



## **2002 ANNUAL INFORMATION FORM**

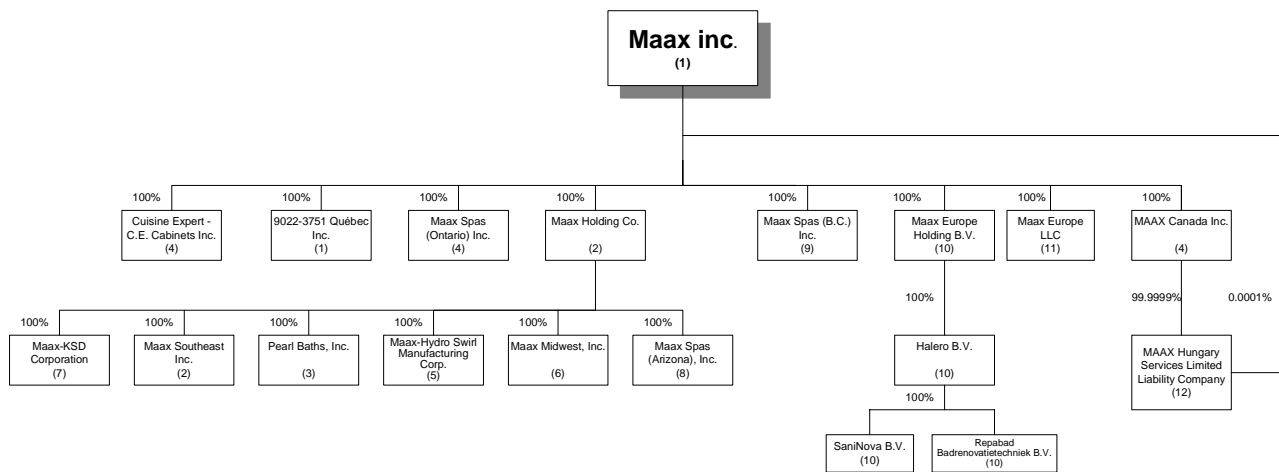
**SAINTE-MARIE, QUEBEC**

**May 31, 2002**

## ITEM 1: INCORPORATION

MAAX Inc. (the "*Company*") was incorporated under Part IA of the *Companies Act* (Quebec) on February 16, 1987. Certificates of amalgamation and modification were issued on June 3, 1987, on August 1, 1990, and on March 24, 1997, in order to eliminate all restrictions related to the public issue and transfer of shares, the amalgamation of certain of subsidiaries, and a stock split of outstanding shares at a ratio of two common shares for each common share issued. The Company's head office is located at 640 Cameron, Sainte-Marie, Quebec (Canada) G6E 1B2.

The organizational chart below shows the Company's subsidiaries, which are all wholly owned, as well as their incorporating acts.



- (1) Incorporated under the *Companies Act* (Quebec)
- (2) Incorporated under the *General Corporation Law* (Delaware)
- (3) Incorporated under the *Minnesota Business Corporation Act* (Minnesota)
- (4) Incorporated under the *Canada Business Corporations Act* (Canada)
- (5) Incorporated under the *Washington Business Corporation Act* (Washington)
- (6) Incorporated under the *Indiana General Corporation Act* (Indiana)
- (7) Incorporated under the *Business Corporation Law of 1988* (Pennsylvania)
- (8) Incorporated under the *California Corporation Code* (California)
- (9) Incorporated under the *Company Act of British Columbia* (B.C.) and continued under the *Canada Business Corporations Act* (Canada)
- (10) Incorporated under legislation effective in the Netherlands
- (11) Incorporated under the *Delaware Limited Liability Company Act* (Delaware)
- (12) Incorporated under legislation effective in Hungary.

**In the present Annual Information Form, "Company" shall mean, as the context requires, MAAX Inc. and its subsidiaries: 9022-3751 Québec Inc., Cuisine Expert - C.E. Cabinets Inc., Halero B.V., MAAX Canada Inc., MAAX Europe LLC, MAAX Europe Holding B.V., MAAX Holding Co., MAAX Hydro Swirl Manufacturing Corp., MAAX-KSD Corporation, MAAX Midwest, Inc., MAAX Spas (Arizona), Inc., MAAX Spas (B.C.) Inc., MAAX Spas (Ontario) Inc., MAAX Southeast, Inc., Pearl Baths, Inc., Repabad Badrenovatietechnik B.V., SaniNova B.V. and MAAX Hungary Kft or any number of them, collectively, or again the Company or one or more of its subsidiaries.**

**Unless specified otherwise provided, all dollar amounts (\$) in this Annual Information Form are expressed in Canadian dollars.**

## **ITEM 2: OVERALL DEVELOPMENT OF THE BUSINESS**

The Company began its operations in 1969 with its Modern Fibreglass Division, then Fibre de Verre Moderne Inc., manufacturing snowmobile parts and, later, fibreglass pools, in Tring-Jonction, Quebec (Canada). In 1973, the Company began to diversify its production by manufacturing fibreglass bathtubs and showers. The success of this move allowed the Company to gradually specialize in this business sector, discontinuing production of snowmobile parts in 1973 and then swimming pools in 1981.

In 1986, the Company began producing acrylic bathroom fixtures in a new plant located in Sainte-Marie, Quebec (Canada). The Company then developed new products and production techniques as well as developing new markets.

The Company completed its initial public offering in June 1987 with an additional issue of common shares in November 1992. Also in November 1992, the Company built a new plant for the manufacture of thermoplastic showers and shower doors for its Axam Division.

In 1988, the Company implanted its first research and development centre in the Beauce region of Quebec (Canada).

On September 30, 1993, the Company, through its subsidiary MAAX USA, Inc., now MAAX Southeast, Inc., acquired the assets of the Glastec division located in Valdosta, Georgia (U.S.), from Eljer Manufacturing, Inc. of Dallas, Texas (U.S.). This acquisition has allowed the Company to serve southeastern U.S markets – which were not easily accessible to the Company until then.

On March 22, 1994, the Company, through its MAAX Holding Co. subsidiary, acquired all of the issued and outstanding shares of Pearl Baths, Inc., a manufacturer of top quality acrylic bathroom

fixtures located in Minneapolis, Minnesota (U.S.). This acquisition allowed the Company to penetrate Midwest U.S. markets as well as expand its product line.

On October 27, 1995, effective August 1, 1995, the Company acquired all of the assets of Valley Fibrebath, through its MAAX Westco Inc. subsidiary, now known as MAAX Canada Inc. Valley Fibrebath manufactured acrylic and fibreglass bathroom fixtures, with one plant in Armstrong, B.C. (Canada) and the other in Airdrie, Alberta (Canada) as well as a distribution centre in Vancouver, B.C. (Canada). This acquisition propelled the Company to the forefront of the Canadian market in its business sector and allowed it to extend its presence in Western Canada and therefore benefit from a larger geographic distribution area.

On October 20, 1995, effective September 1, 1995, the Company acquired, through its MAAX Hydro Swirl Manufacturing Corp. subsidiary, all of the assets of Hydro Swirl Manufacturing Corp., a manufacturer of acrylic bathtubs, operating a plant in Bellingham, Washington (U.S.) and a distribution centre in Sacramento, California (U.S.). This acquisition allowed the Company to penetrate a portion of the American West Coast market.

On February 21, 1997, the Company acquired, through its MAAX Holding Co. subsidiary, effective February 1, 1997, all of the shares of Bremen Glas Inc., now known as MAAX Midwest, Inc., located in Bremen, Indiana (U.S.). The deal included acquisition of its Cedar Glas Manufacturing Division located in Marion, Iowa (U.S.), and its Housing Products Industries Division located in Bremen, Indiana (U.S.), a manufacturer of fibreglass and thermoplastic bathroom fixtures. This acquisition allowed the Company to improve its coverage of the American Midwest, an area it was already serving.

