



**FIRST QUARTER
REPORT TO SHAREHOLDERS 2001**

1	2
3	4

RESULTS OF OPERATIONS

Net Sales

Sales for the three months to March 31, 2001 were \$186.6 million, which represents a decrease of \$19.2 million or 9.3% from the \$205.9 million achieved in the comparable period of last year. The slowing North American economy which resulted in weak business conditions in the final six months of last year continued to impact the Company in the first quarter of 2001 with all segments recording lower sales.

Sales of the Packaging segment, at \$95.9 million, were down \$8.1 million or 7.8% with weakness noted in all geographic areas. Metal Processing sales for the quarter were \$66.4 million, which is down 10.4% due primarily to lower sales of roll formed products. Distribution sales were \$24.4 million which is down \$3.5 million or 12.4% from last year with both the U.S. and Canadian operations contributing to the shortfall.

Earnings

Earnings before goodwill amortization for the first three months of 2001 were \$3.1 million or \$0.09 per share which represents a decrease of 62.8% from the \$8.3 million or \$0.24 per share earned last year. Net earnings for the quarter were \$2.7 million or \$0.08 per share compared to the \$7.9 million or \$0.23 per share achieved in the comparable quarter of last year.

Operating profits for the first quarter amounted to \$7.7 million which is \$7.3 million or 48.8% below last year.

The Packaging segment had profits of \$2.3 million which reflects a decrease of \$2.2 million or 48.3% from the \$4.5 million earned last year. Although there was a modest improvement in profit at the U.K. unit, overall Packaging earnings were down due to reduced demand for steel strapping in Canada and the continuing under-performance in the U.S. related primarily to plastic strapping activities. While the U.S. operation achieved savings in the quarter related to the December 2000 restructuring, the major benefits are not expected until the second half of 2001.

The Metal Processing segment generated profits of \$6.3 million which is 37.6% below the comparable quarter of last year. Earnings from roll formed products declined due to reduced demand from the railroad industry while profits from pickling operations were also down due to soft market conditions in the North American auto industry. Profits from the sale of stainless steel pipe and tube were higher due to improved margins on specialty pipe products.

Distribution earnings, at \$0.2 million, are substantially below the \$1.5 million earned in the comparable quarter last year and reflect soft market conditions at both the Canadian and U.S. units.

FINANCIAL CONDITION

Liquidity and Capital Resources

Cash flow before changes in non-cash working capital for the first quarter of 2001 amounted to \$10.4 million which is down \$4.4 million from \$14.8 million in the comparable quarter of last year. Overall cash flow from operating activities increased to \$14.0 million from \$11.1 million last year reflecting reduced requirements for non-cash working capital.

Cash used for investing activities at \$13.5 million is well above last year's \$3.4 million and is due to increased spending on fixed assets and business acquisitions. Cash flow from financing activities amounted to \$8.8 million in the quarter compared to an outflow of \$6.1 million last year. During the quarter, the Company spent \$0.6 million on the purchase of 103,100 shares under its Normal Course Issuer Bid compared to \$0.8 million last year. Dividends paid on common shares amounted to \$1.7 million in the quarter which is the same as last

year reflecting a dividend of \$0.05 per share. In aggregate, cash and cash equivalents increased by \$9.6 million compared to \$1.8 million last year with the improvement resulting from higher long-term borrowings.

Capital Expenditures

Capital expenditures in the three months to March 31, 2001 were \$10.9 million compared to \$3.7 million during the first quarter last year. Expenditures in the current quarter related primarily to the new pickling line at Nanticoke, Ontario and upgrades to plastic strapping machines in the United States.

Business Acquisition

On March 12, 2001, the acquisition of the business and assets of Surrey Wire Rope Ltd. ("Surrey") and Pearce Industries Ltd. ("Pearce") was completed at a cost of \$2.7 million. Surrey and Pearce based in Surrey, British Columbia, are involved in the distribution of wire rope products in British Columbia, Alberta and the U.S. Pacific Northwest and will complement the activities of the Company's Unalloy-IWRC Distribution unit.

Working Capital

Working capital at March 31, 2001 was \$171.3 million, an increase of \$12.2 million from the year-end position, with an increase in cash, receivables, inventories and prepaids, offset by higher payables. Overall, the working capital ratio of 2.2 remained unchanged from both the year-end position as well as the end of the first quarter last year.

Net Borrowings to Capitalization

The Company's net borrowings as at March 31, 2001 amounted to \$219.5 million, an increase of \$10.8 million from \$208.7 million at December 31, 2000. This increase reflects the higher spending on fixed assets and business acquisitions. The net debt to capitalization ratio at the end of the quarter increased to 49.6% compared to 48.5% at year end.

Normal Course Issuer Bid

Under the Company's Normal Course Issuer Bid 103,100 common shares of Samuel Manu-Tech Inc. were purchased during the quarter bringing the cumulative total under the Issuer Bid to 932,100 shares. The Issuer Bid approves the purchase for the Company of up to 1,713,277 common shares during the one-year period commencing August 19, 2000.

Outlook

Although difficult business conditions are expected to continue in the second quarter, the Company remains optimistic for improved performance in the second half of the year.



