



THE COMPANY

Groupe Laperriere & Verreault (GL&V), founded in 1975, has rapidly become a world leader in the design, manufacture and after-sales servicing of industrial equipment from its headquarters in Quebec. The Company operates primarily in the pulp and paper industry, with less significant operations in the mining, chemicals, food, energy and environmental services sectors. Though GL&V holds the proprietary rights to its technologies, most of the manufacturing is outsourced to independent subcontractors in an effort to reduce costs and increase flexibility. The recent acquisitions of the Dorr-Oliver Group and units of the Beloit Corporation have expanded the Company's geographic reach across 40 countries and GL&V now employs over 1,400 people worldwide.

FINANCIAL DATA

	2001	2002	2003
Earnings per Share (\$)	1.57	1.34	0.76
Price to Earnings (times)	10.2	11.9	21.1
Dividend (\$)	0.00	0.00	0.00
Dividend Yield (%)	0.00	0.00	0.00
Book Value (\$)	7.32	8.45	9.63
Price to Book (times)	2.19	1.89	1.66

HISTORICAL SHARE PRICES



WHY ABC FUNDS BOUGHT GROUPE LAPERRIERE

Groupe Laperriere & Verreault is an undervalued small capitalization company that is only followed by a few investment analysts. However, the Company has grown to become the 5th largest supplier of industrial equipment to the pulp and paper industry in the world after making 15 acquisitions over the last five years. Impressively, GL&V has grown its revenue at a compounded annual rate of 55% and its net income at a compounded annual rate of 68% over the past three years. With such a tremendous growth profile and a substantial international presence, the Company's story will not go unnoticed for much longer.

GL&V has achieved considerable success by acquiring complementary businesses, assimilating the technology and intellectual property and then streamlining the manufacturing process. Essentially, GL&V focuses on areas of existing expertise and high value-added activities, while outsourcing, rationalizing and divesting non-core or non-performing assets. Next, management aggressively cuts costs to maximize synergies and subsequently looks to regain neglected markets and capitalize on any available opportunities. The emphasis on profitable growth is clearly evident in GL&V's most recent financial results.

For fiscal year 2001, ended March 31, 2001, GL&V reported revenue of \$407.5 million, up 73% year over year, and fully diluted earnings per share of \$1.47, more than double the \$0.69 earned in 2000. The Company delivered a return on equity of 25% for the year, which was exceptional given difficulties in the pulp and paper sector. The balance sheet has been strengthened as cash flow from operations and the sale of non-strategic assets was used to reduce net bank indebtedness 30% over the course of the year. Management is projecting revenue growth of 8% to 12%, of which 2% to 5% will be generated internally in fiscal 2002. Earnings are also projected to grow as synergies continue to have a positive impact on the bottom line. Despite these excellent financial results, GL&V trades at only 5 times expected earnings and just slightly above the Company's book value of \$7.32.

To position itself for future profitability and improve the stability of the Company, GL&V has diversified its product line and expanded internationally. Currently, pulp and paper account for 73% of revenue, with the balance of sales distributed as follows: food, chemicals and mines 18%, energy 3%, metallurgy 2%, environment 2% and other sectors 2%. GL&V is also placing greater emphasis on aftermarket revenue sources such as maintenance, the optimization and modernization of existing equipment and the sale of spare parts, which are higher margin businesses. Geographically, sales are now much more broadly based: the United States comprises 57%, Canada 22%, Europe 12%, Asia 5% and other countries make up 4%. This diversification should allow the Company to withstand cyclical swings in any specific industry or weakness in any particular international market.

GL&V is a vastly different company today than it was just a few years ago. The Company is now a major international player in its industry and is looking to continue to expand the scope of its operations. This should allow GL&V to meet its revenue target of \$1 billion within five years, a realistic goal given the historic growth profile and acquisition success. We believe that GL&V is undervalued simply because the Company is relatively unknown outside of Quebec. In response, management is working diligently to raise awareness with potential investors and gain recognition for the Company's operating and financial performance. Basically, GL&V is a growth stock trading at value multiples and shareholders should be rewarded for their patience and foresight as the story becomes more well known.