On March 17, 1997, the Company acquired, effective January 2, 1997, all of the shares of Manhattan Products (Canada) Ltd., now known as MAAX Canada Inc., located in Ville d'Anjou, Quebec (Canada), a company with two subsidiaries: Acryx Industries Inc., now known as MAAX Spas (Ontario) Inc., located in Beamsville, Ontario (Canada) and Manhattco Products Inc., located in Wilmington, Delaware (U.S.). With the acquisition of this major manufacturer of shower doors, bathroom cabinets, spas and acrylic bathroom fixtures, the Company became the leading Canadian manufacturer of shower doors and bathroom cabinets, and increased its penetration of the Ontario and American markets.

On April 3, 1997, the issued and outstanding Common Shares of the share capital of the Company were split on a basis of two Common Shares for each issued and outstanding Common Share on such date.

On April 7, 1998, effective February 1, 1998, the Company acquired through its subsidiary, MAAX-KSD Corporation, the operating assets of a major bathroom components manufacturer, specializing in shower doors and bathroom cabinets, namely KSD Industries, Inc., and its subsidiary Keystone/Marchand of Florida, Inc., located respectively in Pennsylvania (U.S.) and Florida (U.S.). This acquisition allowed the Company to become a major manufacturer of shower doors and bathroom cabinets in the United States and strengthen its penetration of the American market in this business sector.

On May 20, 1998, effective April 1, 1998, the Company, through its subsidiary, MAAX Spartan Inc., now known as MAAX Canada Inc., acquired the operating assets of a major manufacturer of bathroom components, specializing in the production of shower kits, bathtub surrounds, wash basins, bathtubs, whirlpool baths and acrylic showers, namely Shostal Ltd. and its subsidiary, whose facilities are located in Lachine and Dorion, Quebec (Canada).

On July 7, 1998, the Company closed a public offering issuing 5 million Common Shares of its share capital at a unit price of \$19.30 for a total of \$96.5 million. The net proceeds of this share issue were earmarked for the reduction of the bank indebtedness related to certain acquisitions and the balance was added to the working capital to finance internal growth and allow the Company to pursue its growth strategy through strategic acquisitions.

On September 9, 1998, the Company, through its subsidiary, MAAX Spartan Inc., now known as MAAX Canada Inc., acquired all of the shares of Novi American Inc. and of its subsidiary, Novi Canada Ltd., located respectively in Atlanta, Georgia (U.S.) and Mississauga, Ontario (Canada). This Company is a leading manufacturer of bathtub surrounds, shower kits, whirlpool baths, shower doors and bathroom fixtures. Its operations were transferred to Lachine, Quebec (Canada) during the months of October and November 1998. This acquisition allowed the Company to broaden its distribution area and increase its clientele on both American and Canadian markets.

On September 27, 1998, effective September 1, 1998, the Company acquired all of the shares of 508696 BC Ltd. (Savannah Spa Manufacturing), now known as MAAX Spas (B.C.) Inc., located in Langley, B.C. (Canada). In addition to being a major spa supplier, this Company uses new manufacturing technologies.

On October 13, 1998, effective October 1, 1998, the Company acquired, through its MAAX Holding Co. subsidiary, all of the shares of a subsidiary of The Coleman Company, Inc., i.e. Coleman Spas, Inc., located in Chandler (close to Phoenix), Arizona (U.S.), now known as MAAX Spas (Arizona), Inc. The company is one of the five largest spa manufacturers in the U.S. This acquisition allowed the Company to further strengthen its position in this business sector on the American market.

On March 30, 1999, effective March 1, 1999, the Company acquired all of the shares of Novax Modular Group Inc., now known as Cuisine Expert - C.E. Cabinets Inc., whose head office is located in Laval, Quebec (Canada). This Company, the third largest kitchen cabinet manufacturer in Canada, ranks among the top 35 North American manufacturers and also specializes in the manufacture of bathroom vanities. This acquisition allowed the Company to penetrate into completely new business segment.

On September 10, 1999, the Company established a distribution centre and assembly plant in California (U.S.) enabling it to serve the southern American West Coast.

On September 17, 1999, effective August 1, 1999, the Company acquired all of the shares of 9022-3751 Québec Inc. (Imperial Woodcraft), located in Cookshire, Quebec (Canada), a

manufacturer of doors for kitchen cabinets and bathroom vanities. The acquisition has allowed the Company to supply material to its Cuisine Expert - C.E. Cabinets Inc. subsidiary.

On November 1, 1999, the Company inaugurated a new plant in Sainte-Marie, Beauce, Quebec (Canada), allowing it to expand into a whole new product line, namely assembled faucet components – a sector directly related to the Company's other activities.

On December 31, 1999, the Company closed its plant located in Dorion, Quebec (Canada), transferring those operations to another plant located in Lachine, Quebec (Canada).

On February 23, 2000, effective January 1, 2000, the Company acquired through its subsidiary, MAAX Europe Holding B.V., all of the shares of Halero B.V., located in Heinenoord, Netherlands (Europe). This Company specializes in the manufacture of acrylic bathtubs, shower trays and steam cabins. This acquisition will allow the Company to penetrate the European market.

On March 1, 2001, the Company transferred its Beauce manufacturing operations to its MAAX Canada Inc. subsidiary. Furthermore, its Manhattco Products, Inc. subsidiary was liquidated into its MAAX Holding Co.

On December 31, 2001, the Company liquidated its subsidiaries MAAX Westco Inc. and MAAX (Lachine, Qc) Inc. into MAAX Canada Inc.

### **ITEM 3: NARRATIVE DESCRIPTION OF THE BUSINESS**

#### **General**

The Company is involved mainly in the design, development and manufacture of bathroom products and spas, including acrylic, fibreglass and thermoplastic bathtubs, whirlpool baths, therapeutic baths and showers. It also manufactures a line of complementary products such as bathtub surrounds, acrylic, fibreglass and thermoplastic shower walls and bases, shower doors and medicine cabinets. The Company also specializes in the manufacture of kitchen cabinets and bathroom vanities.

The Company targets both North American and European markets, and the products it manufactures in Canada, the U.S. and Europe target mainly to the home improvement and construction markets. The Company operates twelve plants in Canada, ten plants in the U.S., one plant in Europe. It also has a network of seven distribution centres, with three being located in Canada and four in the U.S. The Company currently employs some 2,800 people including 1,800 in Canada, 930 in the U.S. and 70 in Europe.

## **Corporate Strategy**

The Company's growth strategy is two pronged. First, the design, development and marketing of new products have enabled the Company to consolidate and develop its position in the North American market. Second, the acquisition of profitable entities in its business segment has allowed the Company to accelerate its penetration of various market segments with new products complementary to its current lines and to increase its geographical market reach. The key elements of its growth strategy fall under the following headings:

### ***Product Development***

The Company has implemented an innovation strategy to continuously improve its existing products and to develop new products in order to benefit from competitive advantages and establish new market standards. The strategy is based on the close collaboration of Sales and Marketing working closely with Research and Development. This allows the Company to evaluate new consumer demands and offer products to meet their expectations, while maintaining a highly favourable quality/price ratio.

### ***Market Development***

The Company intends to strengthen its position within its main distribution networks, namely plumbing wholesalers, hardware retailers and mass merchandisers as well as specialized plumbing boutiques and spa distributors, by developing new product lines and expanding existing ones. The Company believes the North American market continues to offer interesting opportunities to develop and expand its distribution network.

### ***Strategic Acquisitions***

The other aspect of the Company's growth strategy is based on targeted strategic acquisitions. The Company has strict criterias for new acquisitions, such as: a controlling position, efficient management, complementary product lines, new geographic markets, a structured distribution network as well as significant profitability and growth potential. The Company regularly examines various acquisition projects in Canada and in the U.S. and intends to continue to pursue its growth strategy.

## **Products**

As at February 28, 2002, the Company was involved in two major business segments: 1) bathroom and kitchen, and 2) spas.

### ***Bathroom and Kitchen***

This segment encompasses all operations related to the manufacture of bathroom products using acrylic, thermoplastic, fibreglass, aluminium and tempered glass as raw materials. The main products include bathtubs, whirlpool baths, showers, shower doors, faucets, medicine cabinets, bathtub surrounds, and bathroom furniture. These products are manufactured at 18 of the Company's plants: eight in Canada located in Quebec, Alberta and B.C.; nine of the U.S. located in the states of California, Florida, Georgia, Indiana, Iowa, Minnesota, Pennsylvania (two plants) and Washington and, finally, one plant in Europe located in Heinenoord, Netherlands.