Mark C. Samuel
President and CEO

CONSOLIDATED BALANCE SHEETS

March 31, 2001 and December 31, 2000 (unaudited)
(thousands of dollars)

	March 31, 2001	Dec. 31, 2000
ASSETS		
CURRENT ASSETS:		
Cash and short-term deposits	\$ 16,330	\$ 7,009
Accounts receivable	116,711	114,405
Inventories	164,124	160,914
Prepaid expenses and sundry	3,892	3,607
Income taxes receivable	4,193	555
Future income taxes	9,207	9,343
	314,457	295,833
FIXED ASSETS	210,787	201,741
FUTURE INCOME TAXES	9,391	10,617
DEFERRED PENSION COSTS	4,407	4,372
INTANGIBLE ASSETS	42,795	42,535
	\$581,837	\$555,098
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Bank indebtedness	\$ 36,401	\$ 36,722
Accounts payable and accrued liabilities	92,466	86,329
Dividends payable	1,669	1,673
Current portion of long-term debt	12,610	11,996
	143,146	136,720
LONG-TERM DEBT	186,816	166,984
POST-RETIREMENT BENEFITS OTHER THAN PENSIONS	3,840	3,751
FUTURE INCOME TAXES	24,888	25,834
	358,690	333,289
SHAREHOLDERS' EQUITY:		
Capital stock	26,868	26,951
Retained earnings	190,080	189,552
Cumulative translation adjustment	6,199	5,306
	223,147	221,809
	\$581,837	\$555,098

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

Three Months ended March 31, 2001 and 2000 (unaudited)
(thousands of dollars)

	1ST QUARTER	
	2001	2000
RETAINED EARNINGS, BEGINNING OF PERIOD	\$189,552	\$193,957
CHANGE IN ACCOUNTING POLICY FOR INCOME TAXES	—	(10,004)
NET EARNINGS	2,699	7,883
DIVIDENDS PAID ON COMMON SHARES	(1,661)	(1,717)
SHARES PURCHASED AND CANCELLED	(510)	(732)
RETAINED EARNINGS, END OF PERIOD	\$190,080	\$189,387

See accompanying notes to consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENTS

Three Months ended March 31, 2001 and 2000 (unaudited)

(thousands of dollars)

	1ST QUARTER	
	2001	2000
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:		
Net Earnings	\$ 2,699	\$ 7,883
Items not involving cash:		
Depreciation and amortization	6,870	6,296
Goodwill amortization	484	592
Future income taxes	416	21
Decrease (increase) in deferred pension costs	(34)	120
Decrease in post-retirement benefits other than pensions	(72)	(125)
	10,363	14,787
Change in non-cash operating working capital:		
Increase in accounts receivable	(426)	(6,940)
Decrease (increase) in inventories	2,737	(4,672)
Increase in prepaid expenses and sundry	(224)	(207)
Decrease (increase) in income taxes receivable	(3,483)	1,935
Increase in accounts payable and accrued liabilities	4,988	6,174
	13,955	11,077
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:		
Proceeds on sale of fixed assets	76	313
Loss (gain) on disposal of fixed assets	12	(20)
Purchase of fixed assets and intangible assets	(10,877)	(3,725)
Business acquisition	(2,701)	—
	(13,490)	(3,432)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:		
Purchase of common shares	(593)	(828)
Increase in long-term debt	11,047	—
Repayment of long-term debt	—	(3,585)
Dividends paid on common shares	(1,661)	(1,717)
	8,793	(6,130)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	384	235
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	9,642	1,750
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	(29,713)	(9,525)
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ (20,071)	\$ (7,775)

Cash and cash equivalents is comprised of cash and short-term deposits less bank indebtedness.

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Three Months ended March 31, 2001 and 2000 (*unaudited*)
(*thousands of dollars*)

1. SIGNIFICANT ACCOUNTING POLICIES:

The unaudited consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada. These financial statements should be read in conjunction with the Company's audited annual financial statements for the year ended December 31, 2000. Effective January 1, 2001 the Company adopted the new recommendations of the CICA with respect to the calculation of earnings per share. The adoption of these recommendations had no effect on basic earnings per share, and the assumed exercise of outstanding stock options would not have a dilutive effect. All other accounting policies and methods of their application used in the interim financial statements are consistent with the Company's annual financial statements.

2. COMMON STOCK:

	March 31, 2001	Dec. 31, 2000
Number of common shares outstanding	33,197,840	33,300,940
Number of options outstanding	671,000	671,000

3. BUSINESS ACQUISITION:

Effective March 12, 2001, the Company acquired the net assets and business of Pearce Industries Ltd. and Surrey Wire Rope Ltd. This acquisition has been accounted for under the purchase method of accounting and the results of operations since the acquisition have been included in the consolidated statement of earnings. Details of the consideration given and the fair value of net assets acquired are as follows:

Cash consideration	\$2,701
Net assets acquired, at fair values:	
Inventories	\$2,369
Prepaid expenses	4
Fixed assets	412
Accounts payable	(84)
Net assets acquired	\$2,701



Over 50% recycled paper
including 25% post-
consumer fibre.

M - An official mark of Environment Canada

Printed in Canada

 **SAMUEL MANUTECH INC.**

185 The West Mall, Suite 1500, Toronto, Ontario M9C 5L5

Telephone: (416) 626-2190 Fax: (416) 626-5969

E-mail: smt@samuelmanutech.com

Web site: www.samuelmanutech.com
