St. Lawrence Cement Group Inc.

Driven by Innovation

ANNUAL REPORT 2002

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Valuable initiatives. Inspiring results.

AT ST. LAWRENCE CEMENT, WE ARE ALWAYS LOOKING FOR BETTER WAYS OF DOING BUSINESS. WE HAVE ACHIEVED LEADERSHIP POSITIONS IN OUR MARKETS BY BEING RESPONSIVE TO CUSTOMER NEEDS AND BY MEETING OR EXCEEDING THE EXPECTATIONS OF OUR EMPLOYEES, COMMUNITIES AND SHAREHOLDERS. IN EVERYTHING FROM CUSTOMER SERVICE AND TECHNOLOGY TO INTERNAL BUSINESS PROCESSES AND COMMUNITY RELATIONS, OUR PROACTIVE APPROACH IS A CRITICAL SUCCESS FACTOR TOWARD ENSURING GROWTH FOR ALL STAKEHOLDERS.

PROFILE

St. Lawrence Cement Group is a leading producer and supplier of products and services for the construction industry, serving some 9,000 customers in Canada and on the eastern seaboard of the United States. In Canada, the Company operates two cement plants, 11 cement distribution terminals, one slag granulator, one mineral components distribution terminal, 43 ready-mix concrete plants, 22 quarries and sand pits, and three construction companies. These assets are located in Ontario, Québec and the Atlantic provinces. In the United States, the Company operates two cement plants, one mineral components terminal, a GranCem® facility and ten cement distribution terminals. St. Lawrence Cement Group has 2,800 employees: 1,650 in Ontario, 800 in Québec and the Atlantic provinces and 350 in the United States. 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 50,000 people.

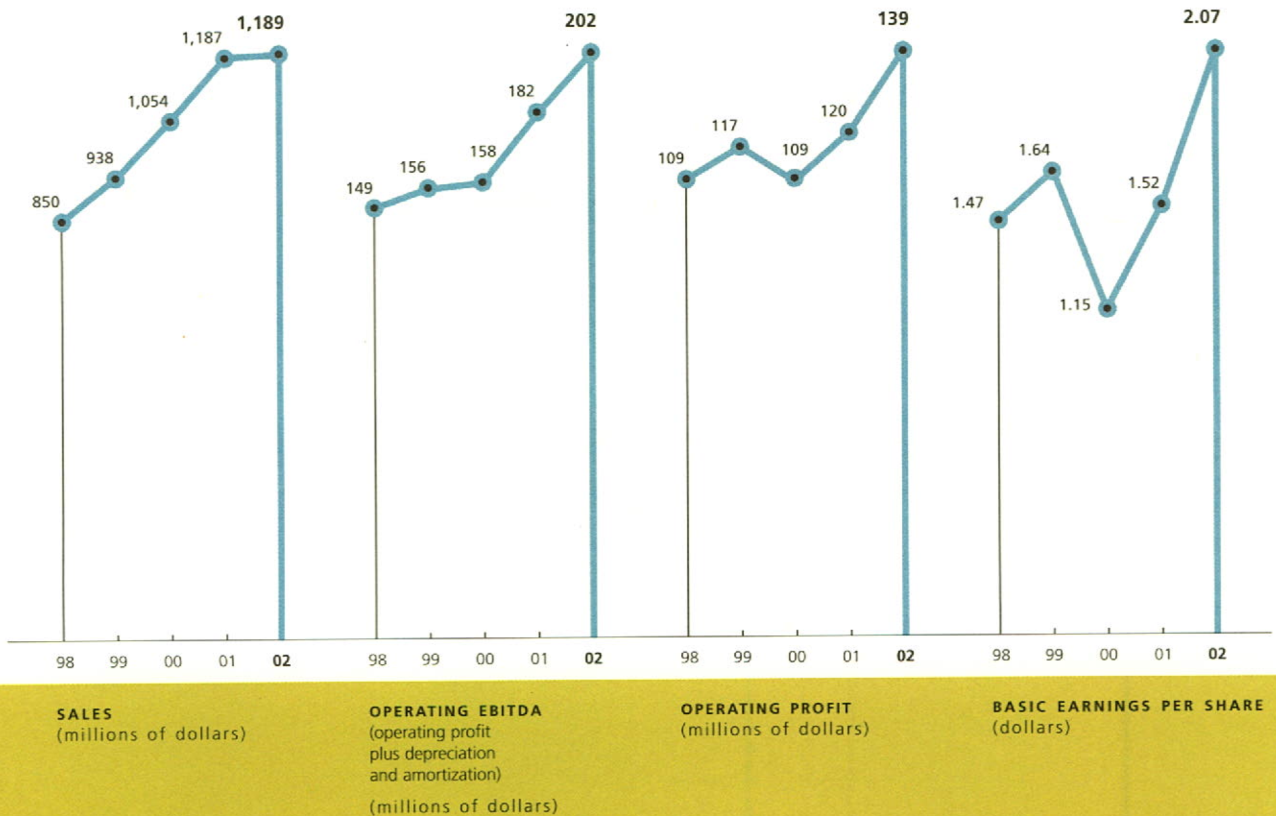
MISSION

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.

TABLE OF CONTENTS
Year in Review 6 Message to Shareholders 14 Management's Discussion and Analysis 20
Consolidated Financial Statements 26 Officers and Directors 42 Facilities 43 Business Units 44 Investor Information 45

FINANCIAL HIGHLIGHTS

	2002	2001
OPERATIONS (millions of dollars)		
Sales	**1,189.2**	1,187.2
Net earnings	**85.3**	62.2
Operating cash flow	**155.0**	128.0
Additions to capital assets	**97.4**	105.2
FINANCIAL POSITION (millions of dollars)		
Working capital, excluding cash and cash equivalents	**97.9**	69.5
Total long-term debt	**272.2**	264.0
Shareholders' equity	**581.7**	518.1
PER SHARE VALUES (dollars)		
Basic earnings	**2.07**	1.52
Operating cash flow	**3.75**	3.12
Dividends	**0.50**	0.50
Book value	**14.09**	12.58
FINANCIAL RATIOS		
Working capital	**1.6:1**	1.3:1
Total long-term debt on total capitalization (%)	**27**	29
Operating profit on sales (%)	**11.7**	10.1
Return on equity (%)	**15.5**	12.7

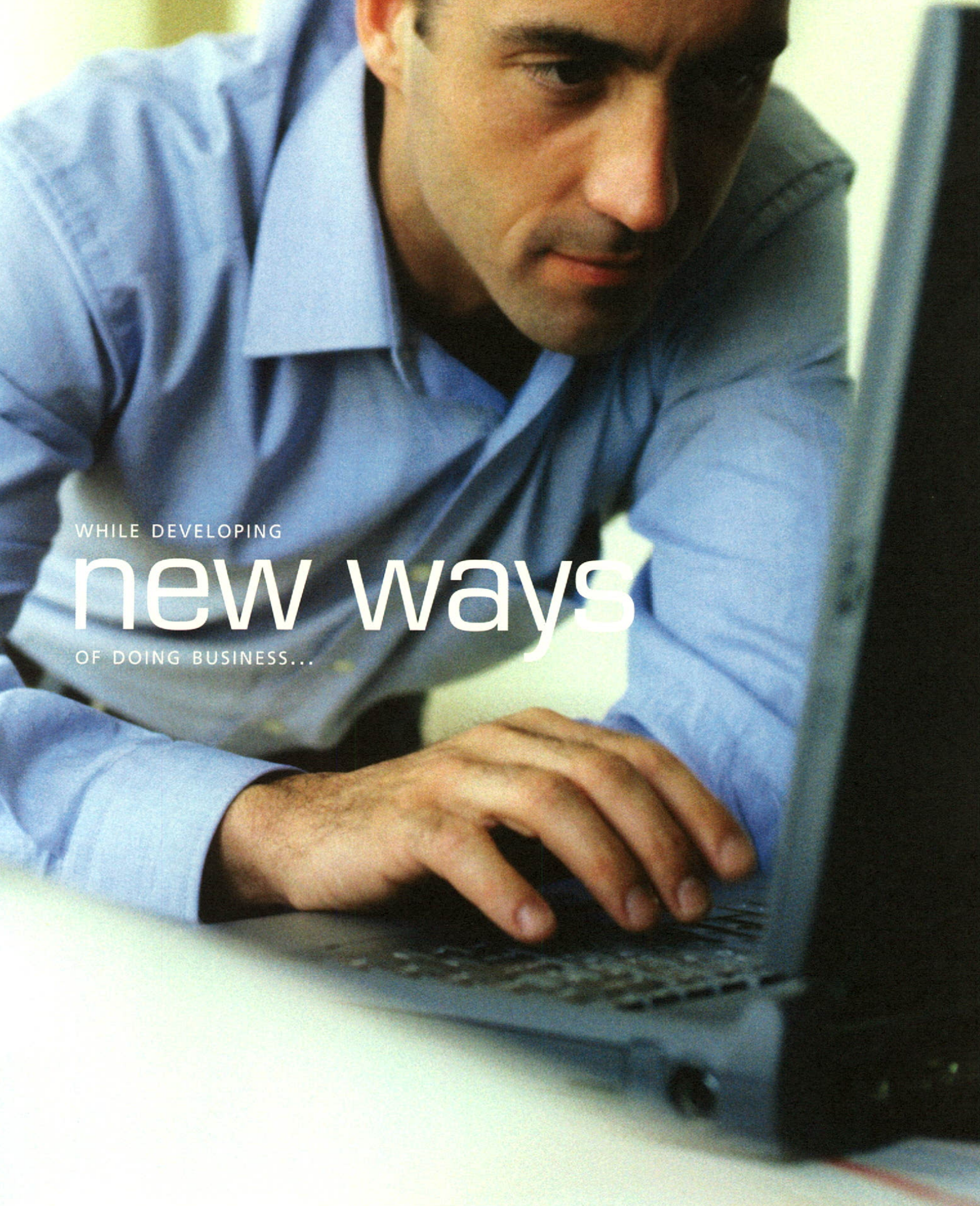


SALES
(millions of dollars)

OPERATING EBITDA
(operating profit plus depreciation and amortization)
(millions of dollars)

OPERATING PROFIT
(millions of dollars)

BASIC EARNINGS PER SHARE
(dollars)


WHILE DEVELOPING
new ways
OF DOING BUSINESS...

WE HAVE INVESTED A LOT OF RESOURCES IN REVIEWING AND STREAMLINING OUR BUSINESS PROCESSES. THESE MEASURES ARE LOWERING OUR COST OF DOING BUSINESS AND STRENGTHENING OUR COMPETITIVE POSITION.

INCREASED ONLINE SALES ¬ Statistics show strong growth in traffic at *Cement-Online*, our pilot portal for Ontario cement customers. As a result, our e-business site will be extended to all of North America in 2003. **COMBINED PURCHASING POWER** ¬ Our procurement group, which negotiates master contracts in conjunction with our American sister company Holcim (US), posted savings in 2002 of $5.7 million for St. Lawrence Cement alone. **LOGISTICS COST CONTROLS** ¬ Initiatives include improved terminal operations and implementation of best practices. These new methods yielded savings of $2.8 million in 2002. **EFFICIENCY GAINS** ¬ By standardizing and simplifying our processes using a new SAP model, and by pooling our IT resources with Holcim (US), we are operating more effectively across the board. **GROWING ENERGY COST SAVINGS** ¬ Our Joliette cement plant uses a new and innovative alternative granular fuel feeding system that will save approximately $2 million annually on our future energy costs. **REDUCED CEMENT KILN DUST (CKD) GENERATION** ¬ Through numerous process changes, we have further reduced the volume of surplus CKD while increasing its sale as a soil stabilizer. Again in 2002, recycled and sold CKD exceeded CKD generated.

ST. LAWRENCE CEMENT IS ACTIVELY COMMITTED TO RESEARCH AND DEVELOPMENT THROUGH INDUSTRY/UNIVERSITY RESEARCH GRANTS AND INTERNAL R & D EFFORTS.