This segment also encompasses all the operations related to the manufacture of kitchen cabinets, vanities and cabinet doors made primarily from particleboard and wood as raw materials. Kitchen cabinets are manufactured at two of the Company's Quebec plants (Canada).

### ***Spas***

This segment also encompasses all operations related to the manufacture of spas, a product category using the same basic raw materials as in the manufacture of bathroom products, but is partially served by a separate distribution network, i.e. spa and pool, retailers, and home improvement centres. Spas are manufactured two of the Company's Canadian plants located in Ontario and B.C., and at one American plant located in Arizona.

### ***Sales per Business Sectors***

The table below shows total consolidated sales for each of the Company's business sectors for the periods indicated:

	<b>Years Ended</b>		<b>Variation</b>
	<b>February 28, 2002</b>	<b>February 28, 2001</b>	
	<b>(millions of \$)</b>		
Bathrooms and Kitchen .....	442,3	405,8	+9.0 %
Spas .....	76,2	72,0	+5.9 %
<b>Total</b> .....	518,5	477,8	+8.5 %

## **Production**

### ***Manufacturing Plants***

Following is a list of the Company's plants: 12 are located in Canada, 10 in the U.S. and one in Europe:

#### **BATHROOM AND KITCHEN**

##### **Canada**

- MAAX Canada Inc., Sainte-Marie (Quebec) (three plants) (Beauce division)
- MAAX Canada Inc., Tring-Jonction (Quebec) (Beauce division)
- MAAX Canada Inc., Anjou (Quebec) (Manhattan division)
- MAAX Canada Inc., Lachine (Québec) (Lachine division)
- MAAX Canada Inc., Airdrie (Alberta) (Westco division)
- MAAX Canada Inc., Armstrong (B.C.a) (Westco division)
- Cuisine Expert - C.E. Cabinets Inc., Laval (Quebec)
- 9022-3751 Québec Inc. (Imperial Woodcraft), Cookshire (Quebec)

##### **U.S.**

- MAAX Southeast, Inc., Valdosta (Georgia)
- MAAX Midwest, Inc., Bremen (Indiana)
- MAAX Midwest, Inc., Cedar Rapids (Iowa)
- Pearl Baths, Inc., Minneapolis (Minnesota)
- MAAX Hydro Swirl Manufacturing Corp., Bellingham (Washington)
- MAAX-KSD Company, Southampton (Pennsylvania) (two plants)
- MAAX-KSD Company, Riviera Beach (Florida)
- MAAX-KSD Company, Ontario (California)

##### **Europe**

- SaniNova B.V., Heinenoord (Netherlands)

#### **SPAS**

##### **Canada**

- MAAX Spas (Ontario) Inc., Beamsville (Ontario)
- MAAX Spas (B.C.) Inc., Langley (B.C.)

##### **U.S.**

- MAAX Spas (Arizona), Inc., Chandler (Arizona)

## **Manufacturing Methods**

### ***Bathroom and Kitchen***

#### **Acrylic Products**

The Company's acrylic products are manufactured using a "*thermoforming technique*". An acrylic sheet approximately four-mm-thick is subjected to infrared heat in a computer-assisted electric oven, with temperatures varying according to colour and specifications. Products are then formed into the desired shape through the combined action of heat and a mechanical or vacuum effect. To ensure rigidity, the part is covered with a fibreglass-reinforced polyester resin applied either manually or by robot. Once the required rigidity is obtained, the part is trimmed and components are assembled, namely pumps and pipes for air circulation in therapeutic baths and water circulation in whirlpool baths. During the manufacturing process, each part is subjected to strict quality control tests to ensure it fully complies with the Company's quality control program standards.

#### **Fibreglass Products**

The Company's fibreglass products are manufactured using a contact moulding process whereby moulds are initially sprayed with a gel coating to obtain a top-quality surface. Once the coating is polymerized, it is covered with a fibreglass-reinforced polyester resin, applied either manually or by a robotic spraying process to provide the required mechanical characteristics. The part is removed from the mould as soon as it has been polymerized, trimmed and is then finished. Products also undergo testing during the manufacturing process to ensure they meet the Company's Quality Control Program standards.

#### **Thermoplastic Products**

The Company's thermoplastic products are manufactured using a "*thermoforming technique*" similar to that used for its acrylic products. However, contrary to acrylic, this material does not need fibreglass reinforcement. Only shower stall or bathtub bases are reinforced with expanded polystyrene for increased rigidity.

#### **Shower Doors**

Shower doors are made of aluminium frames, which are cut and bent to fit the size of the desired model. Door panels are made of tempered glass or "*Polycrystal*<sup>®</sup>" and are subsequently assembled.

## **Medicine Cabinets**

Medicine cabinets are manufactured with welded sheet metal cut and bent to required specifications. Finished components are put through an electrostatic powder coat painting process, producing an attractive, rust-resistant finish.

Mirrors and lighting are added to model specifications to complete the product.

## **Faucetry**

Faucets are assembled from numerous different metallic components. The different component parts are available in a variety of finishes and undergo stringent testing in order to ensure they meet the Company's high standards of quality.

## **Kitchen Cabinets**

Kitchen cabinets and bathroom vanities are made of particleboard, which is cut and assembled into modules. The doors, mouldings and trim are made from either solid wood or laminated wood.

## ***Spas***

Spas are manufactured using the same process described above for acrylic products, except that the acrylic products are coated with a foam layer to improve soundproofing and thermal insulation properties.

## **Sales and Distribution**

The Company's products are sold by sales representatives and manufacturing agents. The Company's customers are mainly plumbing wholesalers, home centres, specialty showrooms, and pool and spa distributors. A single customer, specifically a chain of home improvement centres, accounted for approximately 29% of the Company's consolidated sales for the fiscal year ended February 28, 2002. According to management, business relations with this customer have been solid for several years, and the proportion of sales to this customer matches the share of the North American home improvement product market held by this same customer. Moreover, the Company sells several distinct categories of products on a national or regional basis and has set up a structure specifically adapted to this customer. Further, 12 major customers accounted for about 40% of the Company's consolidated sales in 2002.

The Company distributes its products through its own sales representatives in Quebec, Ontario, the Atlantic provinces, Alberta and B.C.. To ensure customers are served effectively, the Company has a network of distribution centres, which warehouse and distribute its products. In Canada, centres are located in Mississauga, Ontario, Langley, B.C., and Airdrie, Alberta; and in

the U.S., locations are in Berlin and Lakewood, New Jersey, Columbus, Ohio, and Sacramento, California. The Company's main customers in other regions are served by manufacturing agents.

Given the strategic locations of its plants throughout North America, the Company is well positioned to serve all Canadian and American markets. In addition, by manufacturing its products closer to these markets, the Company has consolidated its position with its national customers. As for international markets, the Company distributes its products in approximately 30 countries.

### Sales by Territory

The table below shows the percentage of consolidated sales of the Company for Canadian, U.S. and international markets for the fiscal years indicated.

Territory	Year Ended	
	February 28, 2002	February 28, 2001
Canada.....	28.6%	28.9%
U.S.....	68.3%	66.9%
International .....	3.1%	4.2%

### Quality Control Program

Product quality has generated customer loyalty and allowed the Company to expand in the North American market. The main objective of the Company's Quality Control Program is to achieve complete customer satisfaction by ensuring product compliance and maintaining a consistent level of product quality. Further, in 1998, the Company implemented a Quality Control Program intended to ensure that all of its plants met a standard level. Currently, three plants have obtained their ISO 9001 Certification. Only products fully complying with the Company's Quality Control Program are delivered to customers. All products meet the standards adopted either by the Canadian Standards Association (CSA), the Bureau de normalisation du Quebec, (BNQ) or those of the International Association of Plumbing and Mechanical Officials (IAPMO); or, in the U.S., the American National Standard Institute (ANSI), among others.

