhorn  
Burgessville  
Butler  
Carden  
Cayuga  
Erin  
Flamboro  
Millcreek  
Milton  
Mosport  
Ogden Point  
Putnam  
Simcoe  
Woodstock (2)

**◆** **Construction Services**  
Oakville

**Asphalt Plants**  
Burgessville  
Brantford  
Cayuga  
Hamilton  
London  
North London  
Oakville  
Simcoe

**Construction Yards and Recycling Operations**  
Hamilton  
London  
Oakville  
Ottawa  
Toronto

## Québec & Atlantic

**+** **Cement Plant**  
Joliette  
(1,100,000 tonnes)

**○** **Cement Distribution Terminals**  
Argentia, NL  
Bedford, NS  
Corner Brook, NL  
Joliette  
LaSalle  
Long Pond, NL  
Longueuil  
Moncton, NB  
Nepisiguit, NB

**◇** **Mineral Components Terminal**  
Trenton, NS

**▼** **Concrete Plants**  
*Montréal Region*  
LaSalle  
Laval  
Longueuil  
Mont-Tremblant  
Ormstown  
St-Eustache  
Valleyfield

**▼** **Concrete Plants (cont'd)**  
*Québec City/Eastern Townships Region*  
Drummondville  
Lévis  
Québec City  
Richmond  
Rock Forest

**▲** **Quarries, Sand and Gravel Pits**  
Joliette  
Laval  
Mirabel  
Ste-Angèle-de-Prémont  
St-Charles-de-Mandeville  
St-François  
Varenes

**◆** **Construction Services**  
Longueuil

**Construction Yard and Recycling Operation**  
Laval

## United States

**+** **Cement Plants**  
Catskill, NY  
(600,000 tonnes)  
Hagerstown, MD  
(550,000 tonnes)

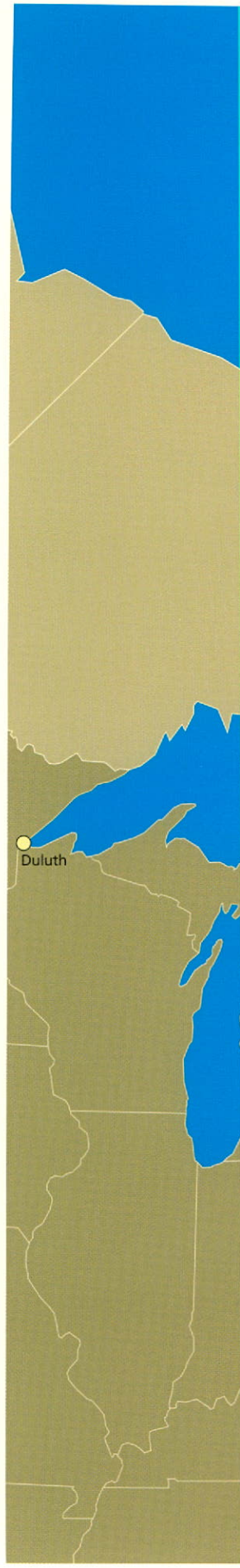
**★** **GranCem® Facility**  
Camden, NJ  
(600,000 tonnes)

**○** **Cement Distribution Terminals**  
*Maine*  
Portland  
*Maryland*  
Baltimore  
Hagerstown  
*Massachusetts*  
Boston (Everett)

**○** **Cement Distribution Terminals (cont'd)**  
*New York*  
Buffalo  
Catskill  
College Point  
*Pennsylvania*  
Tarentum  
*Rhode Island*  
Providence  
*West Virginia*  
South Charleston

**◇** **Mineral Components Terminal (GranCem®)**  
Camden, NJ

**▲** **Quarries**  
Catskill, NY  
Greenport, NY  
Hagerstown, MD





## Business Units

### Corporate Office

1945 Graham Boulevard  
Mount Royal, Québec H3R 1H1  
Telephone: (514) 340-1881  
Fax: (514) 342-8154  
E-mail: [communications@stlawrencecement.com](mailto:communications@stlawrencecement.com)  
Web site: [www.stlawrencecement.com](http://www.stlawrencecement.com)

### Ontario Division

#### Regional Office

The Royal Centre  
3300 Hwy 7, Suite 600  
Concord, Ontario L4K 4M3  
Telephone: (905) 761-7100  
Fax: (905) 761-7700

#### Marketing - Cement

Vice-president:  
Brian Harrison  
2391 Lakeshore Road West  
Mississauga, Ontario L5J 1K1  
Telephone: (905) 822-1653  
Fax: (905) 822-1792  
[www.cementportal.com](http://www.cementportal.com)