ENERGY EFFICIENCY INNOVATION ¬ Our efforts to reduce energy consumption in our cement manufacturing process have been recognized by the Canadian Industry Program for Energy Conservation. These new methods include the recovery of energy from selected waste materials and the increased use of GranCem®, a mineral component, that enhances the resistance and workability of concrete mixes, while lowering CO_2 and overall emissions. **TerC3®** ¬ Known as ternary cement because it multiplies the performance of exposed reinforced concrete structures threefold, TerC3® is ideal for concrete paving. This leading-edge self-consolidating product developed by the Company also features excellent workability. **HIGH-PERFORMANCE CONCRETE** ¬ This new-generation concrete has the advantage of being less porous, more waterproof and therefore more durable than traditional concrete products. **CONDUCTIVE CONCRETE** ¬ We are involved in the testing of this new technology patented by National Research Council Canada. In addition to melting snow and ice, conductive concrete can enhance computer security by blocking electromagnetic signals produced by computers.

WE ARE STRIVING
TO MAKE
good ideas
BETTER.

YEAR IN REVIEW

Delivering high-performance **solutions**

We are generating sales growth and building lasting customer relationships by delivering high-performance solutions to our markets. From high-quality products to new construction techniques and marketing solutions, we are continually innovating to serve our customers better.

Our U.S. Division achieved notable success in 2002 in promoting the use of GranCem® in concrete mixes. GranCem®, a high-quality cement substitute manufactured from ground slag, a by-product of the steel industry, makes exceptional concrete in terms of strength, durability and low heat of hydration while being more economical than conventional cement. Through marketing innovation, the division sold out the entire production of the Camden GranCem® plant in 2002.

Leveraging its flexibility and product line, our Ontario Division executed contracts for 400,000 m^3 of concrete and 3.5 million tonnes of aggregates in the past three years at Toronto International Airport. The division obtained the concrete work after satisfying the performance criteria of the Greater Toronto Airports Authority and erecting a ready-mix plant on site. Aggregates demand was met initially from the Milton quarry. Following the acquisition of the Acton quarry, sub-base was sourced from Milton and concrete stone from Acton, thereby increasing operational efficiency and providing superior customer service.

In 2002, our Québec and Atlantic Division completed 73,000 m^3 of concrete paving on two of Québec's most traveled highways. For the past two years, the division has played an active role in promoting the use of concrete in Québec road construction, leading the provincial transportation department to designate specific highway sections for concrete paving under its long-term infrastructure reconstruction plan.

To stimulate increased concrete use, we develop composite cements for specific applications and promote innovative construction techniques.

] TerC ³® is a composite cement that offers low permeability and superior durability, making it ideal for roads and bridge decking. It is manufactured at our Joliette plant by adding fly ash and silica fume, both cementitious materials.

] We have successfully introduced roller compacted concrete into our Canadian markets and are currently experimenting with electrically conductive concrete technology, patented by National Research Council Canada, to melt snow and ice.

] In partnership with our customers, we actively support the use of insulated forms, tilt-up construction and other innovative building techniques using concrete.

CEMENT-ONLINE CITED FOR INNOVATION

By the end of 2002, *Cement-Online* was being used by 65% of our e-commerce enabled Ontario cement customers. The portal, which will be launched in all our markets during 2003, allows customers to order cement and access their key account data electronically. Using confidential passwords, they can trace their shipments, view their account status and track their order history. The portal also contains a wealth of practical information about cement and concrete.

Well-received by Ontario customers, *Cement-Online* captured in 2002 the Canadian e-Content Award of Merit for Best Market Fit, as well as the Eastern Region and Canadian e-Business Leadership Award for innovation under the Canadian E-Business Leadership Program.

Maintaining and building state-of-the-art **facilities**

State-of-the-art facilities secure our long-term position as a reliable and competitive supplier of high-quality products. In the past three years, our capital expenditures have totalled over $350 million, and we invested close to $100 million on strategic acquisitions.

The overall efficiency of our cement plants reached its highest level in many years during 2002, exceeding the strong performance recorded in 2001, thanks to focused investment in preventive maintenance, process innovations and the implementation of best practices. Production capacity utilization was high at all plants and the efficiency rate improved for the fifth consecutive year. Cement plant performance is one of the most important factors in our profitability.

We ramped up production during 2002 at our Camden GranCem® plant, tripling output to over 400,000 tonnes compared to 2001. Built at a cost of US$55 million, this greenfield facility is strategically located to serve northeastern U.S. markets and is expandable beyond its present annual capacity of 500,000 tonnes, which we expect to attain during 2003.

In June 2002, our Joliette cement plant, which is already equipped to burn used tires in its four kilns, started up an alternative granular fuel feeding system built at a cost of over $6 million. With this innovative system, the plant increased its thermal substitution rate to 35% in the fourth quarter compared to 24% in 2001. When the fully-automated system attains full capacity, the plant will save approximately $2 million annually in energy costs.

Our aggregates business has expanded through major capital expenditures and a significant acquisition. The state-of-the-art $12 million crushing facility at the Varennes quarry in Québec reached capacity operations in the second half of 2002, strengthening our leadership in high-quality aggregates for serving the Greater Montréal market. In Ontario, we fully integrated the operations of the Acton quarry, acquired in late 2001, adding strategic quality stone reserves for serving the Greater Toronto Area. We also reached key milestones in the permitting process for accessing limestone reserves on lands north of our Milton quarry.

GREENPORT PERMITTING ADVANCES

Permitting for our replacement cement plant in Greenport, New York, continues to move forward. We have completed our environmental impact assessment and the main State regulatory agency has narrowed the number of issues requiring further adjudication. Our investment has the overwhelming support of local residents who understand the benefits of replacing the nearby Catskill plant, which uses older technology, with a state-of-the-art plant featuring a more energy efficient and environmentally friendly production process while providing needed employment in the area.

OUR OBJECTIVE IS TO INVEST IN
the future

CONCRETE IS THE MATERIAL OF CHOICE FOR FUTURE GENERATIONS. BASED ON ITS PERFORMANCE, COST-EFFECTIVENESS AND ENVIRONMENTAL BENEFITS, IT IS GAINING BROADER ACCEPTANCE IN MANY NEW APPLICATIONS.

A SUPERIOR SOLUTION FOR ROADWORK ¬ Concrete has many advantages over asphalt for road and highway construction, including longer service life, more evenly spread loads, and no ruts. Other factors and methods also make concrete the preferred choice. LIFE-CYCLE COSTING ¬ By applying a model that takes into account the lower maintenance costs of concrete roads, St. Lawrence Cement has beat out asphalt contenders for contracts such as Highway 407 north of Toronto and Highway 417 between Ottawa and the Ontario-Québec border. ROLLER-COMPACTED CONCRETE ¬ This more affordable alternative to conventional concrete withstands extra-heavy loads, making it ideal for heavy equipment parking areas and roads subjected to heavy vehicle traffic, as well as loading docks. A HIGH-QUALITY BUILDING MATERIAL ¬ Because it offers exceptional fire-resistance, soundproofing and energy-saving properties, concrete is increasingly winning over the multifamily and single-family housing markets. INSULATED CONCRETE FORMS ¬ These stackable polystyrene forms are contributing to the growing popularity of concrete homes. Concrete is poured into the hollow core of the block to create walls. The formwork is left in place to provide continuous insulation on both sides of the wall, as well as backing for interior and exterior wall finishing.

AS A GOOD NEIGHBOUR AND RESPONSIBLE CORPORATE CITIZEN, ST. LAWRENCE CEMENT MAINTAINS A PROACTIVE APPROACH TO IMPROVING THE QUALITY OF LIFE BOTH IN COMMUNITIES WHERE IT IS ACTIVE AND IN SOCIETY AT LARGE.

ONGOING COMMUNITY INVOLVEMENT ¬ We take pride in our many initiatives to address and resolve issues as well as provide local support and donations in the areas of culture, youth, education and health services. **OUTREACH PROGRAMS** ¬ We set up effective programs to help communities help themselves. These include *For Camden Today*, a five-year grants plan to support local initiatives, and *For Camden Tomorrow*, an upcoming project to advance careers among youth in the disadvantaged community of Camden, New Jersey, site of our new GranCem® facility. **DIALOGUE WITH COMMUNITY MEMBERS** ¬ We engage in useful discussions with the public through Citizen's Committees, Open Houses and other events well-suited for listening to local concerns and providing people with a better understanding of our operations. **SOUND ENVIRONMENTAL PERFORMANCE** ¬ Since 1990, the base year for the Kyoto Protocol, the Company has posted a 19% decline in CO_2 emissions per ton of cementitious product manufactured. **ISO 14001** ¬ Our Mississauga plant obtained ISO 14001 certification in 2002 for successfully implementing an environmental management system, and three of our other major facilities should complete their certification process in 2003. **IMPROVED REPORTING** ¬ For the progress it made in 2002, the Company achieved "Champion" status with a Bronze-level score from Canada's Climate Change Voluntary Challenge and Registry program, which promotes greater accountability for greenhouse gas emissions.

...AND STRENGTHEN OUR TIES WITH

the community.

Advancing our business **processes**

Through continuous improvement and innovation in all facets of our business, we are achieving measurable efficiency gains while reducing and controlling our costs. In so doing, we are reinforcing our competitiveness and increasing profitability.

Major cost savings have been captured by combining the purchasing power of our three divisions – Ontario, Québec and Atlantic, and United States – in a number of activities. For additional leverage, we have combined specific activities with our American sister company Holcim (US), and in some cases we are benefiting through joint action with the global Holcim Group.

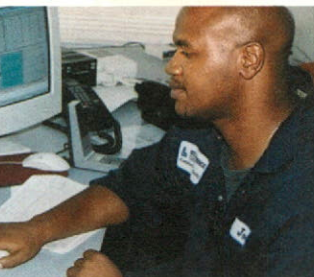
Savings of $2.8 million were recorded in logistics, a major cost item in our operations, through the re-engineering of processes and implementation of best practices identified from within the Holcim Group. Actions in 2002 include changes in cement terminal operations, eliminating bagging operations at one of our cement plants and agreements with new carriers.

We have reduced information technology (IT) costs by pooling our resources with those of Holcim (US) into a single North American team. In early 2003, we migrated to a new SAP platform already implemented at Holcim (US), resulting in greater operational flexibility and further long-term cost reductions in IT support, maintenance and development.

PROCUREMENT INITIATIVE ACHIEVES MEASURABLE SAVINGS

Implementation of a North American procurement organization with Holcim (US) is yielding significant annual cost savings and simplifying purchasing procedures at the plant level. Significant reductions have been achieved in purchases of raw materials, refractories, technical products, as well as a multitude of standard parts.

Using a professional approach and methodology, our in-house experts systematically analyze all requirements in collaboration with internal stakeholders. Supply sources are identified and evaluated from a North American or global perspective, depending on the nature of the commodity. Master procurement contracts are then negotiated combining our needs with those of Holcim (US). Savings of approximately $5.7 million were captured in 2002.



Protecting and supporting our **communities**

We are committed to being a good neighbour through sound environmental management and support for community initiatives.

We are proud our facilities not only meet but, in many cases, perform better than the requirements set out in government environmental regulations. Since 1990, the base year for the Kyoto Protocol, we have reduced net emissions of carbon dioxide per tonne of cementitious product by 19%. Particulate emissions from our plants are significantly below authorized limits and we are steadily reducing emissions of sulphur dioxide and nitrous oxides, contributing to better air quality.

Our Camden, Hagerstown and Joliette plants are well on the way towards obtaining ISO 14001 certification for their environmental management system (EMS), a distinction achieved by our Mississauga plant in 2002. In doing so, Mississauga became the first Canadian cement plant to obtain this certification. Most of our major facilities will also be using a common environmental monitoring and reporting standard. With a common EMS and tools across the Company, we are well positioned to support continuous performance improvement in this critical area.

We are part of a select group of organizations whose reporting of actions to reduce greenhouse gas emissions meets the high standards of Canada's Voluntary Challenge and Registry. In 2002, we achieved "Champion" status with a Bronze-level score. In addition, we were cited by Natural Resources Canada as an "Industrial Energy Innovator" for our success in improving energy efficiency through the beneficial use of alternative fuels and raw materials in our cement manufacturing operations.