As in integral part of its Quality Control Program, the Company has adopted a "Service-Customer-Quality" program, involving all of its employees with the aim of attaining total customer satisfaction. The main objective of the Quality Control Program is to control the main factors affecting the quality of products and customer service. By controlling these factors, the Company can minimize the risk of non-compliant products and enhance customer satisfaction. The program is applied to process controls to limit fluctuations in the quality of products and customer service.

## **Research and Development**

The Company's R&D sector comprises two aspects. The first relates to the technical analysis of products and manufacturing processes to improve these elements and to innovate using the latest technology. Furthermore, the Company cooperates with its suppliers to develop raw materials with characteristics yielding products meeting the highest standards of resistance, durability and finish. The Company has implemented a robotization and automatization program for certain manufacturing plants.

The second aspect of R&D relates to product design. The Company advocates using advanced designs and has a product development team dedicated exclusively to designing and developing its product lines. R&D has allowed the Company to monitor and anticipate market needs and thereby offer popular, quality products with added value and innovative designs.

The Company operates six R&D centres, the largest being located at the Company's head office. Over 40 employees work in collaboration with sales and marketing departments to develop new products or products that are complementary to existing lines.

Last year, several new products were developed, including the brand-new translucent Moonlight bathtub, several bathroom furniture series, whirlpool bathtubs and showers, spas, and kitchen cabinet models. The Company spends approximately 1% of its consolidated sales on R&D annually.

## **Suppliers**

The Company requires a reliable supply of resin, polyester, fibreglass, acrylic, thermoplastic, aluminium, steel, tempered glass, wood and particleboard, pumps, accessories, faucet components and packaging material.

The Company purchases its resin from different suppliers with plants located in both Canada and the U.S.. Some resins are also used in the manufacture of thermoplastic sheets. Fibreglass is purchased from a single supplier, but other suppliers are available if needed. Two American manufacturers supply acrylic sheets. There is more than one supplier for pumps, which come from the U.S., but are distributed by Canadian suppliers. Aluminium and steel are purchased from Canadian, American and Asian suppliers, tempered glass from various Canadian and American suppliers, and wood mainly from local suppliers. Faucet components are purchased from Canadian, European and Asian suppliers, while packaging materials are supplied locally.

The Company has never had difficulties obtaining raw materials in the past and doesn't foresee any in the future. All current suppliers have the capacity to meet the needs of all the Company's divisions and subsidiaries in the U.S. and Canada. Negotiations with suppliers for all divisions and subsidiaries are effected through head office to ensure economies of scale. Suppliers are selected according to strict qualification standards enforced by the Company.

The price of raw materials is subject to fluctuations in the prices of underlying commodities. Those commodities may undergo major price fluctuations and there is no certainty that the Company will be able to increase its selling prices equivalently if need be. In recent years, the Company has reacted to increases in raw material prices by seeking to identify supply alternatives in other geographical regions or substitute raw materials and by increasing its selling prices.

## **Environment**

The Company's manufacturing operations involve the use of certain chemicals subject to environmental control. An Environment Committee set up in June 1994 by the Board of Directors has a mandate to oversee all environmental aspects of the Company's business. Monthly reports are presented to Company's management and a quarterly report is submitted to the Board of Directors. When considering acquisitions, the Company obtains environmental analyses and ensures that any necessary corrective measures are taken to comply with environmental standards. The Company is not currently aware of any material environmental problems, and environmental protection requirements should not have any major impact on the Company's earnings, capital expenditures or competitive position.

Furthermore, in 1997, the Company undertook a program to reduce atmospheric emissions from its production facilities. The implementation of this program is the result of the joint efforts of the Company, its suppliers and concerned governmental authorities.

## **Competition**

In carrying on its business, the Company competes against a number of Companies including several multinationals. However, management believes that the Company stands apart from its main competitors due to its innovative product designs and the efficiency of its distribution network and customer service. In addition, its ability to offer a full range of bathroom products, spas and kitchen cabinets represents a considerable advantage for customers, who can thus deal with a single supplier.

The Company's management believes that the quality-to-price value of its products, their design, the development of new technologies through R&D, and its strategic geographical expansion across the U.S. and Canada, all combine to provide it with a competitive edge in bathroom, kitchen and spas markets. Management believes market trends indicate sustained growth in the demand for bathroom products, kitchen cabinets and spas. Moreover, given its expertise in these segments and its investments in new technologies, the Company is well poised to meet this growing demand.

The acquisitions made in U.S., Canada and Europe over the past few years will allow the Company to aggressively develop U.S., Canadian and European markets. The Company also believes that the development and marketing of new products over the last year have improved its

competitive position among home improvement centres, wholesalers and specialized plumbing boutiques in both Canada and U.S.

## **Human Resources and Employee Relations**

At the time this document was written, the Company had some 2,800 full-time employees on its payroll, including 1,800 in Canada, 930 in the U.S. and 70 in Europe.

Currently, about 1,170 production line employees are unionized. Eight of the Company's plants are subject to the collective agreements listed below:

<u>Plants</u>	<u>Number of Employees</u>	<u>Affiliation</u>	<u>Deadline</u>
MAAX Canada Inc., Tring-Jonction, Quebec (Canada) (Beauce division)	161	CSN	May 31, 2006
MAAX Canada Inc., Sainte-Marie, Quebec (Canada) (Beauce division)	224	CSD	Sept. 30, 2003
MAAX Canada Inc., Sainte-Marie, Quebec (Canada) (Beauce division)	39	CSD	Being negotiated for the first agreement
MAAX Canada Inc., Anjou, Quebec (Canada) (Manhattan division)	123	Teamsters	Dec. 31, 2002
MAAX (Canada) Inc., Quebec (Canada) (Lachine division)	165	Teamsters	Dec. 31, 2002
MAAX-KSD Company, Southampton, Pennsylvania (U.S.)	80	Teamsters	Nov. 13, 2004
MAAX Spas (Ontario) Inc., Beamsville, Ontario (Canada)	83	Teamsters	July 15, 2004
Cuisine-Expert – C.E. Cabinets Inc., Laval, Quebec (Canada)	295	Teamsters	Nov. 30, 2004

No employees of any other subsidiary are unionized. Employment conditions are covered by agreements reviewed on an annual basis. The Company accords a high priority to the maintenance of good relations with its staff and believes it has achieved this objective.

## **Risks Relating to Foreign Operations**

The Company conducts a substantial part of its business in the U.S. and can therefore be affected by fluctuating exchange rates. An appreciation in Canadian currency could result in lower earnings or higher sales prices for its products in U.S. markets, and, possibly, a decrease in sales. However, the Company's manufacturing presence on the U.S. market minimizes the impact of exchange rate fluctuations.

With regard to cash flows, the Company's supply agreements with its major suppliers of raw materials include clauses authorizing it, to pay for purchases in either Canadian or U.S. currency, allowing in to match sales in U.S. dollars with purchases in U.S. dollars, thus lowering the risk factors related to exchange rate fluctuations. The Company controls its exposure to such risks by purchasing financial instruments such as forward exchange contracts. None of these instruments is held or issued for speculative purposes.

With regard to the management of assets and liabilities, the Company has contracted a debt in U.S. dollars to protect itself against the foreign exchange risk arising from permanent investments in foreign countries.

### **Credit Risk**

The Company is exposed to the credit risk on its customers' accounts receivable. In order to reduce its risk, the Company monitors its customers' financial situations on a regular basis and establishes a credit rating for any new customers. An allowance for doubtful accounts is established in terms of its customers' specific credit risk, historical trends and economic circumstances. The Company does not believe it is exposed to a higher credit risk than normal.

The Company believes that the diversity of its customer base, by product and by geographical region, reduces its credit risk and protects it against abrupt fluctuations in the demand for its products.

### **Interest Rate Fluctuations**

Interest rate levels and fluctuations can have a direct impact on the Company's profitability. During fiscal 2002, the Company entered into an interest rate swap on US\$45.5 million senior unsecured notes maturing in December 2003. The swap converted the fixed interest rate to a variable interest rate and, accordingly, most of the existing long-term debt as at February 28, 2002 to variable rates. The Company estimates that its current low indebtedness limits the impact of short-term rate fluctuations.