#### Mississauga Plant

General Manager:  
Patrick Franchomme  
2391 Lakeshore Road West  
Mississauga, Ontario L5J 1K1  
Telephone: (905) 822-1653  
Fax: (905) 822-5019

#### Dufferin Concrete

General Manager:  
Nick Caccavella  
The Royal Centre  
3300 Hwy 7, Suite 600  
Concord, Ontario L4K 4M3  
Telephone: (905) 761-7800  
Fax: (905) 761-7700  
[www.dufferinconcrete.ca](http://www.dufferinconcrete.ca)

#### Dufferin Aggregates

General Manager:  
William C. Galloway  
The Royal Centre  
3300 Hwy 7, Suite 400  
Concord, Ontario L4K 4M3  
Telephone: (905) 761-7500  
Administration fax:  
(905) 761-7505  
Sales & credit fax:  
(905) 761-5905

#### Dufferin Construction

General Manager:  
Lloyd D. Ferguson  
690 Dorval Drive, Suite 200  
Oakville, Ontario L6K 3W7  
Telephone: (905) 842-2741  
Fax: (905) 842-7974  
[www.dufferinconstruction.com](http://www.dufferinconstruction.com)

#### TCG Asphalt and Construction

General Manager:  
Lloyd D. Ferguson  
2200 Jetstream Road  
P.O. Box 189  
London, Ontario N6A 4V7  
Telephone: (519) 453-1500  
Fax: (519) 455-9025

#### Cayuga Materials and Construction Co. Ltd

General Manager:  
Lloyd D. Ferguson  
511 Highway 3  
Cayuga, Ontario N0A 1E0  
Telephone: (905) 772-3331  
Fax: (905) 772-3089

### Québec & Atlantic Division

#### Regional Office

435 Trans-Canada Street  
Longueuil, Québec J4G 2P9  
Telephone: (450) 651-1117  
Fax: (450) 651-5981

#### Marketing - Cement

Vice-president:  
André Laplante  
435 Trans-Canada Street  
Longueuil, Québec J4G 2P9  
Telephone: (450) 463-8750  
Fax: (450) 651-7184  
[www.online-cement.com](http://www.online-cement.com)

#### Joliette Plant

General Manager:  
Georges Hubin  
966 chemin des Prairies  
Joliette, Québec J6E 6H7  
Telephone: (450) 756-1076  
Fax: (450) 756-4366

#### Demix Construction

General Manager:  
Jean-Maurice Forget  
435 Trans-Canada Street  
Longueuil, Québec J4G 2P9  
Telephone: (450) 651-1117  
Fax: (450) 651-2695

#### Demix Béton/Agrégats

General Manager:  
Richard Aquin  
435 Trans-Canada Street  
Longueuil, Québec J4G 2P9  
Telephone: (450) 651-1117  
Fax: (450) 651-2695

### United States Division

#### Regional Office

3 Columbia Circle  
Albany, New York 12203  
Telephone: (518) 452-3001  
Fax: (518) 452-3045

#### Marketing - Cement

Vice-president:  
Lawrence M. Bell  
3 Columbia Circle  
Albany, New York 12203  
Telephone: (518) 452-3563  
Fax: (518) 452-3045  
[www.cementservicesonline.com](http://www.cementservicesonline.com)

#### Hagerstown Plant

General Manager:  
Gary Batey  
1260 Security Road  
Hagerstown, Maryland 21742  
Telephone: (301) 739-1150  
Fax: (301) 739-6708

#### Catskill Plant

General Manager:  
Barry Rowland  
6446 Route 9W  
P.O. Box 31  
Catskill, New York 12414  
Telephone: (518) 943-4040  
Fax: (518) 943-6894

#### Greenport Cement Plant Project

General Manager:  
David Loomes  
4303 Route 9  
Greenport, New York 12534  
Telephone: (518) 828-8478  
Fax: (518) 828-8902

#### Camden GranCem® Facility

General Manager:  
Mike Davis  
595 Morgan Boulevard  
Camden, New Jersey 08104  
Telephone: (856) 964-2555  
Fax: (856) 964-2660