In the U.S., we joined the Climate Leaders program, a voluntary industry-government partnership established by the Environmental Protection Agency (EPA) to encourage companies to develop long-term comprehensive climate change strategies. In becoming a part of this effort, we agreed to set an aggressive reduction goal for greenhouse gas emissions jointly with the EPA and report on our progress.

Many of our business units engage in constructive dialogue and community relations through initiatives such as permanent citizen committees, meetings with ratepayer associations and Open Houses. They provide financial and other support to many worthy endeavours and several have received awards for their community outreach programs. In 2002, our Ontario aggregates unit, which operates Canada's largest limestone quarry in Milton, was again cited for its outstanding efforts in community relations by the National Stone, Sand & Gravel Association.

BUILDING A BETTER CAMDEN COMMUNITY

We are helping build a better community in Camden, New Jersey. Not only is our Camden GranCem® facility a source of much needed jobs but we are also providing direct financial support to organizations and activities that have a positive impact on the community and its residents.

Our outreach is spearheaded through a structured program called *For Camden Today*, an initiative under which US$250,000 in grants will be distributed over a five-year period to organizations that focus on youth enrichment and health services for individuals and families. For 2002, grants totalling over US$35,000 were awarded to a dozen organizations.

MESSAGE TO SHAREHOLDERS

For St. Lawrence Cement Group, 2002 was one of our best years ever, highlighted by a very solid financial performance and the continued strengthening of our market position. We also made notable improvements in environmental performance, a source of great satisfaction and future competitive advantage for our company.

SOLID FINANCIAL PERFORMANCE

Net earnings rose 37% to $85.3 million, or $2.07 basic earnings per share, compared to $62.2 million, or $1.52 basic earnings per share, in 2001. The 2002 results include a pre-tax gain of $12.3 million from the sale of the Company's 49% participation in Euclid Admixture as well as its Ontario-based Boehmers' fuel oil distribution operations. They also include a $1.5 million pre-tax cost associated with the reorganization of our Ontario ready-mix operations.

Our sales increased by $2 million over the previous year to $1,189 million. In this context, the main difference in the strong 2002 performance compared to 2001 was our success in optimizing operations while containing and reducing costs. This was evident throughout our activities but especially in the marked increase in overall cement plant efficiency, one of our most important performance drivers.

PATRICK DOLBERG
PRESIDENT AND CHIEF EXECUTIVE OFFICER

CONTRIBUTION FROM ALL DIVISIONS

The Ontario Division continued to generate solid results in 2002 despite the winding down of work at Toronto International Airport and lower highway construction. Higher sales volumes of aggregates and operational synergies in this business unit, both resulting from the acquisition of the Acton quarry in late 2001, contributed to this performance.

The Québec and Atlantic Division benefited from increased activity in the residential and commercial sectors, as well as higher public infrastructure spending. By capturing its share of the robust growth in cement demand in Québec, which led the country in 2002, the division achieved record results.

The United States Division won major cement supply contracts for several large projects and efficiently managed its distribution activities. The division increased both sales and results over the previous year while further strengthening its market position.

MAJOR INITIATIVES

The GranCem® plant in Camden, New Jersey, and the crushing facility at the Varennes quarry in Québec resolved early technical difficulties and reached full capacity operations in the second half of 2002. Their products achieved high customer acceptance and both plants will increase their contribution to results in 2003.

Permitting for our replacement cement plant in Greenport, New York, continues to move forward. We have completed our environmental impact assessment and the main State regulatory agency has narrowed the number of issues requiring further adjudication. Our investment has the overwhelming support of local residents who understand the benefits of replacing the nearby Catskill plant, which uses older technology, with a state-of-the-art plant featuring a more energy efficient and environmentally friendly production process. We are fully committed to this project and we are confident it will meet the rigorous environmental standards of New York State and the expectations of the public, regulatory authorities and our customers.

ENVIRONMENTAL PERFORMANCE

We are building a sustainable business by reducing the environmental impact of our operations. Our performance is improving measurably, reflecting the cumulative benefits of significant investments in emission control technologies, process changes and the implementation of best operating practices over several years.

Continuous improvement in this area is part of our long-term strategy and annual business plans. It is supported by the implementation of a common environmental management system and tools across the Company, based on internationally recognized protocols and standards such as ISO 14001, which will be fully in place in our major operations in 2003. We are also leading the way in reducing greenhouse gas emissions and the consumption of non-renewable fossil fuels through the beneficial use of alternative fuels and raw materials in our cement manufacturing operations.

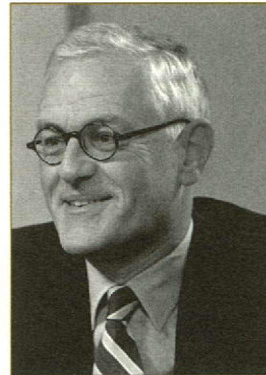
MARKET OUTLOOK

Major investments have been committed to road reconstruction in both Ontario and Québec for 2003, and we are well positioned to win our share of competitive bids. We are also cautiously optimistic that construction activity in other sectors will continue to drive increased demand for our products and services.

In our U.S. markets, cement demand declined in the second half of 2002 after a decade of continuous growth. While 2003 is expected to be another challenging year, our competitive position is strengthened by the Camden GranCem® plant and improved cement plant efficiencies.

ACKNOWLEDGEMENTS

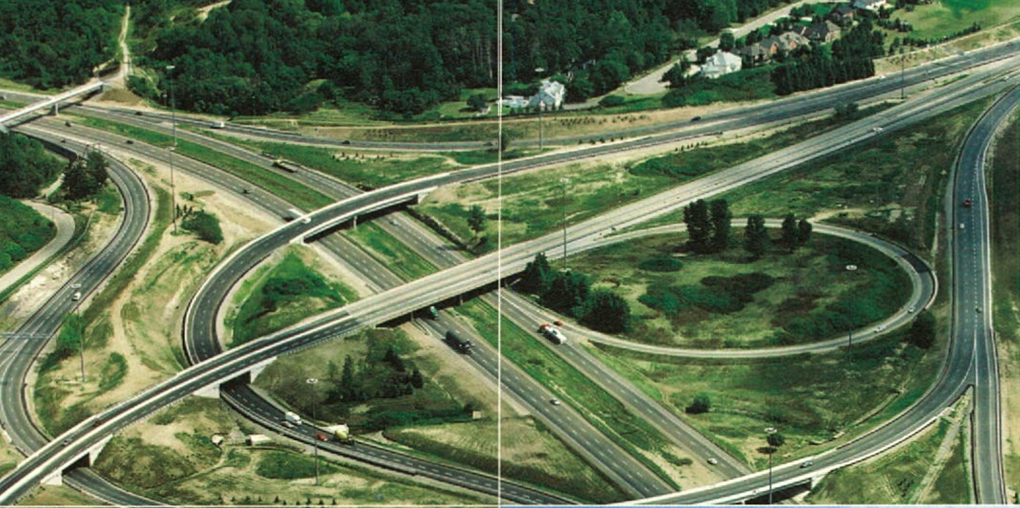
It is extremely gratifying to see tangible benefits from our business strategies and the efforts of our people. In this regard, our 2002 results confirm not only that we are doing the right things but also our good execution. For this we acknowledge the dedication, expertise and skills of our employees, and especially their capacity to adapt quickly to change and rise to new challenges. On behalf of the Board of Directors and senior management, we take this opportunity to thank employees for their contribution to the Company's progress in 2002 and their commitment to its long-term success.



BENOÎT H. KOCH
CHAIRMAN OF THE BOARD

Patrick Dolberg
President and Chief Executive Officer

Benoît H. Koch
Chairman of the Board



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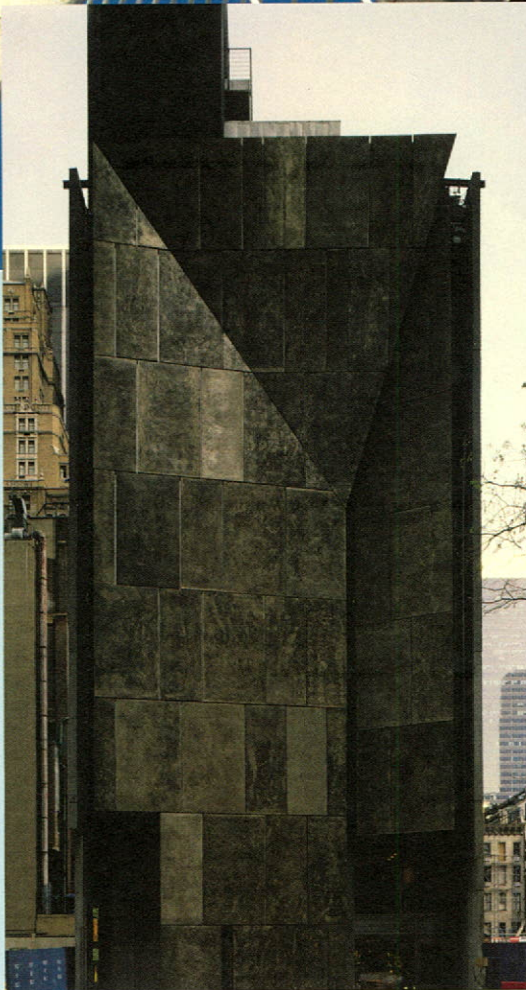

Courtesy of the *Architecture Week Magazine*

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1. **HIGHWAY 403/LINCOLN M. ALEXANDER PARKWAY,** HAMILTON, ONTARIO 2. **CGI BUILDING,** MONTRÉAL, QUÉBEC 3. **HIGHWAY 20,** LONGUEUIL, QUÉBEC 4. **LEONARD P. ZAKIM BUNKER HILL BRIDGE,** BOSTON, MASSACHUSETTS 5. **FOLK ART MUSEUM,** NEW YORK, NEW YORK 6. **MARITIME LIFE TOWER,** TORONTO, ONTARIO

CEMENT AND MINERAL COMPONENTS

St. Lawrence Cement's Mississauga, Ontario, and Joliette, Québec, cement plants serve their local markets, as well as the Atlantic provinces and U.S. markets. The Company also operates cement plants in Hagerstown, Maryland and Catskill, New York, and a GranCem® facility in Camden, New Jersey. These plants supply 13 states in the U.S. Northeast and mid-Atlantic regions.