### **Sensitivity to Economic Cycles**

The Company's business is likely to fluctuate with economic cycles. However, management believes that the Company's solid positioning in the home improvement market helps offset this sensitivity since this segment is less cyclical than new construction. In fiscal 2002, sales targeted to the home improvement market accounted for 70% of the Company's total sales, whereas sales related to new construction accounted for 30%.

## Fixed Assets

Over the course of the fiscal period ending as of February 28, 2002, the Company acquired fixed assets amounting to \$19.9 million. Specifically for the expansion of the Cuisine Expert-C.E. Cabinets Inc. plant, the purchase of new production equipment for this facility, the rollout of the new management information system, and ongoing implementation of the program to automatic plants.

The facilities and equipment owned, leased or operated by the Company consist mainly of manufacturing facilities including land, buildings (plants, warehouses and offices), automotive and operating equipment and tools. The civic address and areas of the land and buildings as well as the areas assigned to production, warehousing and offices are as follows:

<u>Civic Address</u>	<u>Land</u>	<u>Warehouse</u>	<u>Plant</u>	<u>Offices</u>
	(area in square feet)			
<b><u>MAAX Inc.</u></b>				
640 Cameron <sup>(1)</sup> Sainte-Marie, Quebec (Canada).....	38,000	-	-	18,500
<b><u>Research and Development</u></b>				
620 Cameron <sup>(1)</sup> Sainte-Marie, Quebec (Canada).....	65,580	-	-	15,875
<b><u>Engineering Division</u></b>				
1297 2nd Street <sup>(1)</sup> Industrial Park Sainte-Marie, Quebec (Canada).....	48,940	8,190	-	550
<b><u>MAAX Canada Inc.:</u></b>				
<b><u>Manhattan division</u></b>				
7800, Vauban <sup>(9)</sup> Anjou, Québec (Canada) .....	292,193	32,000	70,000	8,000
<b><u>Beauce division</u></b>				
<b><u>Faucet division</u></b>				
1297 2 <sup>nd</sup> Street Industrial Park Sainte-Marie, Quebec (Canada).....	-	8,000	-	-
<b><u>Beauce division</u></b>				
600 Cameron <sup>(4)</sup> Sainte-Marie, Quebec (Canada).....	-	105,000	97,500	26,900
<b><u>Beauce division</u></b>				
1355 2 <sup>nd</sup> Street <sup>(4)</sup> Industrial Park Sainte-Marie, Quebec (Canada).....	161,600	10,000	62,000	500
<b><u>Beauce division</u></b>				
333 St-Albert Street <sup>(4)</sup> Tring-Jonction, Quebec (Canada).....	161,100	37,350	10,000	500

<u>Civic Address</u>	<u>Land</u>	<u>Warehouse</u>	<u>Plant</u>	<u>Offices</u>
	(area in square feet)			
320 Notre-Dame <sup>(4)</sup> Tring-Jonction, Quebec (Canada).....	164,300	-	38,000	1,500
166a Principal Street <sup>(2)</sup> Tring-Jonction, Quebec (Canada).....	-	28,600	24,200	2,200
<b><u>Lachine division</u></b>				
160, St-Joseph Blvd. <sup>(3)</sup> Lachine, Quebec (Canada).....	-	70,000	150,000	20,000
<b><u>Westco division</u></b>				
405 East Lake Road <sup>(4)</sup> Airdrie, Alberta (Canada).....	75,348	1,615	12,915	6,690
<b><u>Westco division</u></b>				
R.R. #3, C-65 <sup>(4)</sup> Palisades Armstrong, B.C. (Canada).....	221,800	-	55,000	3,000
<b><u>MAAX Southeast, Inc.</u></b>				
1625, James P. Rodgers Drive <sup>(5)</sup> Valdosta, Georgia (U.S.).....	302,900	46,100	92,600	4,000
<b><u>MAAX Midwest, Inc.</u></b>				
1010, West Dewey Street <sup>(6)</sup> Bremen, Indiana (U.S.).....	461,730	44,400	85,770	3,100
4601 Eight Avenue <sup>(6)</sup> Marion, Iowa (U.S.).....	82,100	16,750	24,100	2,000
<b><u>Pearl Baths, Inc.</u></b>				
9224 73 <sup>rd</sup> Avenue North <sup>(7)</sup> Brooklyn Park Minneapolis, Minnesota (U.S.).....	153,800	82,000	50,900	13,200
<b><u>MAAX Hydro Swirl Manufacturing Corp.</u></b>				
2150 Division Street <sup>(8)</sup> Bellingham, Washington (U.S.).....	222,114	10,000	53,000	2,000
<b><u>MAAX-KSD Corporation</u></b>				
Second Street Pike and Keystone Road <sup>(10)</sup> Southampton, Pennsylvania (U.S.).....	-	6,000	52,600	4,000
3609 Prospect Avenue <sup>(11)</sup> Riviera Beach, Florida (U.S.).....	-	15,000	25,000	1,000
5576 Ontario Mills Parkway, Unit B <sup>(12)</sup> Ontario, California (U.S.).....	-	37,000	21,400	5,600
2950 Turn Pike Drive <sup>(13)</sup> Unit 5, Section 15-23 Hatboro, Pennsylvania (U.S.).....	-	25,000	25,000	1,256
<b><u>MAAX Spas (Ontario) Inc.</u></b>				
4670, South Service Road <sup>(14)</sup> Beamsville, Ontario (Canada).....	626,275	-	72,570	6,230
<b><u>MAAX Spas (B.C.) Inc.</u></b>				
5690-268 Street <sup>(15)</sup> Langley, B.C. (Canada).....	138,900	18,000	40,000	4,000

<u>Civic Address</u>	<u>Land</u>	<u>Warehouse</u>	<u>Plant</u>	<u>Offices</u>
	(area in square feet)			
<b><u>MAAX Spas (Arizona), Inc.</u></b>				
25605 S. Arizona Avenue <sup>(1)</sup> Chandler, Arizona (U.S.) .....	694,726	-	73,000	10,100
<b><u>Cuisine Expert – C.E. Cabinets Inc.</u></b>				
3555 des Rossignols Blvd. <sup>(1)</sup> Laval, Quebec (Canada) .....	467,500	123,000	96,850	17,100
<b><u>9022-3751 Québec Inc.</u></b>				
705 rue Pope <sup>(1)</sup> Cookshire, Québec (Canada) .....	192,000	3,500	30,600	1,600
<b><u>SaniNova B.V.</u></b>				
Boonsweg 81 <sup>(1)</sup> 3274 LH Heinenoord, Netherlands (Europe).....	69,190	11,720	25,000	2,500
<b><u>Distribution Centres</u></b>				
1850 Derry Road <sup>(16)</sup> Mississauga, Ontario (Canada) .....	-	45,000	-	3,000
204 East Lake Blvd. <sup>(17)</sup> Airdrie, Alberta (Canada) .....	170,000	37,000	3,000	800
6252-205 Street <sup>(4)</sup> Langley, B.C. (Canada) .....	40,360	9,000	-	2,000
406, 410 and 412 Bloomfield Drive, Units 1-5 <sup>(18)</sup> West Berlin New Jersey (U.S.).....	-	19,500	-	1,500
500 James Street <sup>(19)</sup> Lakewood, New Jersey (U.S.) .....	-	6,000	-	-
3601, Interchange Road <sup>(20)</sup> Columbus, Ohio (U.S.) .....	-	4,464	-	800
2215 Kausen Drive, Suite 3 <sup>(21)</sup> Elk Grove, California (U.S.).....	-	20,264	-	336

(1) Property of the Company.

(2) Warehouse occupied under a lease for monthly rent of \$2,240 for the current year.

(3) Premises occupied under a lease for monthly rent of \$53,751 per month for the current year.

(4) Property of the subsidiary, MAAX Canada Inc.

(5) Property of the subsidiary, MAAX Southeast, Inc.

(6) Property of the subsidiary, MAAX Midwest, Inc.

(7) Property of the subsidiary, Pearl Baths, Inc.

(8) Property of the subsidiary, MAAX Hydro Swirl Manufacturing Corp.