## Officers and Directors

### Officers

**Benoît H. Koch**  
Chairman of the Board

**Philippe Arto**  
President  
and Chief Executive Officer

**Michel Damphousse**  
Senior Vice-president  
Québec & Atlantic Division

**Paul Ostrander**  
Senior Vice-president  
Ontario Division

**Dennis W. Skidmore**  
Senior Vice-president  
United States Division

**Dean Bergmame**  
Vice-president  
and Chief Financial Officer

**Carl Dubé**  
Vice-president  
Human Resources  
and Communications

**Denzil Cotera**  
Vice-president  
Cement Manufacturing  
and Engineering

**Lawrence M. Bell**  
Vice-president  
Marketing – Cement  
United States Division

**André Laplante**  
Vice-president  
Marketing – Cement  
Québec & Atlantic Division

**Brian Harrison**  
Vice-president  
Marketing – Cement  
Ontario Division

**Gertrude Barrette**  
Secretary and Corporate Director  
Total Compensation

**Alain Blais**  
Treasurer and Director  
Corporate Development

**Jean-François Boursier**  
Corporate Controller

As of December 31, 2004

### Directors

**Philippe Arto**  
President and Chief Executive Officer  
St. Lawrence Cement Group Inc.  
Mount Royal, Québec

**Claude Chauvette**  
Former Corporate Secretary  
St. Lawrence Cement Group Inc.  
Mount Royal, Québec

**Patrick Dolberg**<sup>(3)</sup>  
President and Chief Executive Officer  
Holcim (US) Inc.  
Waltham, Massachusetts

**Pierre Marc Johnson**<sup>(1)(3)(4)</sup>  
Senior Counsel  
Heenan Blaikie LLP  
Montréal, Québec

**Benoît H. Koch**<sup>(1)(4)</sup>  
Member of the Executive Committee  
Holcim Ltd and Chairman of the Board  
St. Lawrence Cement Group Inc.  
and Holcim (US) Inc.  
Brussels, Belgium

**Jacques Laurent**<sup>(2)(3)</sup>  
Partner  
Borden Ladner Gervais LLP  
Montréal, Québec

**Joan M. McEntee**  
Senior Partner  
and Chairman  
International Trade Group  
Baker Donelson Bearman  
Caldwell & Berkowitz  
Washington, DC

**Ronald W. Osborne**  
Corporate Director  
Toronto, Ontario

**Theophil H. Schlatter**  
Member of the Executive Committee  
and Chief Financial Officer  
Holcim Ltd  
Zurich, Switzerland

**Hugh D. Segal**<sup>(1)(2)</sup>  
President  
Institute for Research on Public Policy  
Montréal, Québec

**Robert B. Tuer**<sup>(1)(2)(4)</sup>  
Corporate Director  
Toronto, Ontario

### Committees

<sup>(1)</sup> Governance and Compensation

<sup>(2)</sup> Audit

<sup>(3)</sup> Environmental and  
Occupational Health & Safety

<sup>(4)</sup> Nominating

# Investor Information

## Dividends

Dividends are paid quarterly on February 1, May 1, August 1 and November 1, to shareholders of record on the 15<sup>th</sup> day of the previous month.

## Annual Meeting of Shareholders

InterContinental Hotel  
220 Bloor Street West  
Toronto, Ontario  
Thursday, May 26, 2005 at 8:30 a.m.

## Shareholders

Holcim Ltd	64%
Canadian investors (Company estimate)	35%
American investors (Company estimate)	1%

## Share prices 2004

Close	\$29.70
52-week high	\$30.00
52-week low	\$19.82
Book value	\$14.62

## Shares outstanding

Class "A" (1 vote)	26,504,203
Class "B" (3 votes)	15,252,848
Class "1" (1 vote)	588,285

Approximate "free float" (Class "A")	15,387,314
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Shares are listed on the Toronto Stock Exchange	ST.SV.A
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#### **Corporate Office**

St. Lawrence Cement Group Inc.  
1945 Graham Boulevard  
Mount Royal, Québec H3R 1H1  
Telephone: (514) 340-1881  
Fax: (514) 342-8154  
Web site: [www.stlawrencecement.com](http://www.stlawrencecement.com)

#### **Auditors**

KPMG LLP

#### **Registrar and Transfer Agent**

CIBC Mellon Trust  
2001 University, 16<sup>th</sup> Floor  
Montréal, Québec H3A 2A6  
Telephone: (800) 387-0825 or (416) 643-5500

This Annual Report is published in French and English.  
*La version française de ce rapport annuel est disponible sur demande  
auprès du Service des communications au (514) 340-1881  
ou à [communications@cimentstlaurent.com](mailto:communications@cimentstlaurent.com)*

St. Lawrence Cement Group  
1945 Graham Boulevard  
Mount Royal, Québec H3R 1H1  
Telephone: (514) 340-1881  
Fax: (514) 342-8154  
Web site: [www.stlawrencecement.com](http://www.stlawrencecement.com)