CONSTRUCTION

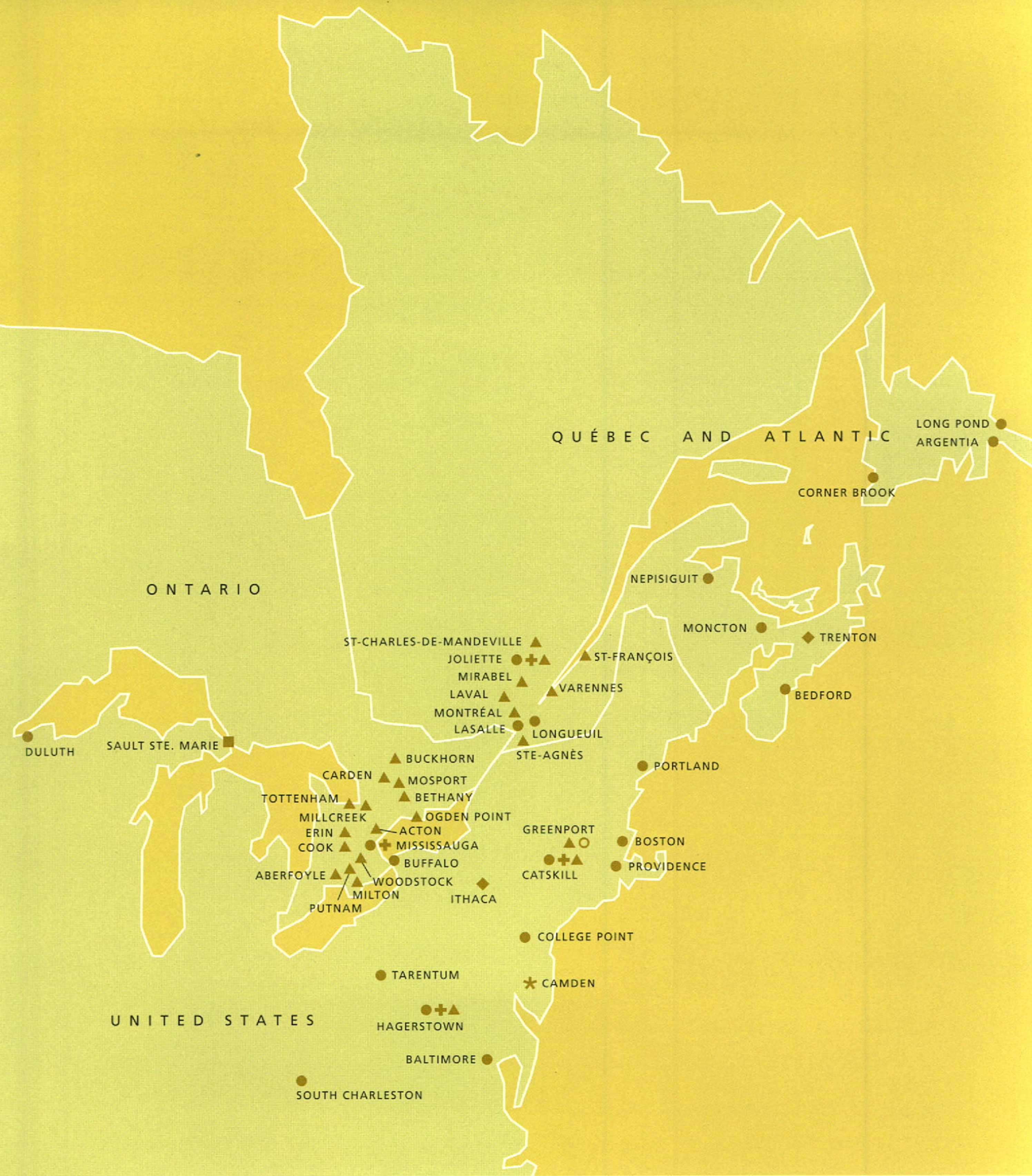
Construction business units in Ontario and Québec specialize in major infrastructure projects, including highway and road paving, bridges, airports and parking lots. The business units are called Dufferin Construction and TCG Asphalt and Construction in Ontario, and Demix Construction in Québec.

CONCRETE

The Company operates 43 ready-mix concrete plants in Ontario and Québec. Concrete blocks are produced in Ontario.
The concrete business units operate in Ontario under the names Dufferin-Custom Concrete Group and Boehmers, and in Québec as Demix Béton/Agrégats.

AGGREGATES

The Company supplies crushed stone, gravel and sand for infrastructure construction in Ontario and Québec, in addition to supplying its own ready-mix concrete plants. The business unit is called Dufferin Aggregates in Ontario and is known as Demix Béton/Agrégats in Québec.



FACILITIES

- ✚ CEMENT PLANT
- ▲ QUARRY
- ★ GRANCEM® FACILITY
- ■ SLAG GRANULATOR
- ● CEMENT DISTRIBUTION TERMINAL
- ◆ MINERAL COMPONENTS TERMINAL
- ○ FUTURE CEMENT PLANT

OVERVIEW

St. Lawrence Cement Group Inc. (the "Company") and its subsidiaries operate mainly in one industry segment, the manufacture and distribution of cement and related products for the construction industry. In its Canadian markets – Ontario, Québec and the Atlantic provinces – the Company is active in cement manufacturing, concrete distribution, aggregates production and distribution, as well as construction services. In the United States, the Company primarily manufactures and distributes cement and GranCem®.

Each geographic segment – Ontario, Québec and Atlantic, and United States – is managed separately and the Company evaluates the performance of each reportable segment based on operating profit and operating EBITDA (operating profit plus depreciation and amortization).

CHANGES IN ACCOUNTING POLICIES

Beginning January 1, 2002, the Company adopted the recommendations of the Canadian Institute of Chartered Accountants (CICA) relating to the amortization of goodwill investments, under which goodwill is tested annually for impairment and is not amortized. The impairment tests were performed during the year and goodwill was not considered to be impaired. The non-amortization of goodwill increased net earnings by approximately $5.8 million in 2002 compared to 2001 when goodwill was amortized. The Company does not foresee any future issues in meeting the requirements of the goodwill impairment test.

Also on January 1, 2002, the Company adopted the CICA recommendations with respect to the accounting for stock-based compensation and other stock-based payments. As such, the Company does not record compensation expense for its employee share purchase plan or its special share incentive plan. Consistent with the CICA recommendations and based upon fair values at the date of grant for awards under these plans, the impact of such compensation on net earnings and earnings per share for 2002 was not material. For a detailed comparison of 2002 and 2001 pro forma net earnings and earnings per share using the fair value method, please see note 10 b) to the financial statements.

CONSOLIDATED RESULTS OF OPERATIONS

YEAR ENDED DECEMBER 31, 2002 COMPARED TO YEAR ENDED DECEMBER 31, 2001

Consolidated sales totalled $1,189.2 million in 2002 compared to $1,187.2 million in 2001. The Company experienced growth in sales of cementitious products and aggregates, resulting from higher volumes and average prices for both products, including increased GranCem® volumes in the United States. Concrete sales were stable.

Sales growth in cementitious products and aggregates was partially offset by lower sales of construction services. This decline was anticipated due to the winding down of major construction services contracts for the first phase of redevelopment work at Toronto International Airport. The Ontario construction services unit was also affected by a civil servants strike in Ontario, which slowed the tendering process for roadwork contracts in 2002. In addition, 2001 consolidated sales included a full year of sales by the Boehmers fuel oil distribution business in Ontario, which was sold in the second quarter of 2002.

Cost of sales decreased in total dollars by $24.3 million in 2002 and to 74.7% of sales from 76.8% of sales in the previous year. This resulted from lower costs related to construction services, successful cost-reduction and containment efforts, primarily in cement plant inputs, as well as lower costs associated with the Boehmers fuel oil business.

Gross profit increased $26.3 million to $301.2 million, or 25.3% of sales, compared to $274.9 million, or 23.2% of sales, in 2001. The improvement reflects an increase in the efficiency of our cement plants, as well as lower sales of construction services, which typically generate a lower gross profit. Cementitious products accounted for $514.7 million of sales and $205.4 million of gross profit in 2002 compared to $478 million and $178.2 million, respectively, in the previous year.

Consolidated sales volumes and construction revenues

	2002	2001	2000	1999	1998
Cementitious products (millions of tonnes)	**5.1**	4.8	4.8	4.2	3.8
Aggregates (millions of tonnes)	**16.6**	15.7	14.6	12.9	12.6
Concrete (millions of cubic meters)	**2.5**	2.5	2.3	2.1	1.8
Construction (millions of dollars)	**312.3**	352.9	270.0	246.4	209.3

As a result, operating EBITDA rose to $201.8 million in 2002, a record level. This compares to operating EBITDA of $181.7 million in 2001, for a year-over-year increase of 11.1%.

Selling and administrative (S&A) expenses increased to $99.4 million compared to $93.2 million in 2001, as a result of several factors including higher pension plan expenses and consulting fees for business planning and cost-containment initiatives, as well as ongoing upgrades to management information systems. S&A expenses were 8.4% of sales in 2002 compared to 7.9% of sales in 2001.

Depreciation and amortization of capital assets and other long-term assets totalled $62.5 million in 2002 compared to $56.7 million for the previous year. This increase reflects 12 months of depreciation of the Acton quarry and other assets acquired in Ontario in November 2001, the GranCem® facility in Camden, New Jersey, and the crushing facility at the Varennes quarry in Québec. Depreciation of the two latter facilities began in the fourth quarter of 2001. The Company also continued the accelerated depreciation of information technology investments in advance of the January 1, 2003 roll-out of a common SAP platform with its sister company in the United States.

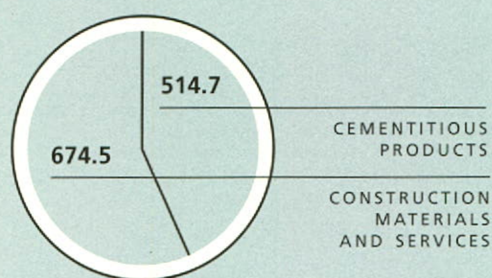
Operating profit rose 15.8% to $139.3 million compared to $120.2 million in 2001. This improvement reflects mainly a more favourable sales mix and higher efficiency rates at the Company's cement plants resulting from cost-containment and reduction initiatives as well as higher production rates.

Financial expenses declined to $13.9 million compared to $17.7 million in 2001 despite the Company's high capital expenditures in recent years. The reduction in financial expenses is due mainly to lower average interest rates.

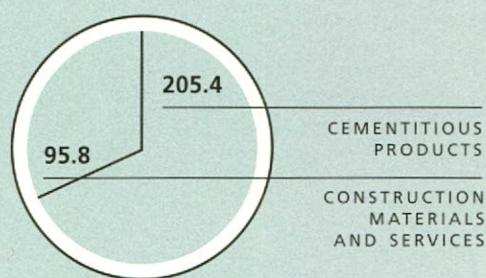
In 2002, the Company sold the fuel oil distribution operations of its Ontario-based Boehmers unit and its investment in Euclid Admixture for pre-tax gains of $7.8 million and $4.5 million, respectively. The sale of these non-core activities is consistent with the Company's strategy to redeploy capital to support the growth of its core operations.

Income taxes totalled $48.6 million compared to $37.3 million in 2001, reflecting higher pre-tax earnings. The effective tax rate for 2002 was 36.3% compared to 37.5% in the previous year. This decrease is primarily due to the lower tax rate on the gain from the sale of the non-core activities.

As a result, net earnings increased 37.1% to $85.3 million compared to $62.2 million in 2001. Basic earnings per share rose to $2.07 in 2002 compared to $1.52 in the previous year.



Sales – 2002
(millions of dollars)



Gross profit – 2002
(millions of dollars)

RESULTS BY GEOGRAPHIC SEGMENT

Ontario Division

For reasons cited earlier, Ontario Division sales to external customers declined in 2002 to $626.7 million compared to $673.3 million in 2001. Operating EBITDA improved to $123.7 million from $116.2 million in 2001 and operating profit rose to $103.1 million compared to $96.7 million.

Cement demand and prices increased during 2002, and the division sold higher volumes of aggregates than in 2001 as a result of additional capacity resulting from the acquisition of the Acton quarry. Concrete volumes were stable when compared to 2001.

Québec and Atlantic Division

Sales to external customers increased to $254.2 million compared to $232.3 million in 2001. Operating EBITDA rose to $60 million compared to $48.4 million in 2001 and operating profit was $49.7 million compared to $37.2 million, an increase of 33.5%.

The division's performance in 2002 was one of its best ever, paced mainly by strong demand for cement and higher sales of construction services.

United States Division

Sales to external customers increased to $308.3 million compared to $281.6 million in 2001, partly due to higher GranCem® sales made possible by increased production at the Camden, New Jersey plant. Operating EBITDA rose to $58.9 million compared to $50 million in 2001 and operating income improved to $42.3 million compared to $36.5 million. The division's operating EBITDA and operating profit both attained record levels in 2002.

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2002 COMPARED TO DECEMBER 31, 2001

Consolidated assets rose to $1,170.5 million in 2002 compared to $1,121 million at the end of 2001, mainly as a result of higher cash and cash equivalents. In 2002, the Company capitalized $20 million (US$12.7 million) of costs related to the development of the replacement cement plant in Greenport, New York, bringing the total amount capitalized to date to $73.5 million (US$46.6 million).

Current assets increased to $304.2 million compared to $268.5 million in 2001. This is due mainly to cash and cash equivalents of $43.5 million at the end of 2002 compared to nil at the end of the previous year, partly offset by a decrease in inventories of raw materials and supplies. The Company has a three-year agreement, expiring in 2004, to sell certain trade receivables up to a maximum of $100 million. As of December 31, 2002, $100 million of receivables had been sold, the same as at the end of 2001.