- (9) Premises occupied under lease for monthly rent of \$28,528 until Dec. 31, 2006.  
(10) Premises occupied under lease for monthly rent of US\$19,593 for the current year.  
(11) Premises occupied under lease for monthly rent of US\$15,656 for the current year.  
(12) Premises occupied under lease for monthly rent of US\$25,417 until Nov. 2004.  
(13) Premises occupied under lease for monthly rent of US\$16,403.  
(14) Premises occupied under lease for monthly rent of \$26,267 until Dec. 31, 2006.  
(15) Premises occupied under lease for monthly rent of \$26,413 until Dec. 31, 2005, then of \$28,470 monthly until Dec. 31, 2010.  
(16) Premises and offices occupied under lease for monthly rent of \$21,013 for the current year.  
(17) Premises occupied under lease for monthly rent of \$12,130 until Dec. 31, 2003.  
(18) Premises occupied under lease for monthly rent of US\$10,800 for the current year.  
(19) Premises occupied under lease for monthly rent of US\$2,000 for the current year.  
(20) Premises occupied under lease for monthly rent of US\$2,700.  
(21) Premises occupied under lease for monthly rent of US\$7,152 for the current year.

#### ITEM 4: SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following table presents selected consolidated financial information for the Company.

	Year Ended				
	February 28, 2002	February 28, 2001	February 29, 2000 <sup>(1)</sup>	February 28, 1999 <sup>(2)</sup>	February 28, 1998 <sup>(3)</sup>
(in thousands of dollars, except per share amounts and weighted average number of common shares)					
<b><u>Income Statement</u></b>					
Sales .....	\$518,460	\$477,796	\$431,876	\$312,895	\$174,841
Net income .....	21,725	21,981	18,367	19,193	12,224
<b><u>Per share<sup>(4)</sup></u></b>					
Net income (basic).....	\$0.92	\$0.93	\$0.78	\$0.88	\$0.68
Dividends paid.....	0.14	0.14	0.07	-	-
Weighted average number of common shares .....	23,711,236	23,759,364	23,688,403	21,824,804	18,029,349
<b><u>Balance Sheet</u></b>					
Total assets .....	\$421,241	\$408,196	\$396,931	\$277,796	\$168,735
Working capital .....	94,489	87,359	84,737	68,949	29,679
Long-term debt .....	77,142	92,870	101,006	25,809	49,350
Shareholders' Equity.....	264,980	242,735	217,875	204,833	83,641

- 1) Takes into account the results of Cuisine Expert – C.E.Cabinets Inc., since March 1, 1999, and 9022-3751 Québec Inc., since August 1, 1999, and Halero B.V. since January 1, 2000.  
2) Takes into account the results of MAAX (Lachine, QC) Inc. (now known as MAAX Canada Inc.) since April, 1, 1998, of MAAX Spas (B.C.) Inc. since Sept. 1, 1998, and of MAAX Spas (Arizona), Inc., since Oct. 1, 1998.  
3) Takes into account the results of MAAX-KSD Company since February 1, 1998.  
4) Such figures have been adjusted to account for the split of April 3, 1997, on the basis of two common shares for each common share issued.

The following analysis must be read in conjunction with the selected consolidated financial information and the consolidated financial statements presented in the Company's Annual Report.

## **2002 compared to 2001**

### ***Operating Results***

Sales for the year ended February 28, 2002, amounted to \$518.5 million compared with \$477.8 million for the preceding fiscal period, representing a 8.5% increase.

This increase came entirely from internal growth, driven by the positive impact of the Company product line rollout initiatives, the launch of new products and new marketing synergies, combined with a weakening of the Canadian dollar in relation to its U.S. counterpart.

On a geographical basis, U.S. sales rose 10.9% to reach \$354.2 million and accounted for 68.3% of consolidated sales in fiscal 2002. Canadian sales increased by 7.4% to reach \$148.2 million and account for 28.6% of total sales. Finally, international sales amounted to \$16.0 million, a decrease of 21.1% to represent 3.1% of the consolidated total.

Operating income (before R&D expenses, financial expenses, depreciation and amortization) for the last fiscal year totalled \$66.3 million, compared with \$65.0 million for the prior year. Two separate factors were behind this 1.9% increase in operating income. The bathroom and kitchen segment capitalized on solid sales growth and the operational and marketing synergies resulting from the integration plan implemented during the 2000 and 2001 fiscal years to raise its income before taxes and amortization of goodwill by 17.8% to \$41.5 million. This segment therefore posted a profit margin of 9.4% up from 8.7%. However, the spa segment had trouble achieving an operating profit, closing the fiscal year with a loss before taxes and amortization of goodwill of \$4.3 million as opposed to a profit of \$0.6 million at the end of the previous year. To apply the necessary corrective measures, management carried out a complete overhaul of operations at this segment's three plants, completing the process in the third quarter of fiscal 2002.

Net income for fiscal year ended February 28, 2002 totalled \$21.7 million or \$0.92 per share, compared with \$22.0 million or \$0.93 per share a year earlier.

### ***Cash Flow and Financial Activities***

During fiscal 2002, operating cash flows totalled \$44.0 million or \$1.86 per share, up slightly over the previous year. After accounting for changes in non-cash working capital items, operating activities provided cash of \$46.9 million.

During fiscal 2002, the Company earmarked \$19.9 million for its capital expenditure program, specifically for the expansion of the Cuisine Expert-C.E. Cabinets Inc. plant, the purchase of new production equipment for this facility, the rollout of the new management information system, and the ongoing plant automation program.

These investments, including the repayment of a net amount of \$21.4 million in long-term debt, and the payment of \$3.3 million in dividends to holders of common shares, were all financed by operating cash flows.

After accounting for these various cash inflows and outflows, the Company had cash of \$1.3 million as at February 28, 2002.

Working capital rose from \$87.4 million as at February 28, 2001 to \$94.5 million as at February 28, 2002 pushing the current ratio from 2.52:1 to 2.55:1.

During fiscal 2002, the Company issued US\$45.5 million in senior unsecured notes to American investors. The notes bear interest at an annual rate of 6.7% and are fully redeemable upon maturity in October 2008. The proceeds from this financing were used entirely for the repayment of a portion of the Company's existing credit facilities.

Shareholders' equity totalled \$265.0 million as of fiscal 2002 year-end, compared with \$242.7 million a year earlier. This growth was due to the contribution of net income for the fiscal year and the \$3.2 million increase in the cumulative translation adjustment.

At the end to fiscal 2002, the long-term debt to total capitalization ratio stood at 22.5% versus 27.7% a year earlier. Including the current portion of long-term debt and bank loans, the Company's total debt amounted to \$83.1 million, compared with \$104.9 million as at February 28, 2001.

## **2001 compared to 2000**

### ***Operating Results***

Sales for the year ended February 28, 2001, amounted to \$477.8 million compared with \$431.9 million for the preceding fiscal period, representing a 10.6% increase.

Stimulated by the contribution of SaniNova B.V. for a complete fiscal period and by sustained internal growth, sales of bathroom and kitchen products increased 9.5%, to reach \$405.8 million and for 85% of consolidated sales. The spas sector took advantage of investments made during the two previous years, and increase in production capacity and intensive development of its distribution network, to counter the effects of the poor weather during the summer of 2000, with resulting growth in sales of 17.6% for a total of \$72.0 million, representing 15% of the Company's consolidated sales.

On a geographical basis, U.S. sales rose 10.0% to \$319.4 million and accounted for 66.9% of consolidated sales in fiscal 2001. Canadian sales increased by 2.5% to reach \$138.1 million and accounted for 28.9% of total sales. Finally, international sales amounted to \$20.3 million, an increase of 195.3%, representing 4.2% of the consolidated total.

Operating income (before R&D costs, financial expenses and amortization) for the past fiscal year totalled \$65.0 million compared with \$62.3 million for the previous fiscal year. This 4.4% growth was achieved despite higher costs for energy and raw materials costs, combined with a loss in operational efficiency due to the relocation and restarting of the MAAX Spas (B.C.) Inc. and Cuisine Expert – C.E. Cabinets Inc. plants.