UPDATES

GL&V recently announced its thirteenth consecutive quarter of earnings growth for the three-month period ended June 30, 2001. Although revenue was down 8% from last year due to weakness across the pulp and paper industry, fully diluted earnings per share increased 12.5% to \$0.36. The earnings growth was attributable to a greater emphasis on the aftermarket segment of the business, which includes the sale of spare parts, equipment upgrades and field servicing of older equipment. This higher margin segment now accounts for more than 50% of total sales and has a more consistent revenue stream than the sale of new equipment. For the current fiscal year, management plans to focus on profitability through an ongoing program of cost rationalization and debt reduction.

Management has such confidence in the Company's outlook that at GL&V's Annual and Special Meeting on September 20, Laurent Verreault announced a special dividend of \$0.20 per share. This dividend will not compromise GL&V's financial stability, as cash and short-term investments have reached \$16 million and net indebtedness has fallen to 36% of total capital. Further, management is still actively looking to acquire small and medium sized businesses in the industry, as long as the assets come cheaply. Being value investors, we can appreciate this strategy and we look forward to good results from this well-managed and under-followed company.

ABC Funds
September 28, 2001

Since our last update, Groupe Laperriere & Verreault has performed reasonably well. Though sales declined in the second quarter, earnings grew slightly as strength in the aftermarket segment led to margin improvement. For the first six months of the Company's fiscal year, fully diluted net earnings totaled \$0.74 versus \$0.71 per share in the comparable period last year. In light of weakness in the pulp and paper industry, these results demonstrate the importance of aftermarket sales, service and support to the Company's profitability during an economic downturn. Earnings are expected to remain stable pending a recovery in the sector due to the Company's order backlog of \$141 million, as at September 30th, 2001.

Several other new developments deserve a brief mention. GL&V was recently designated as one of Canada's 50 best managed companies by a consortium that included the National Post and the Queen's School of Business. The Company was obviously very pleased to be acknowledged for its excellent operating performance. GL&V also recently announced a proposed normal course issuer bid for up to 10% of the Class A subordinate voting shares, which will boost per share multiples. Further, GL&V's Swedish-based subsidiary was just awarded a \$7.1 million contract from a paper manufacturer to design, manufacture and install filters, centrifugal cleaner systems and a deaeration system for a new 400,000 ton per year paper machine. This is an important contract win because it includes a provision to deliver spare parts, which are higher margin than the new equipment. Finally, please note that the ticker symbols for the Class A subordinate voting shares (formerly LV.A) and Class B multiple voting shares (formerly LV.B) have been changed to GLV.A and GLV.B respectively. The change was effective January 17, 2002 and was primarily designed to improve recognition of the Company's ticker symbol.

ABC Funds
January 18, 2002

Despite a weak macroeconomic environment, Groupe Laperriere & Verreault reported good financial results for fiscal 2002. Although sales declined 13.5% to \$352.6 million, profit margins improved due to a greater emphasis on the aftermarket segment of the business. Bottom line, GL&V earned \$1.34 per share (fully diluted) in fiscal 2002 versus \$1.57 per share on a comparable basis in fiscal 2001. However, in the most recently completed fiscal year GL&V recorded non-recurring charges of \$0.38 per share (fully diluted and after tax) to streamline and reorganize the North American Pulp and Paper Group, to write off assets related to the Coinpasa/Enertec Group and to restructure the Process Group. Management stated that these measures were taken to improve the cost structure and strengthen the organization in preparation for renewed growth. Excluding these expenses, fully diluted earnings would have totaled \$1.72 per share, an increase of approximately 9.5% year over year.

Turning to the balance sheet, the Company's financial position remained solid, with working capital of \$82.4 million and cash of \$25.3 million. Net debt to total capitalization declined to 28.2% from 37.8% over the course of the year. Finally, book value increased to \$8.45 from \$7.32. We look for management's cost reduction initiatives and restructuring efforts to be rewarded once capital spending in the pulp and paper industry resumes.

ABC Funds
June 21, 2002

UPDATES (cont'd)

Groupe Laperriere and Verreault has announced a major acquisition that will significantly enhance the Company's operations. On November 8, 2002 GL&V finalized the purchase of Eimco Process Equipment, a division of Baker Hughes Incorporated. Eimco, based in Salt Lake City, supplies equipment related to liquid and solid separation processes in the chemical, petrochemical and mining industries. Eimco's technology is also applicable to drinking water and industrial wastewater treatment. The acquired assets were combined with GL&V's Dorr-Oliver Group because of the complementary nature of the products and similar end usage.