Current liabilities declined to $162.8 million at the end of 2002 compared to $199 million in 2001. This is mainly due to lower accounts payable and accrued liabilities, lower construction advances and the income taxes moving from a net payable to a net recoverable position.

Following several years of increases due to its growth initiatives, the Company's long-term debt stabilized in 2002 at $265.2 million compared to $263.8 million at the end of 2001. This reflects a reduction in cash used for investments in 2002, reflecting lower additions to capital assets, no major business acquisitions, as well as proceeds from the disposal of non-core operations.

In 2002, the Company modified its financial structure by borrowing $115 million through two long-term loan agreements at fixed rates with a related company and applying the proceeds to repay a $70 million bridge financing facility used for a significant acquisition completed in November 2001. The first loan, for $105 million, is repayable at maturity in 2007 and bears a fixed interest rate of 6.31%. The second is for $10 million and is repayable at maturity in 2017. It bears a fixed rate of 7.36%. The balance of the Company's debt bears floating rates of interest.

At the end of 2002, the Company's total long-term debt to total capitalization was 27:73 compared to 29:71 at the end of the previous year. In addition, the Company held cash and cash equivalents of $43.5 million at the end of 2002 and intends to use this liquidity to reduce indebtedness.

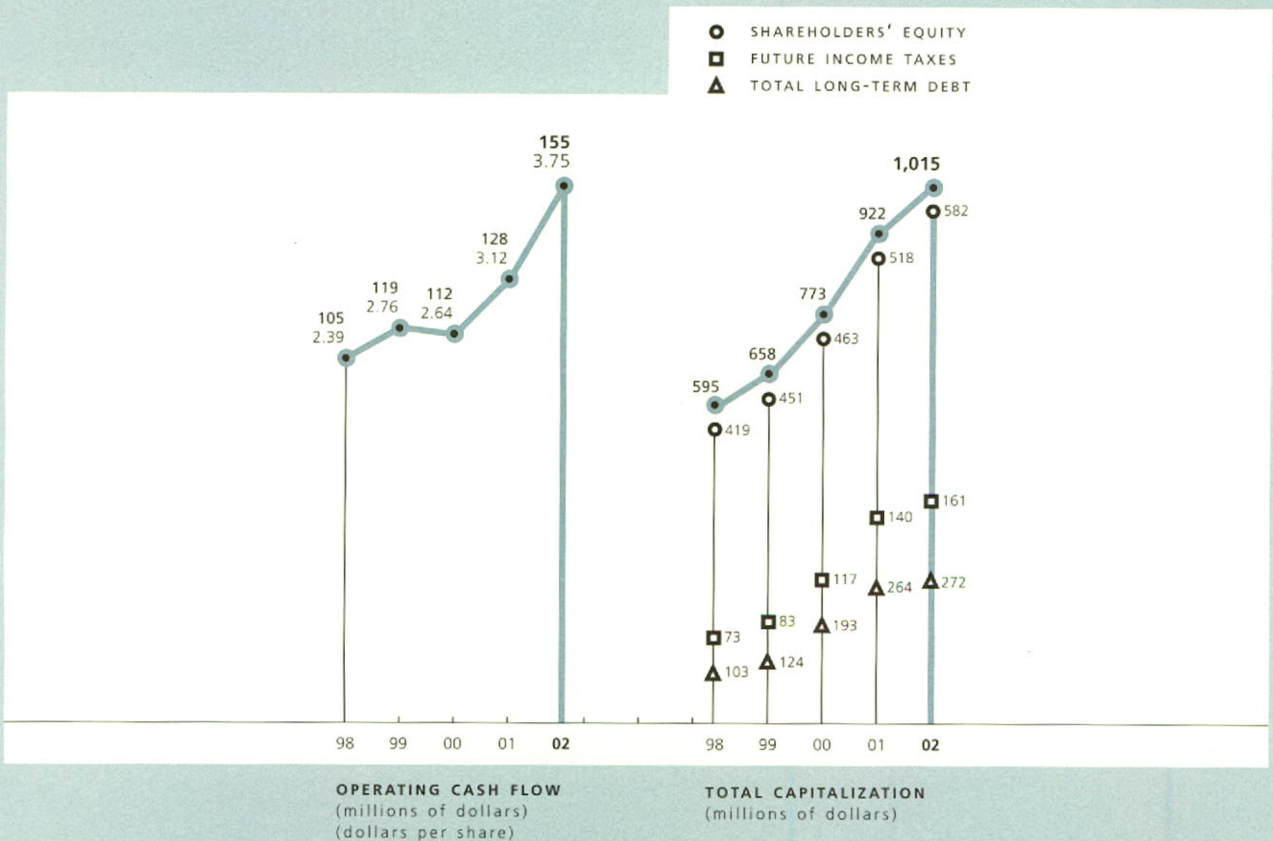
LIQUIDITY AND FINANCIAL RESOURCES

The Company maintained its strong positive cash flow in 2002. Operating cash flow increased to $155 million in 2002 compared to $128 million in 2001, reflecting mainly higher net earnings. Net cash provided by operations was $127.7 million compared to $140.9 million in 2001 due to an increase in operating working capital in 2002 resulting from income taxes recoverable and lower construction advances.

Net cash used for investments declined to $73.1 million in 2002 compared to $192.9 million in 2001. This decrease is due to lower additions to capital assets and the proceeds of $20.9 million from the sale of assets. In addition, the Company used cash of $79.4 million for business acquisitions in 2001. There were no acquisitions in 2002, although the Company received a final cash settlement of $2.5 million from the vendor of two Ontario companies acquired in November 2001.

Capital expenditures decreased to $97.4 million in 2002 from $105.2 million in 2001, reflecting the completion of major projects in 2001. As such, a large portion of net additions to capital assets in 2002 was focused on improvements in cement plant efficiency and environmental performance.

Additions to capital assets are expected to be slightly lower in 2003 and the Company plans to fund these capital expenditures through cash flow and borrowings. Two unsecured revolving credit facilities are available to the Company in the form of an $80 million facility with Canadian banks and a $141.9 million (US$90 million) facility with U.S. banks. These three-year facilities can be renewed annually at each anniversary date.



OPERATING CASH FLOW
(millions of dollars)
(dollars per share)

TOTAL CAPITALIZATION
(millions of dollars)

Financing activities used net cash of $11.2 million in 2002 compared to providing cash of $51.9 million in 2001. The total long-term debt increased by $8.2 million in 2002 compared to a net increase of $70.7 million in 2001. The Company did not use cash to acquire capital stock for cancellation in 2002 compared to $1 million used for this purpose in 2001. The Company believes the redemption of its shares to be an appropriate use of corporate funds below certain price levels and continues to maintain its normal course issuer bid program.

The Company paid dividends of $21.1 million in 2002 compared to $21 million in 2001. The dividend rate was stable at $0.50 per share for a third consecutive year. The Board of Directors reviews the dividend rate on a regular basis.

FACTORS AFFECTING THE BUSINESS

The Company's financial performance is influenced by general economic trends and business conditions in the construction industry. Demand for its products and services is driven by such factors as fluctuations in the value of residential and non-residential construction permits, as well as infrastructure investment by the various levels of government. In the past several years, construction activity in the private sector has been stimulated by low interest rates in a low inflation environment, and government spending has been on a rising trend as budget deficits were reduced or eliminated. Demand for the Company's products and services could be affected in 2003 in the event of prolonged sluggishness in its U.S. markets and a slowdown in the Canadian economy. The Company does not expect inflation to be an important factor in its business in 2003.

The construction industry in the Company's geographic markets is seasonal due to weather conditions. As a result, the January-March quarter typically results in low sales and net losses. Therefore, earnings of any one interim period should not be considered as indicative of results for a full year.

The Company strives to maintain positive relations with its employees. Following the conclusion of an industry-wide agreement in Ontario in 2002, the Company and its ready-mix concrete truck drivers in Ontario negotiated a new collective agreement until 2008. Labour contracts at six facilities expired during the year and eight agreements are due for renewal in 2003.

In support of the Company's commitment to sustainable development and positive community relations, its business units have fully integrated environmental objectives into their annual and long-term business plans. In addition, the Company invests continuously in the implementation of internationally-recognized management standards and protocols, process improvements, new technology and monitoring equipment to improve its environmental performance. In 2002, environment-related investments totalled $9.3 million compared to $5.1 million in 2001.

OUTLOOK

The Company entered 2003 with a strong competitive position in all its markets, a dedicated and well-trained workforce, and a sound balance sheet. Following a strategic review completed in 2002, the Company reconfirmed its core activities and identified specific actions in response to changing markets. The Company will also broaden its horizons through greater marketing cooperation on a North American basis with its sister company Holcim (US). Such cooperation has been enhanced since the Company completed its migration to a common SAP platform in early 2003.

In Canada, cement shipments are forecast to increase over the healthy 2002 levels. Low interest rates and strong job creation are helping to maintain high levels of housing starts and other construction activity, while highway reconstruction and other infrastructure work is expected to remain strong in Québec and increase in Ontario. In the U.S., industry forecasts are calling for a further decline in cement shipments of 1.2% in 2003 following a projected decline of 3.4% in 2002. Despite the fact that the Company will benefit from its long-standing customer relationships, higher GranCem® production and flexibility in sourcing imported cement, it expects to face a more challenging environment in its U.S. markets in 2003.

ST. LAWRENCE CEMENT GROUP INC.
2002 CONSOLIDATED FINANCIAL STATEMENTS

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 a majority 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.

Patrick Dolberg
President and Chief Executive Officer

Dean Bergmame
Vice-president and Chief Financial Officer

February 3, 2003

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, 2002 and 2001 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 audit 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, 2002 and 2001, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

KPMG LLP
Chartered Accountants

Montréal, Canada
February 3, 2003

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

YEAR ENDED DECEMBER 31 (thousands of dollars except per share data)

	2002	2001
Sales	$ 1,189,217	$ 1,187,232
Cost of sales	888,032	912,317
Gross profit	301,185	274,915
Expenses		
Selling and administrative	99,408	93,228
Depreciation and amortization of capital assets and other long-term assets	62,498	56,737
Amortization of goodwill	–	4,717
	161,906	154,682
Operating profit	139,279	120,233
Other expenses	3,995	3,158
Earnings before interest and taxes	135,284	117,075
Financial expenses (Note 11)	13,915	17,683
Gain on sale of assets (Note 4)	(12,581)	(162)
Earnings before income taxes	133,950	99,554
Income taxes (Note 12)		
Current	28,983	34,878
Future	19,641	2,460
	48,624	37,338
Net earnings	85,326	62,216
Retained earnings at beginning of year	365,593	325,146
Dividends	(21,030)	(20,998)
Premium on redeemed Class "A" shares	–	(771)
Retained earnings at end of year	$ 429,889	$ 365,593
Basic earnings per share	$ 2.07	$ 1.52
Diluted earnings per share	$ 2.06	$ 1.51

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEETS

AS AT DECEMBER 31 (thousands of dollars)

	2002	2001
ASSETS		
Current assets		
Cash and cash equivalents	$ 43,471	$ –
Accounts receivable (Note 5)	136,498	141,279
Inventories (Note 6)	107,678	120,590
Prepaid expenses and other	7,851	4,685
Income taxes recoverable	5,898	–
Future income taxes (Note 12)	2,846	1,952
	304,242	268,506
Capital assets (Note 7)	778,961	756,991
Goodwill (Note 1 a))	32,341	37,124
Investments and other assets (Note 8)	55,000	58,409
	$ 1,170,544	$ 1,121,030
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	$ 149,503	$ 171,205
Construction advances, net	6,317	13,961
Income taxes payable	–	13,527
Current portion of long-term debt (Note 9)	7,002	280
	162,822	198,973
Long-term debt (Note 9)	265,235	263,757
Future income taxes (Note 12)	160,779	140,244
	$ 588,836	$ 602,974
SHAREHOLDERS' EQUITY		
Share capital (Note 10)	$ 126,873	$ 125,216
Cumulative translation adjustments	24,946	27,247
Retained earnings	429,889	365,593
	581,708	518,056
	$ 1,170,544	$ 1,121,030
Commitments and contingent liabilities (Note 15)		

The accompanying notes are an integral part of these financial statements.