Net income increased 19.7% to reach \$22.0 million, which represents \$0.93 per share, compared with \$18.4 million, or \$0.78 per share for the previous year. The Company recorded non-recurring expenses of \$8.8 million at the end of the fiscal 2000, subsequent to the implementation of a restructuring plan aimed at optimizing its operational and organizational efficiency as part of integration measures of its latest acquisitions.

### ***Cash Flow and Financial Activities***

Cash flow rose to \$45.3 million or \$1.91 per share, compared with \$38.0 million or \$1.60 per share a year earlier. Excluding non-recurring expenses, cash flow from operations for fiscal 2000 amounted to \$43.9 million or \$1.85 per share. After accounting for non-cash working capital items, operating activities provided cash of \$55.3 million over the past year, \$17.5 million of which was due to the sale of accounts receivable.

During the fiscal year ending in February 2001, the Company earmarked \$30.4 million for its capital expenditure program, specifically to purchase new production equipment for Cuisine Expert – C.E. Cabinets Inc., more specifically, to continue implementation of the plant automation program and to acquire a new management information system.

These investments were financed by cash flow from operations, which also served to repay a net sum of \$13.0 million in long-term debt.

After accounting for the aforementioned cash in flows and outlays, the Company showed a bank overdraft of \$0.6 million as at February 28, 2001.

During fiscal 2001, the Company improved its financial position, while sustaining a large-scale capital expenditure program.

The Company's total assets increased of \$11.3 million to reach \$408.2 million as at February 28, 2001, including \$128.8 million attributable to goodwill.

Working capital increased by 3.1% to \$87.4 million or a ratio of 2.52:1 compared to 2.19:1 at the close of fiscal 2000.

Long-term debt fell from \$101.0 million to \$92.9 million while shareholders' equity amounted to \$242.7 million, or \$10.21 per share, up 11.4% over the previous fiscal year. The long-term debt on total capitalization ratio went from 31.7 % in 2000 to 27.7 % in 2001.

## **2000 compared with 1999**

### ***Operating Result***

Sales for the year ended February 29, 2000, amounted to \$431.9 million compared with \$312.9 million for the preceding fiscal period, representing a 38% increase.

This increase is attributed to internal growth of 13.8% with the acquisition of Novax Modular Group Inc., a Company located in Quebec (Canada), whose results are reflected in the financial statements for a period of 12 months, the acquisition of 9022-3751 Quebec Inc., (Imperial Woodcraft), a Company located in Quebec (Canada), whose results are reflected in the financial statements for a period of seven months, the acquisition of Halero B.V., a Company located in Heinenoord, Netherlands (Europe), whose results are reflected in the financial statements for a period of two months.

On a geographical basis, U.S. sales rose 45.5% to \$290.3 million and accounted for 67.2% of consolidated sales in fiscal 2000. Canadian sales increased by 23.8% to reach \$134.7 million and account for 31.2% of total sales. Finally, international sales amounted to \$6.9 million, an increase of 50.3%, to represent 1.6% of the consolidated total.

On a segmented basis, bathroom and kitchen sector sales increased by 29.8% reaching \$370.7 million, or 85.8% of the Company's consolidated sales. The spa sector increased by 123.8% and generated sales of \$61.2 million, or 15% of the Company's consolidated sales.

Operating costs, expressed as a percentage of sales, increased by 0.86%. This variation is mainly due to an increase in raw material costs.

During the fiscal period ending February 29, 2000, the Company incurred non-recurring costs of \$8.8 million related to the implementation of its integration plan. The plan includes the specialization, automatization and robotization of production lines as well as the consolidation of certain product lines and brand names of the Company.

Net income for the year ended February 29, 2000, was \$18.4 million compared with \$19.2 million for the previous year. Net income per common share went from \$0.88 in 1999 to \$0.78 in 2000. Without taking into consideration non-recurring costs, net income was at \$24.3 million, representing growth of 27%.

### ***Cash Flow and Financial Activities***

Cash flow rose to \$38.0 million in 2000 or \$1.60 per share, compared with \$31.8 million in 1999, or \$1.46 per share.

During the fiscal year, the Company injected an amount of \$33.1 million into its capital assets program as well as \$53.4 million for acquisition purposes. These investments were absorbed by an increase in debt of \$72.1 million as well as cash flow.

The Company's total assets increased by 42.9% to \$396.9 million in 2000 compared with \$277.8 million in 1999. Shareholders' equity increased from \$204.8 million or \$8.66 per share in 1999, to \$217.9 million or \$9.19 per share in 2000, or an increase of 6.12%. Working capital reached \$84.7 million, or a ratio of 2.19:1 in 2000 compared with 2.68:1 in 1999.

The long-term debt went from \$25.8 million in 1999 to \$101.0 million in 2000. The long-term debt on total capitalization ratio went from 112% in 1999 to 31.7% in 2000.

## **1999 Compared With 1998**

### ***Operating Results***

Sales for the year ended February 28, 1999 amounted to \$312.9 million compared with \$174.8 million in 1998, representing a 79.0% increase.

This increase is attributed to internal growth of 19.3%, in the results of MAAX-KSD Company during the year, as well as to the acquisition of the principal operating assets of Shostal Ltd. and of its subsidiary, a Company located in Canada and whose results are reflected in the financial statements for an 11-month period; the acquisition of all of the assets of Novi-American Inc. and of its subsidiary Novi Canada Ltd., located respectively in Atlanta, Georgia (U.S.) and in Mississauga, Ontario (Canada) and whose results are reflected in the financial statements for a six-month period; to the acquisition of all of the shares of 508696 BC Ltd. (Savannah Spa Manufacturing now known as MAAX Spas (B.C.) Inc.), a Company located in Maple Ridge, B.C. (Canada) and whose results are reflected in the financial statements for a six-month period; and the acquisition of all the shares of Coleman Spas, Inc. now known as MAAX Spas (Arizona) Inc., a Company located in Chandler (close to Phoenix), Arizona (U.S.) and whose results are reflected in the financial statements for a five-month period.

On a geographical basis, U.S. sales rose 92.8% to \$199.5 million and accounted for 63.7% of consolidated sales in fiscal 1999. Canadian sales increased by 58.7% to reach \$108.9 million and account for 34.8% of total sales. Finally, international sales amounted to \$4.6 million, an increase of 64.1%, to represent 1.5% of the consolidated total.

On a segmented basis, sales of the bathroom products and accessories sector increased by 47.4% reaching \$204.0 million, or 65.2% of consolidated sales. They grew by 182.0% in the shower door and medicine cabinet sector to total \$81.5 million and represent 26.1% of the Company's consolidated sales. Finally, the spa sector increased by 264.8% and generated sales of \$27.4 million, or 8.7% of the Company's consolidated sales.

Operating costs, expressed as a percentage of sales, increased by 2.2%. This increase is mainly due to the expenses related to consolidating businesses acquired during the year.

Net income for the year ended February 28, 1999, was \$19.2 million compared with \$12.2 million for the previous year, or internal growth of 23.6%. Net income per common share went from \$0.68 in 1998 to \$0.88 in 1999.

## ***Cash Flow and Financial Activities***

Cash flow rose to \$31.8 million in 1998 or \$1.46 per share, compared with \$20.1 million in 1997, or \$1.11 per share.

During the year, an amount of \$69.9 million was injected into the Company to build a solid basis for its future growth. The five acquisitions made during the past year absorbed \$44.6 million in cash resources. The Company also allocated approximately \$18.0 million to its capital expenditure program during the year.

To finance all of its investments, the Company made a public offering of 5 million of its common shares at the unit price of \$19.30 for net proceeds of \$96.5 million.

The Company's total assets increased by 63.6% to \$277.8 million in 1999 compared with \$168.7 million in 1998. Given the public offering and the contribution of the net income for the year, shareholders' equity increased from \$83.6 million, or \$4.57 per share in 1998, to \$204.8 million or \$8.66 per share in 1999, or an increase of 144.9%. Working capital almost tripled, reaching \$68.9 million, or a ratio of 2.68:1 in 1999 compared with 1.94:1 in 1998.

Long-term debt decreased from \$49.4 million in 1998 to \$25.8 million in 1999. The long-term debt on total capitalization ratio was thus 11.2% in 1999, compared with 37.1% in 1998.