This acquisition is an excellent strategic fit for GL&V. It reduces the Company's exposure to the cyclical pulp and paper sector, while adding exposure to the growing water treatment industry. Once the integration is complete, the Pulp and Paper Group will account for 38%, the Mining and Minerals Group will account for 42% and the Environmental and Potable Water Group will account for 20% of the Company's total revenue. GL&V will also have greater international diversification, with 46% of sales coming from the United States, 15% from Europe, 13% from Asia, 11% from Latin America and 11% from Canada.

GL&V has had tremendous success with past acquisitions and we believe that the purchase of Eimco will also prove to be a good one. GL&V paid \$80 million for Eimco, equivalent to the book value of the acquired assets, for a company that had sales of \$280 million in its latest fiscal year. On December 16, GL&V announced that the integration of Eimco was progressing faster than anticipated and that 75% of the rationalization was completed. Therefore, we are confident in the Company's projected recurring cost savings of between \$25 and \$30 million as of fiscal 2003, excluding one-time restructuring charges of between \$10 and \$15 million. With a total order backlog of \$203 million, we believe that GL&V will report excellent revenue and earnings growth in the coming quarters.

ABC Funds

January 10, 2003

Groupe Laperriere & Verreault recently reported results for the 2003 fiscal year and the first quarter of 2004. Eimco made a significant contribution to the top line, adding \$58.7 million of sales to total revenue of \$382.6 million in 2003. Including restructuring costs, GL&V reported fully diluted earnings per share of \$0.76 compared to \$1.34 in fiscal 2002. Excluding these non-recurring costs, the Company reported fully diluted earnings per share of \$1.17 compared to \$1.79 the previous year. Economic weakness in North America and Europe and difficulties in the pulp and paper sector weighed on the Company's financial performance throughout the year.

In the first quarter of 2004, revenue increased 62% to \$120.9 million as Eimco bolstered GL&V's results. The Process Group accounted for \$75.3 million or approximately 60% of total sales in the quarter, vastly reducing GL&V's reliance on the pulp and paper sector. Unfortunately, the dramatic increase in the Canadian dollar during the quarter constrained earnings growth. Fully diluted earnings per share of \$0.22 on 11.9 million shares in the first quarter of 2004 increased only marginally from \$0.20 on 9.4 million shares in the first quarter of 2003.

The outlook for the Company is perhaps more favourable than the first quarter results would suggest. On June 30, GL&V's backlog totaled \$255 million, after doubling over the past year. Even after excluding the Eimco acquisition, the Company's backlog grew 33% on a year over year basis. GL&V currently holds contracts to supply machinery to a pulp mill in China, metal and mining equipment worldwide and water treatment technology in North America. Stabilizing commodity prices, evidenced by the recent strength in deeper cyclicals, leads us to believe that capital spending could materially pick up through 2004. GL&V would stand to benefit from higher activity levels associated with a global economic recovery.

ABC Funds

August 18, 2003

On February 9, GL&V reported solid third quarter results. The Company earned \$0.32 per share compared to \$0.11 per share the previous year. Excluding unusual charges, earnings per share increased to \$0.43 in 2003 from \$0.31 in 2002. Revenue increased 40.6% to reach \$146 million in the third quarter of the current fiscal year. Strength in the Company's Process Group, which includes Eimco, offset continued weakness in the Pulp and Paper Group.

GL&V has always had tremendous success with integrating its acquisitions and squeezing profits out of the new assets and technologies. Eimco allowed GL&V to diversify away from the challenges of the pulp and paper sector and significantly boost revenues. However, most analysts' initial expectations of the profitability of the division have had to be reduced over the past several quarters. Simply, Eimco's product mix has a lower gross margin than other segments of the Company. Although the acquisition was an excellent strategic decision, gross margins are unlikely to return to historic levels any time soon, especially if the Pulp and Paper Group remains under pressure.

As with many of our Value Favourites, liquidity can be an issue. When a thinly traded stock reaches 1.8 times book value, or

UPDATES (cont'd)

2.4 times tangible book value for whatever reason, our discipline forces us to reexamine our position. GL&V has been a great performer for us but on the back of the solid third quarter results we made the decision to sell all of our shares of Groupe Laperriere and Verreault.

ABC Funds

March 5, 2004