Approved by the Board of Directors,

Benoît H. Koch
Director

Patrick Dolberg
Director

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEAR ENDED DECEMBER 31 (thousands of dollars)

	2002	2001
Operations		
Net earnings	**$ 85,326**	$ 62,216
Depreciation and amortization	**62,498**	61,454
Future income taxes	**19,641**	2,460
Gain on sale of assets (Note 4)	**(12,581)**	(162)
Other	**83**	2,021
Operating cash flow	**154,967**	127,989
(Increase) decrease in operating working capital	**(27,220)**	12,958
Net cash provided by operations	**127,747**	140,947
Investments		
Additions to capital assets	**(97,424)**	(105,152)
Proceeds from sale of assets	**20,891**	1,995
(Decrease) increase in long-term receivables	**(390)**	1,138
Investment in associated businesses	**(851)**	(3,436)
Business acquisitions – net of cash (Note 3)	**2,450**	(79,381)
Other	**2,247**	(8,026)
Net cash used for investments	**(73,077)**	(192,862)
Financing		
Share capital issued	**1,657**	3,328
Redemption of share capital	**–**	(1,114)
Net increase in total long-term debt	**8,200**	70,711
Dividends paid	**(21,056)**	(21,010)
Net cash (used) provided by financing	**(11,199)**	51,915
Net increase in cash and cash equivalents	**43,471**	–
Cash and cash equivalents, beginning of year	**–**	–
Cash and cash equivalents, end of year	**$ 43,471**	$ –
Supplementary cash flow information		
Interest paid	**$ 12,851**	$ 18,029
Income taxes paid	**47,359**	22,019
Additions to capital assets included in accounts payable and accrued liabilities	**8,088**	12,782
Cash and cash equivalents consist of:		
Cash balances	**$ 7,471**	$ –
Short-term investments	**36,000**	–
Total cash and cash equivalents	**$ 43,471**	$ –

The accompanying notes are an integral part of these financial statements.

1. CHANGES IN ACCOUNTING POLICIES

a) GOODWILL AND INTANGIBLE ASSETS

Effective January 1, 2002, the Company adopted the new Canadian Institute of Chartered Accountants (CICA) standard relating to the accounting for goodwill and intangible assets. The guidance found in Section 3062 states that goodwill is not amortized and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test for opening goodwill was performed in the second quarter and goodwill was not considered to be impaired. The Company selected September 30 as the measurement date for the current year impairment test, which was performed and the goodwill amount was not considered impaired. This test will be performed annually at this date.

Goodwill inherent in equity investments is also not amortized. However, the impairment test for equity investments requires that a decline in value, unless temporary, be recognized. Therefore, the equity method goodwill impairment test is subsumed within the equity investment impairment calculation. The Company considers that there is no permanent impairment in its equity investments.

The following summarizes the effect of the accounting change if it were applied retroactively.

	2002	2001
Reported net earnings	**$ 85,326**	$ 62,216
Goodwill amortization	–	4,717
Goodwill amortization included in other expenses	–	1,107
Adjusted net earnings	**$ 85,326**	$ 68,040
Basic earnings per share	**$ 2.07**	$ 1.52
Goodwill amortization	–	0.14
Adjusted basic earnings per share	**$ 2.07**	$ 1.66
Adjusted diluted earnings per share	**$ 2.06**	$ 1.65

b) STOCK-BASED COMPENSATION AND OTHER STOCK-BASED PAYMENTS

Effective January 1, 2002, the Company adopted the recommendations of the Canadian Institute of Chartered Accountants (CICA) with respect to the accounting for stock-based compensation and other stock-based payments. The guidance states that all stock-based awards granted to employees that are not a direct award of stock or do not call for settlement in cash or other assets, or are not stock appreciation rights that call for settlement by the issuance of equity instruments could be accounted for using the intrinsic method or other common practice. As such, the Company has continued the use of the settlement method. No compensation expense is recognized for these plans when shares are issued to employees. Any consideration paid by employees on purchase of shares is credited to share capital. Loans to officers for the purchase of special shares are presented as a reduction in the share capital related thereto.

c) LONG-TERM DEBT

Effective January 1, 2002, the Company adopted the new recommendations of the Emerging Issues Committee EIC-122 with regards to the balance sheet classification of callable debt obligations and debt obligations expected to be refinanced.

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 share of the assets, liabilities, revenues and expenses is aggregated with those of St. Lawrence Cement Group Inc. and its subsidiaries.

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 and 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 adjustment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

c) 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.

d) 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.

e) CAPITAL ASSETS

Capital assets 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.

The Company has estimated the salvage value of the capital assets to be in excess of the total liability related to future removal and site restoration costs and, accordingly, no related provision has been recorded in the accounts for prior years' obligation related to site restoration costs. However, where the Company is legally or contractually required to restore a quarry site, a provision is recorded, on a going forward basis, over the operating life of the quarry to cover such costs. The provision is recorded on a site by site basis estimated on the basis of current known cost and the expected life of each site.

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.

f) REVENUE RECOGNITION

Revenues from the sale of cement and other construction materials are recognized at the time the product is shipped. 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.

g) 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 taxes assets are evaluated and if realization is not considered to be more likely than not, a valuation allowance is provided.

h) EMPLOYEE FUTURE BENEFITS

The Company has defined benefit pension plans 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 cost of these programs is being funded currently.

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.

The Company has adopted the following policies:

- 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.
- For the purpose of calculating expected return on plan assets, those assets are valued at fair value.
- 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 (in the United States) and over the average period until the benefits become vested (in Canada). For post-retirement benefits, the cost is amortized over the average period until the benefits become vested for all plans.
- 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

i) DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are used by the Company in the management of its interest rate and foreign currency exposures. Because 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. Unrealized gains and losses are not recognized until the maturity of the underlying instrument.

j) EARNINGS PER SHARE

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

k) SHARE PURCHASE PLANS

The Company has two share purchase plans, which are described in note 10 b). No compensation expense is recognized for these plans when shares are issued to employees. 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.

l) USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles 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

On November 12, 2001, the Company acquired 100% of the shares of two Ontario companies, namely TCG Inc. and TCG Asphalt and Construction Inc. The results of both operations have been included in the consolidated financial statements since that date. The purchase price was initially determined to be $83.6 million, which included an amount for cash and working capital. The assets acquired consist of a limestone quarry, sand and gravel reserves, asphalt plants and a related construction business.

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

Current assets	$ 26,328
Capital assets	73,307
Intangible asset	1,580
Goodwill	17,566
Total assets acquired	**$ 118,781**
Current liabilities	$ 14,183
Future income taxes	20,972
Total liabilities assumed	**$ 35,155**
Net assets acquired	**$ 83,626**

During the year, the Company finalized its purchase price allocation, which resulted from the cash settlement of $2.5 million received from the seller as well as a reduction of working capital of $2.4 million. Both items have been applied against the goodwill amount.

The intangible asset relates to a license and will be amortized over its remaining useful life of 10 years. The goodwill was allocated to the Ontario segment. The total amount is not deductible for tax purposes.

4. SALE OF ASSETS

	2002	2001
Gain on disposal of capital assets	$ 245	$ 162
Gain on disposal of assets and investments	12,336	–
	$ 12,581	$ 162

During the year, the Company sold its fuel oil distribution operations and its investment in Euclid Admixture for a pre-tax gain of $7.8 million and $4.5 million respectively. The gain is shown as a gain on sale of assets on the consolidated statement of income and retained earnings.

5. SALE OF ACCOUNTS RECEIVABLE

The Company has a three-year revolving agreement, expiring in 2004, to sell eligible trade receivables up to a maximum of $100 million of receivables outstanding at any point in time. At December 31, 2002, pursuant to the agreement, $100 million ($100 million in 2001) had been sold on a limited recourse basis. The Company has retained the responsibility for servicing, administering and collecting receivables sold. No servicing asset or liability has been recorded because the costs of servicing are compensated by the benefits of the agreement.

6. INVENTORIES

	2002	2001
Finished goods and work in process	$ 65,599	$ 68,425
Raw materials and supplies	42,079	52,165
	$ 107,678	$ 120,590

7. CAPITAL ASSETS

	2002		2001	
	Cost	Net Book Value	Cost	Net Book Value
Land and quarries	$ 141,189	$ 119,846	$ 141,136	$ 122,818
Buildings and structures	286,132	119,090	272,135	114,367
Machinery and equipment	709,516	339,373	709,487	356,098
Furniture, vehicles and tools	232,245	57,631	231,416	76,560
Construction in progress	143,021	143,021	87,148	87,148
	$1,512,103	$ 778,961	$1,441,322	$ 756,991

8. INVESTMENTS AND OTHER ASSETS

	2002	2001
Investments in associated businesses	$ 24,425	$ 26,234
Long-term receivables, net	17,400	17,931
Loans to officers and employees	34	78
Deferred charges	338	512
Other	12,803	13,654
	$ 55,000	$ 58,409

Long-term receivables and loans to officers and employees bear interest from 0% to 10%. Reimbursement of these receivables and loans is expected as follows:

2004	2005	2006	2007	Thereafter
$ 5,135	$ 3,612	$ 6,066	$ 1,829	$ 792

9. LONG-TERM DEBT

	Year of Maturity	**2002**	2001
Bank revolving credits a)	2005	**$ 121,053**	$ 157,002
Long-term debt:			
Industrial revenue bonds (US $18,000,000) b)	2020	**28,372**	28,733
280,070 First ranking preferred shares e)		**7,002**	7,002
Other		**810**	1,300
Bridge financing d)		**–**	70,000
		157,237	107,037
Debt from a related party c)		**115,000**	–
Total long-term debt		**272,237**	264,037
Less current portion		**7,002**	280
		$ 265,235	$ 263,757

a) The Company has available two unsecured revolving credit facilities in the form of an $80 million facility with Canadian banks and a $141.9 million (US $90 million) facility with U.S. banks.

These 3-year facilities can be renewed annually on mutual consent at each anniversary date.

Various interest options are available to the Company for these revolving credits. During the year, the average effective interest rate was 2.8% (4.7% in 2001).

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 17), 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) During the year, the Company borrowed $115 million from a related company through two loan agreements. The first loan, amounting to $105 million, is repayable at maturity in October 2007 and bears a fixed interest rate of 6.31%. The second loan, amounting to $10 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 market rates. As at December 31, 2002, the Company had interest payable of $2.1 million on these two loans, which is included in accounts payable and accrued liabilities. Proceeds from these debts were used to reimburse a bridge financing facility obtained in 2001 as described in d).

d) In 2001, the Company borrowed $70 million in connection with the acquisition described in note 3. The debt was reimbursed with the two loans obtained from a related company as described in c). The average effective rate during the year 2001 was 2.75%.

e) The Company is authorized to issue an unlimited number of first voting and second ranking preferred shares, all without par value. The Company has issued and outstanding 280,070 first ranking preferred shares. The shares carry a cumulative dividend of 3% (5.26% in 2001). Shares are redeemable by the Company at stated value under certain terms and conditions, callable by the shareholders at any time.

f) Payment on bank revolving credits and long-term debt are as follows for the next five years:

2003	2004	2005	2006	2007
$ 7,002	$ –	$ 121,053	$ –	$ 105,000

10. SHARE CAPITAL

		2002		2001
	Number of Shares	**Stated Value**	Number of Shares	Stated Value
Share capital issued				
Class "A" subordinate voting shares (1 vote)				
Balance at beginning of year	**25,936,192**	**$ 86,024**	25,729,050	$ 83,000
Conversion of special shares	**63,775**	**773**	218,150	2,470
Issued under the employee share purchase plan	**45,673**	**899**	49,928	751
Acquired shares	**–**	**–**	(60,936)	(197)
Balance at end of year	**26,045,640**	**87,696**	25,936,192	86,024
Class "B" shares (3 votes)				
Balance at beginning and end of year	**15,252,848**	**38,525**	15,252,848	38,525
Class 1 special voting shares				
Balance at beginning of year	**739,350**	**11,205**	846,725	11,305
Conversion to Class "A"	**(63,775)**	**(773)**	(218,150)	(2,470)
Issued under the special share incentive plan	**136,200**	**2,659**	119,800	2,516
Redemption of shares	**(6,650)**	**(114)**	(9,025)	(146)
	805,125	**12,977**	739,350	11,205
Less: loans to officers for special voting shares	**–**	**(12,325)**	–	(10,538)
Balance at end of year	**805,125**	**652**	739,350	667
Total share capital	**42,103,613**	**$ 126,873**	41,928,390	$ 125,216

The weighted average number of Class "A" shares outstanding for the year is 41,283,620 (41,035,249 in 2001) for the purposes of earnings per share calculations.

a) AUTHORIZED SHARE CAPITAL

The authorized share capital of the Company presently consists of Class "A" subordinate voting shares, Class "B" multiple voting shares and special voting 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.