## **Selected Quarterly Financial Information**

(in thousands of dollars, except for per share information)

	<b>1<sup>st</sup> Quarter</b>	<b>2<sup>nd</sup> Quarter</b>	<b>3<sup>rd</sup> Quarter</b>	<b>4<sup>th</sup> Quarter</b>
<b>Year ended February 28, 2002</b>				
Sales	\$ 134,665	\$ 132,063	\$ 126,843	\$ 124,889
Net income	\$ 6,790	\$ 6,599	\$ 4,760	\$ 3,576
Net income per share (basic)	\$ 0.29	\$ 0.28	\$ 0.20	\$ 0.15

	<b>1<sup>st</sup> Quarter</b>	<b>2<sup>nd</sup> Quarter</b>	<b>3<sup>rd</sup> Quarter</b>	<b>4<sup>th</sup> Quarter</b>
<b>Year ended February 28, 2001</b>				
Sales	\$ 133,395	\$ 125,231	\$ 113,815	\$ 105,355
Net income	\$ 7,409	\$ 8,092	\$ 4,158	\$ 2,322
Net income per share (basic)	\$ 0.31	\$ 0.34	\$ 0.18	\$ 0.10

## Dividends

The Company has paid dividends on its outstanding shares during the five years ended February 28, 2002, as follows:

<b>Fiscal years ended</b>	<b><u>Per share</u></b>	<b><u>Total</u></b>
February 28, 1998 .....	-	-
February 28, 1999 .....	-	-
February 29, 2000 .....	\$0.07	\$1,657,527
February 28, 2001 .....	\$0.14	\$3,326,688
February 28, 2002 .....	\$0.14	\$3,330,398

During the current fiscal year, on May 31, 2002, the Company issued a semestral dividend totalling \$1,681,068 or a dividend of \$0.07 per outstanding share.

## Dividend Policy

The Company intends to issue a semestral dividend on its outstanding common shares, as long as its earnings permit it to do so without affecting its investment activities.

## Prior Issues

During the fiscal year ended February 28, 2002, the Company made the following issues:

- 54,400 common shares for a consideration of \$499,060 following the exercise of options granted under a stock option plan for officers and key employees of the Company and its subsidiaries.
- 15,000 common shares issued in connection with the balance payable in shares on business acquisition.

## **ITEM 5: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND OPERATING RESULTS**

The information required under this heading is presented in detail in the Company's 2002 Annual Report. The sections "*Financial Review*" and "*Consolidated Financial Statements*" taken respectively from pages 16 and 43 of the Company's 2002 Annual Report are incorporated by reference into this Information Form.

## ITEM 6: MARKET FOR SECURITIES TRADING

Common Shares have been listed and traded on The Montreal Stock Exchange since June 23, 1987 and on The Toronto Stock Exchange since August 14, 1992. The following table sets forth the market price range and the trading volume of the Common Shares on The Toronto Stock Exchange for the periods indicated:

Period	Price Range		Trading Volume (cumulative)
	High	Low	
<b>2000</b>			
First Quarter .....	\$15.20	\$11.60	2,062,783
Second Quarter .....	14.50	11.75	1,443,350
Third Quarter .....	13.80	12.05	1,502,781
Fourth Quarter .....	13.00	9.25	2,309,654
<b>2001</b>			
First Quarter .....	\$10.50	\$8.15	2,156,657
Second Quarter .....	11.00	8.55	3,511,352
Third Quarter .....	12.00	8.70	1,456,323
Fourth Quarter .....	13.45	9.00	1,468,638
<b>2002</b>			
First Quarter .....	\$16.25	\$12.80	2,763,112
April .....	17.65	17.50	1,462,237
May .....	20.75	17.74	1,561,150

## ITEM 7: SENIOR EXECUTIVES

Name and Municipality of Residence	Principal Occupation	Director Since <sup>(1)</sup>	Common Shares Owned Directly (Directors Only)
<b>Directors</b>			
Placide Poulin <sup>(2)</sup> Sainte-Marie, Quebec (Canada)	Chairman of the Board and Executive Committee of the Company	1987	3,030,307
André Héroux <sup>(2)</sup> Cap-Rouge, Quebec (Canada)	President and Chief Executive Officer of the Company	2000	101,000
Richard Garneau Saint-Jean-Chrysostome, Quebec (Canada)	Executive Vice-President and Chief Financial Officer of the Company	1991	327,580

<b>Name and Municipality of Residence</b>	<b>Principal Occupation</b>	<b>Director Since<sup>(1)</sup></b>	<b>Common Shares Owned Directly (Directors Only)</b>
Marie-France Poulin St-Nicolas, Quebec (Canada)	Executive Vice-President Sales of the Company	1990	67,900
Dennis Wood <sup>(2)</sup> Canton de Magog, Quebec (Canada)	Chairman of the Board, President and Chief Executive Officer Manager, Dennis Wood Investments Inc.	1996	10,000
Louis Garneau <sup>(3)</sup> St-Augustin, Quebec (Canada)	President and Designer, Louis Garneau Sports Inc.	1997	1,000
Raymond Garneau <sup>(3)</sup> Westmount, Quebec (Canada)	Chairman of the Board, Industrial Alliance Life Insurance Company	2000	1,000
Jean-Guy Paquet <sup>(4)</sup> Sainte-Foy, Quebec (Canada)	President and Chief Executive Officer, National Optics Institute	2001	1,000
Marcel Dutil <sup>(2)</sup> Outremont, Quebec (Canada)	President and Chief Executive Officer, Canam Manac Group Inc.	2001	5,000
Rémi Marcoux Outremont, Quebec (Canada)	Chairman of the Board and Chief Executive Officer, Transcontinental Group G.T.C. Ltd.	-	-

**Senior Executives Who Are Not Directors**

Jacques-A. Vachon Sainte-Marie, Quebec	Secretary of the Company, Vachon, Vachon & Associés (notaries)	-	-
---	--	---	---

- (1) The term of office of each person elected or appointed as director shall be until the next annual meeting of shareholders of the Company or until his/her successor is elected or appointed or until his/her resignation
- (2) Member of the Corporate Governance Committee
- (3) Member of the Audit Committee
- (4) Member of the Environment Committee

During the last five years, all directors and senior executives have held various positions with the aforementioned companies, their subsidiaries, predecessors or affiliates, with the exception of Mr. André Héroux who, prior to April 1999, was President and Chief Executive Officer of CDM Laminés Inc. and Mr. Dennis Wood who, prior to December 2001, was Chairman of the Board, President and Chief Executive Officer of C-MAC Industries Inc.

## **ITEM 8:      ADDITIONAL INFORMATION**

Additional information, including information on the remuneration, principal holders of securities, options and interests of insiders in material transactions is, as the case may be, included in the Information Circular prepared for the General Annual Meeting of the Shareholders scheduled to be held on July 3, 2002. Additional financial information, namely comparative audited financial statements, are contained in the Company's Annual Report for the year ended February 28, 2002. Copies of such documents are available upon written request from the Secretary of the Company by addressing your request in writing to 640 Cameron Road, Sainte-Marie (Quebec) G6E 1B2 or by e-mail to [mmstjacques@maax.com](mailto:mmstjacques@maax.com).

Furthermore, when the Company's securities are part of a distribution pursuant to a short form prospectus or when a preliminary short form prospectus has been filed, the following documents may be obtained free of charge from the Secretary of the Company:

- (i) a copy of the Annual Information Form as well as a copy of any document or the pertinent pages of any document incorporated therein by reference;
- (ii) a copy of the Company's comparative consolidated financial statements for its most recently completed fiscal year and the auditors' report thereon as well as a copy of any interim financial statements of the Company subsequent to the financial statements for its most recently completed fiscal year;
- (iii) a copy of the Company's information circular pertaining to the last annual meeting of shareholders at which directors were elected;
- (iv) a copy of any other documents incorporated by reference into the preliminary short form prospectus or the short form prospectus.

A copy of the documents listed in items (i), (ii) and (iii) may also be obtained free of charge at all times from the Secretary of the Company.

---