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" subordinate voting 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, 2002, 1,310,560 (1,264,887 in 2001) Class "A" shares had been issued under this plan. During the year, a total of 45,673 shares have been issued under this share purchase plan.

ii) SPECIAL VOTING SHARES

As of December 31, 2002, under a special share incentive plan, the Company has reserved 128,700 (264,900 in 2001) special 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 special shares are redeemable within certain time limits and bear conversion privileges to Class "A" subordinate voting shares. During the year, a total of 136,200 shares have been issued under this special share incentive plan.

10. SHARE CAPITAL (CONT'D)

b) STOCK-BASED COMPENSATION AND OTHER STOCK-BASED PAYMENTS (CONT'D)

Had compensation expense been determined based upon fair values at the date of grant for awards under all plans, consistent with the methods of Handbook Section 3870, the Company's pro forma net income and earnings per share would have been as follows:

	For the year ended December 31, 2002
Reported net earnings	**$ 85,326**
Adjustment to reflect change in accounting policy for stock-based compensation plan using the fair market value method:	
Employee share purchase plan	**19**
Special share incentive plan	**64**
Adjusted pro forma net earnings	**$ 85,243**
Basic earnings per share	**$ 2.07**
Adjustment to reflect change in accounting policy for stock-based compensation plan using the fair market value method	**–**
Adjusted pro forma basic earnings per share	**$ 2.07**
Adjusted pro forma diluted earnings per share	**$ 2.06**

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:

Risk-free interest rate	3.57% to 4.98%
Expected life	3 to 10 years
Expected volatility	28.64%

The following table summarizes information about special voting shares outstanding and exercisable at December 31, 2002:

	SPECIAL SHARES OUTSTANDING			SPECIAL SHARES EXERCISABLE	
Range of exercise prices	Number	Weighted average exercise price	Weighted average remaining contractual life (years)	Number	Weighted average exercise price
$7.86 - $8.90	86,750	$ 8.63	3.32	86,750	$ 8.63
$12.05 - $16.47	367,300	14.78	5.92	238,300	14.03
$17.26 - $21.00	351,075	19.37	8.84	48,338	17.26
	805,125	$ 16.12	6.91	373,388	$ 13.19

c) NORMAL COURSE ISSUER BID

In 2001, the Company acquired 60,936 Class "A" subordinate voting shares as approved by the Stock Exchange authorities under a "Normal Course Issuer Bid" for a total consideration of $1 million. No shares were acquired by the Company for the current year.

11. FINANCIAL EXPENSES

	2002	2001
Interest – net of interest revenue of $0.6 million ($0.8 million in 2001)	**$ 10,671**	$ 17,486
Interest on long-term debt from a related party	**3,017**	–
Dividends on first ranking preferred shares	**226**	368
Other	**1**	(171)
	$ 13,915	$ 17,683

12. INCOME TAXES

		2002		2001
Income taxes on earnings at combined basic tax rates	**$ 50,419**	**37.6%**	$ 37,213	37.4%
Add (deduct) tax effect of following:				
Federal large corporations tax	**1,205**		898	
Losses applied to reduce current taxes	**(5,610)**		(3,483)	
Permanent differences	**1,197**		2,473	
Sale of assets (note 4)	**(1,757)**		–	
Other	**3,170**		237	
	(1,795)	**(1.3)**	125	0.1
	$ 48,624	**36.3%**	$ 37,338	37.5%

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:

	2002	2001
Current liability (asset):		
Construction contract accounting methods	**$ 2,796**	$ 1,742
Provisions – deductible for tax purposes in the future	**(5,642)**	(3,694)
	(2,846)	(1,952)
Long-term liability (asset):		
Capital assets – differences in net book value and undepreciated capital cost	**158,249**	141,277
Other	**2,530**	(1,033)
	160,779	140,244
Net future tax liability	**$ 157,933**	$ 138,292

13. EMPLOYEE FUTURE BENEFITS

The Company has seven Canadian defined benefit pension plans and one U.S. defined benefit pension plan and 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 significant actuarial assumptions used in measuring the Company's accrued benefit obligations are as follows:

	PENSION BENEFIT PLANS				OTHER BENEFIT PLANS			
		2002		2001		**2002**		2001
	CDN	**US**	CDN	US	**CDN**	**US**	CDN	US
Discount rate	**6.5%**	**6.5%**	6.5%	6.75%	**6.5%**	**6.5%**	6.5%	6.5%
Expected long-term rate of return on plan assets	**7.75%**	**7.75%**	8%	7.75%	**n/a**	**n/a**	n/a	n/a
Rate of compensation increase	**3.5%**	**4.5%**	3%	4.5%	**n/a**	**n/a**	n/a	n/a

The assumed Canadian health care cost trend rate at December 31, 2002 was 10%, decreasing by 0.5% starting in 2004 to attain 5% in 2013 and thereafter. The assumed United States health care cost trend rate at December 31, 2002 was 11%, decreasing by 1% starting in 2004, to attain 5% in 2009 and thereafter.

13. EMPLOYEE FUTURE BENEFITS (CONT'D)

The Company's net benefit plan expense (income) is as follows:

	PENSION BENEFIT PLANS		OTHER BENEFIT PLANS	
	2002	2001	**2002**	2001
Current service cost, net of employee contributions	**$ 4,585**	$ 4,159	**$ 148**	$ 80
Interest cost	**9,512**	9,144	**234**	163
Amortization of past service cost	**716**	536	**76**	–
Amortization of net actuarial gains	**(3)**	(323)	**–**	–
Expected return on plan assets	**(12,881)**	(13,677)	**–**	–
Curtailment loss	**286**	–	**–**	–
Net benefit plan expense (income)	**$ 2,215**	$ (161)	**$ 458**	$ 243

The net benefit plan expense (income) is included in selling and administrative expenses in the consolidated statements of income.

Information about the Company's defined benefit plans is as follows:

	PENSION BENEFIT PLANS		OTHER BENEFIT PLANS	
	2002	2001	**2002**	2001
Accrued benefit obligation				
Balance at beginning of year	**$ 149,091**	$ 135,381	**$ 3,534**	$ 2,409
Current service cost	**6,192**	5,739	**148**	80
Interest cost	**9,512**	9,144	**234**	163
Benefits paid	**(8,660)**	(9,585)	**(163)**	(146)
Foreign exchange and other items	**(168)**	497	**–**	–
Plan amendments	**1,913**	536	**–**	–
Transfer related to acquisition	**–**	2,293	**–**	–
Actuarial losses	**1,526**	5,086	**1,481**	1,028
Balance at end of year	**$ 159,406**	$ 149,091	**$ 5,234**	$ 3,534
Plan assets				
Fair value at beginning of year	**$ 152,841**	$ 163,106	**$ –**	$ –
Return on plan assets	**(8,372)**	(6,428)	**–**	–
Employer contributions	**2,557**	1,567	**–**	–
Employee contributions	**1,607**	1,580	**–**	–
Benefits paid	**(8,660)**	(9,585)	**–**	–
Transfer related to acquisition	**–**	2,293	**–**	–
Foreign exchange and other items	**(125)**	308	**–**	–
Fair value at end of year	**$ 139,848**	$ 152,841	**$ –**	$ –
Funded status – (deficit) surplus	**$ (19,558)**	$ 3,750	**$ (5,234)**	$ (3,534)
Unamortized prior service cost	**1,144**	–	**–**	–
Unamortized net actuarial losses	**24,959**	2,312	**2,209**	804
Accrued benefit asset (liability)	**$ 6,545**	$ 6,062	**$ (3,025)**	$ (2,730)

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

	PENSION BENEFIT PLANS		OTHER BENEFIT PLANS	
	2002	2001	**2002**	2001
Accrued benefit obligation	**$ (132,192)**	$ (45,392)	**$ (5,234)**	$ (3,534)
Fair value of plan assets	**107,941**	32,826	**–**	–
Balance at end of year	**$ (24,251)**	$ (12,566)	**$ (5,234)**	$ (3,534)

14. RELATED PARTY TRANSACTIONS

During the year, in the normal course of business, the Company sold $26.3 million ($23.4 million in 2001) of cementitious products and clinker to companies under common control. The Company also bought $65.4 million ($68.8 million in 2001) of cement and clinker from companies under common control. Consulting services were provided by subsidiaries of the parent company for an amount of $14.8 million ($9.7 million in 2001). These transactions are recorded at the amount of consideration established and agreed to by the related parties. As at December 31, 2002, $6 million ($2.1 million in 2001) of receivables and $10.5 million ($7.8 million in 2001) of payables from companies under common control are included in accounts receivable and accounts payable and accrued liabilities, respectively.

15. COMMITMENTS AND CONTINGENT LIABILITIES

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

2003	2004	2005	2006	2007
$ 15,134	$ 13,366	$ 10,844	$ 8,091	$ 7,295

b) As of December 31, 2002, the Company guaranteed certain debtors' indebtedness to financial institutions for an amount of $4.5 million ($4.9 million in 2001).

c) 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.

16. SEGMENTED INFORMATION

The Company and its subsidiaries operate in Ontario, Quebec and the Atlantic Provinces, and 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 used for consolidated financial statements. Inter-segment sales are made at amounts of consideration agreed upon among the related segments.

GEOGRAPHIC SEGMENTS

	ONTARIO		QUEBEC AND ATLANTIC		UNITED STATES		ALL OTHERS		TOTALS	
	2002 $	2001 $	**2002 $**	2001 $	**2002 $**	2001 $	**2002 $**	2001 $	**2002 $**	2001 $
Sales to external customers	**626,711**	673,279	**254,229**	232,327	**308,277**	281,626	**–**	–	**1,189,217**	1,187,232
Inter-segment sales	**18,796**	14,152	**7,720**	10,105	**–**	–	**–**	–	**26,516**	24,257
Operating EBITDA	**123,662**	116,202	**59,970**	48,399	**58,881**	49,972	**(40,736)**	(32,886)	**201,777**	181,687
Amortization of capital assets and goodwill	**20,582**	19,505	**10,281**	11,168	**16,603**	13,446	**15,032**	17,335	**62,498**	61,454
Operating profit (loss)	**103,079**	96,698	**49,689**	37,231	**42,278**	36,527	**(55,767)**	(50,223)	**139,279**	120,233
Financial expense	**–**	–	**–**	–	**–**	–	**13,915**	17,683	**13,915**	17,683
Segment assets	**520,697**	511,189	**201,011**	194,891	**390,308**	358,898	**58,528**	56,052	**1,170,544**	1,121,030
Additions to capital assets	**31,617**	28,449	**20,803**	23,622	**25,430**	51,644	**19,574**	1,437	**97,424**	105,152

Sales of cementitious products totalled $514.7 million ($478 million in 2001). Sales of construction materials and services totalled $674.5 million ($709 million in 2001).

Operating EBITDA is defined as operating profit plus depreciation and amortization.

17. DERIVATIVE FINANCIAL INSTRUMENTS

INTEREST RATE DERIVATIVES

At December 31, the Company has entered 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:

2002

Type	Notional Amount	Currency	Rate	Issuance Date	Maturity
CAP	$25,000	CAD	Maximum 8.55%	May 2000	May 2003
CAP	25,000	USD	Maximum 9.55	May 2000	May 2005
SWAP	18,000	USD	5.46	May 2000	June 2005

2001

Type	Notional Amount	Currency	Rate	Issuance Date	Maturity
CAP	$25,000	CAD	Maximum 8.55%	May 2000	May 2003
CAP	25,000	USD	Maximum 9.55	May 2000	May 2005
SWAP	10,000	USD	7.45	May 2000	May 2002
SWAP	18,000	USD	5.46	May 2000	June 2005

18. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

		2002		2001
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
	$	**$**	$	$
Total long-term receivables, net	**21,858**	**18,516**	23,790	20,092
Loans to officers and employees a)	**34**	**28**	78	60
Total long-term debt	**(272,237)**	**(274,495)**	(264,037)	(264,037)
Derivative financial instruments	**–**	**(2,312)**	–	(2,416)

a) The fair value differential is strictly due to the effect of discounting.

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

The fair value of fixed-rate investments, debts and preferred shares 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.

19. COMPARATIVE FIGURES

Certain of the 2001 comparative figures have been reclassified in order to conform with the current year's presentation.

FINANCIAL SUMMARY

	2002	2001	2000	1999
OPERATING RESULTS (millions of dollars)				
Sales	**1,189.2**	1,187.2	1,054.4	937.6
Depreciation and amortization	**62.5**	61.5	49.3	39.6
Financial expenses	**13.9**	17.7	17.7	11.2
Operating profit (loss)	**139.3**	120.2	108.5	116.7
Unusual write-offs and other items	**–**	–	–	–
Provision for income taxes (recovery)	**48.6**	37.3	30.5	36.8
Net earnings (loss)	**85.3**	62.2	48.5	71.0
BALANCE SHEET (millions of dollars)				
Current assets	**304.2**	268.5	244.8	255.7
Current liabilities	**162.8**	199.0	153.7	166.7
Working capital, excluding cash and cash equivalents	**97.9**	69.5	91.1	88.9
Capital assets – net	**779.0**	757.0	609.4	489.5
Total assets	**1,170.5**	1,121.0	927.7	823.1
Long-term debt	**265.2**	263.8	193.0	122.2
Future income tax liability	**160.8**	140.2	117.1	82.7
Shareholders' equity	**581.7**	518.1	463.5	451.2
CHANGES IN FINANCIAL POSITION (millions of dollars)				
Operating cash flow	**155.0**	128.0	111.8	119.1
Additions to capital assets	**97.4**	105.2	151.4	76.5
Increase (decrease) in long-term debt	**8.2**	70.7	69.8	20.4
Issues of capital stock	**1.7**	3.3	2.5	3.2
Dividends paid	**21.1**	21.0	21.2	21.7
PER SHARE VALUES (dollars)				
Basic earnings (loss)	**2.07**	1.52	1.15	1.64
Operating cash flow	**3.75**	3.12	2.64	2.76
Dividends	**0.50**	0.50	0.50	0.50
Book value	**14.09**	12.58	11.08	10.45
Common share price range - High	**26.00**	23.90	19.25	20.25
Common share price range - Low	**18.00**	14.75	13.85	14.90
FINANCIAL RATIOS				
Working capital	**1.6:1**	1.3:1	1.6:1	1.5:1
Total long-term debt on total capitalization (%)	**27**	29	26	19
Operating profit (loss) on sales (%)	**11.7**	10.1	10.3	12.5
Return on equity (%)	**15.5**	12.7	10.6	16.3
Interest coverage	**9.7**	6.6	5.3	11.0
PRODUCTION (millions of tonnes)				
Annual cement and clinker capacity	**3.7**	3.7	3.7	3.7
QUARTERLY NET EARNINGS (LOSS), UNAUDITED (millions of dollars)				
First quarter	**(12.5)**	(12.3)	(9.3)	(6.9)
Second quarter	**36.2**	21.4	14.0	24.5
Third quarter	**36.7**	32.4	28.9	33.1
Fourth quarter	**24.9**	20.7	14.9	20.3

1998	1997	1996	1995	1994	1993	1992
850.4	828.6	795.7	676.1	591.2	513.6	482.8
39.7	38.5	35.0	36.0	35.2	36.6	37.9
8.9	14.5	14.4	12.4	14.3	17.3	19.6
109.4	95.7	76.6	60.3	42.7	10.0	(21.4)
–	6.2	33.8	1.7	1.4	0.7	15.2
34.2	33.0	12.6	21.2	11.0	(1.4)	(20.1)
65.1	42.1	16.2	24.8	13.0	(7.8)	(39.9)
226.1	242.9	223.2	227.0	218.1	219.1	232.0
143.8	145.4	140.1	137.7	100.0	77.6	81.3
82.3	97.5	83.1	89.3	118.1	141.5	150.7
461.8	421.5	405.7	411.6	384.8	391.1	412.9
738.9	744.9	707.0	702.2	661.7	688.0	722.7
101.9	151.2	166.8	168.6	184.6	247.6	270.2
72.9	75.3	65.0	65.9	64.5	64.1	65.4
418.9	373.0	335.2	330.1	312.6	298.8	305.9
104.6	99.8	73.8	59.8	49.0	26.6	(9.0)
72.5	44.1	42.4	69.6	35.8	20.9	19.3
(49.4)	(18.9)	1.6	(16.2)	(64.3)	(25.1)	48.9
4.5	2.0	2.5	1.8	3.0	2.7	2.2
19.9	15.5	8.8	8.8	–	–	4.3
1.47	0.95	0.37	0.56	0.30	(0.20)	(0.94)
2.39	2.26	1.67	1.35	1.12	0.61	(0.21)
0.48	0.30	0.20	0.20	–	–	0.38
9.56	8.40	7.84	7.68	7.32	7.00	7.19
20.00	14.75	10.35	11.50	12.88	11.75	13.00
11.75	9.95	6.63	7.00	9.00	5.00	6.50
1.6:1	1.7:1	1.6:1	1.6:1	2.2:1	2.8:1	2.9:1
17	25	29	29	31	39	40
12.9	11.5	9.6	8.9	7.2	(1.9)	(4.4)
16.4	11.9	4.9	7.7	4.2	(2.8)	(12.4)
11.7	8.1	5.6	4.4	2.7	0.5	–
4.1	4.1	4.7	4.7	4.7	4.7	4.7
(10.0)	(12.9)	(12.5)	(13.1)	(13.7)	(14.3)	(15.3)
26.1	16.9	(6.1)	9.6	8.4	0.5	(4.4)
28.0	26.0	23.3	19.3	12.8	3.9	(2.0)
21.0	12.1	11.5	9.0	5.5	2.1	(18.2)

OFFICERS AND DIRECTORS

AS OF DECEMBER 31, 2002

OFFICERS

Benoît H. Koch
Chairman of the Board

Patrick Dolberg
President
and Chief Executive Officer

Michel Damphousse
Senior Vice-president
Québec and Atlantic Division

Paul Ostrander
Senior Vice-president
Ontario Division

Dennis W. Skidmore
Senior Vice-president
United States Division

Dean J. Bergmame
Vice-president
and Chief Financial Officer

Carl Dubé
Vice-president
Human Resources
and Communications

Badreddine Filali Baba
Vice-president
Cement Manufacturing
and Engineering

Phillip Lochbrunner
Vice-president
Major Capital Projects

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

André Laplante
Vice-president
Marketing – Cement
Québec and Atlantic Division

Edward R. Orsini
Vice-president
Marketing – Cement
Ontario Division

Claude Chauvette
Secretary

Alain Blais
Treasurer

Jean-François Boursier
Corporate Controller

DIRECTORS

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

William G. Davis (3) (4)
Counsel
Torys LLP
Toronto, Ontario

Pierre Des Marais II (1) (2) (4)
President
Gestion PDM Inc.
Montréal, Québec

Patrick Dolberg
President
and Chief Executive Officer
St. Lawrence Cement Group Inc.
Mount Royal, Québec

Pierre-Marc Johnson (3)
Senior Counsel
Heenan Blaikie LLP
Montréal, Québec

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

Theophil H. Schlatter (2)
Member of the Executive Committee
and Chief Financial Officer
Holcim Ltd
Jona, Switzerland

Anton E. Schrafl (3) (4)
Chairman of the Board
Dynavest AG
Zurich, Switzerland

Hugh Segal (2)
President and Chief Executive Officer
Institute for Research on Public Policy
Montréal, Québec

Robert B. Tuer (1) (2)
Corporate Director
Toronto, Ontario

Paul A. Yhouse
President
and Chief Executive Officer
Holcim (US) Inc.
Dundee, Michigan

(1) Member of the Compensation Committee
(2) Member of the Audit and Corporate Governance Committee
(3) Member of the Environmental Committee
(4) Member of the Nominating Committee

FACILITIES

ONTARIO

Cement Plant
Mississauga (1,450,000 tonnes)

Cement Distribution Terminals
Duluth, MN
Mississauga

Construction Services
Oakville

Asphalt Plants
Brantford
Bronte
London
North London

Construction Yards and Recycling Operations
Hamilton
London
Oakville
Ottawa
Toronto

Quarries, Sand and Gravel Pits
Aberfoyle
Acton
Bethany

Quarries, Sand and Gravel Pits (continued)
Buckhorn
Carden
Cook
Erin
Millcreek
Milton
Mosport
Ogden Point
Putnam
Tottenham
Woodstock

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

Concrete Plants
Aberfoyle
Agincourt
Aylmer
Beamsville
Bowmanville
Bradford
Burlington
Cambridge
Etobicoke

Concrete Plants (continued)
Georgetown
Hannon
Kitchener
Leamington
London
Malton
Maple
Markham
Mississauga
Niagara Falls
Orangeville
Oshawa
Pearson Airport
Peterborough
Pickering
Port Hope
Simcoe
Stratford
Tillsonburg
Toronto
Welland

Concrete Block Plant
Cambridge

QUÉBEC AND ATLANTIC

Cement Plant
Joliette (1,100,000 tonnes)

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

Mineral Components Terminal
Trenton, NS

Construction Services
Longueuil

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

Québec City/Eastern Townships Region
Drummondville
Lévis

Concrete Plants (continued)
Québec City/Eastern Townships Region
Québec
Richmond
Rock Forest

Quarries, Sand and Gravel Pits
Joliette
Laval
Mirabel
Montréal-East
Ste-Agnès
St-Charles-de-Mandeville
St-François
Varennes

UNITED STATES

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

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

Cement Distribution Terminals (continued)
New York
Buffalo
Catskill
College Point
Pennsylvania
Tarentum
Rhode Island
Providence
West Virginia
South Charleston

Quarries
Catskill, NY
Greenport, NY
Hagerstown, MD

Mineral Components Terminal
Ithaca, NY

GranCem® Facility
Camden, NJ (500,000 tonnes)

CORPORATE OFFICE

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fax: (518) 452-3045

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fax: (518) 828-8902

GranCem® Facility
General Manager:
Mike Davis
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Camden, New Jersey 08104
telephone: (856) 964-2555
fax: (856) 964-2660

INVESTOR INFORMATION

DIVIDENDS

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

THE ANNUAL SHAREHOLDERS' MEETING

Will be held at the Sofitel Montréal Hotel
Salon Picasso
1155 Sherbrooke Street West, Montréal, Québec
on May 13, 2003, at 10:30 a.m.

MAJOR SHAREHOLDERS

Holcim Ltd	64%
Canadians (Company estimate)	35%
Americans (Company estimate)	1%

SHARE PRICES 2002

Close	$19.00
52-week high	$26.00
52-week low	$18.00
Book value	$14.09

OUTSTANDING SHARES

Class "A" (1 vote)	26,045,640
Class "B" (3 votes)	15,252,848
Special	805,125

APPROXIMATE "FREE FLOAT" (CLASS "A")	14,045,640

AUDITORS
KPMG LLP

REGISTRAR AND TRANSFER AGENT
CIBC Mellon Trust
Montréal and Toronto

STOCK LISTING
Toronto Stock Exchange

TRADING SYMBOL
ST.A

NEWSPAPER IDENTIFICATION
StL CemA

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ST.LAWRENCE
CEMENT GROUP

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