SAMUEL MANU-TECH INC.

FIRST QUARTER
REPORT TO SHAREHOLDERS 2002

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Results of Operations

Net Sales

Sales for the three months to March 31, 2002 were $160.2 million, which represents a decrease of $26.4 million or 14.1% from the $186.6 million achieved in the comparable period of last year. The economic slowdown in North America which resulted in weak business conditions last year continued to impact the Company in the first quarter of 2002 with all segments recording lower sales.

Sales of the Packaging segment, at $78.4 million, were down $17.4 million or 18.2% with weakness noted in both Canada and the U.S. Loss of the sales from the U.K. unit which was sold effective November 21, 2001 accounted for approximately 83% of the decrease. Metal Processing sales for the quarter were $60.8 million, which is down 8.3% due to lower sales of roll formed products which more than offset increased sales of pickling and stainless steel tubular products. Distribution sales were $21.0 million which is down $3.5 million or 14.1% from last year due to lower sales in the U.S.

Earnings

Net earnings for the first three months of 2002 were $5.3 million or $0.16 per share compared to the $2.7 million or $0.08 per share achieved in the comparable quarter of last year.

Operating profit (earnings before interest and income taxes) for the first quarter amounted to $9.6 million which is $2.4 million or 32.9% above last year.

The first quarter results include a one-time gain of $1.5 million or $0.04 per share on the redemption of a portion of the senior notes as outlined in note 3 to these interim financial statements under Long-Term Debt.

The Packaging segment had profits of $3.7 million which reflects an increase of $1.8 million or 98.0% from the $1.9 million earned last year. The U.S. accounted for the majority of the increase with much improved results reflecting the continuing savings flowing from the recent restructuring and consolidation of production facilities.

The Metal Processing segment generated profits of $6.5 million which is 1.9% above the comparable quarter of last year. Earnings from pickling operations were up due to higher volumes reflecting improved market conditions in Canada and profits from the sale of stainless steel tubular products were also higher due to improved margins in automotive-related products. Earnings from roll formed products declined due to reduced demand from the railroad industry.

Within the Distribution segment there was an operating loss of $0.7 million which is substantially below the $0.2 million earned in the comparable quarter of last year and reflects soft market conditions at the U.S. unit.

Financial Condition

Liquidity and Capital Resources

Cash flow before changes in non-cash working capital for the first quarter of 2002 amounted to $12.9 million which is up $2.5 million from $10.4 million in the comparable quarter of last year. Overall cash flow from operating activities decreased to $10.3 million from $14.0 million last year reflecting increased requirements for non-cash working capital.

Cash used for investing activities at $2.2 million is well below last year’s $13.5 million and is due to decreased spending on fixed assets and business acquisitions. Cash flow used in financing activities amounted to $13.7 million in the quarter compared to an inflow of $8.8 million last year with the increased use of cash due to repayment of long-term debt. During the quarter, the Company spent $0.6 million on the purchase of 107,500 shares under its Normal Course Issuer Bid compared to $0.6 million last year. Dividends paid on common shares amounted to $1.0 million in the quarter reflecting a dividend of $0.03 per share compared to $1.7 million or $0.05 per share last year. In aggregate, the cash position decreased by $5.6 million compared to a $9.6 million increase last year as a result of repayment of long-term debt.

Capital Expenditures

Capital expenditures in the three months to March 31, 2002 were $2.3 million compared to $10.9 million during the first quarter last year. Expenditures in the current quarter related primarily to new and replacement machinery and equipment at all locations.

Working Capital

Working capital at March 31, 2002 was $135.1 million, a decrease of $4.0 million from the year-end position, with a decrease in cash and inventories, offset in part by an increase in receivables and higher payables. Overall, the working capital ratio of 2.4 remained unchanged from the year-end position but is above the end of the first quarter last year when it was 2.2.

Net Borrowings to Capitalization

The Company's net borrowings as at March 31, 2002 amounted to $154.3 million, a decrease of $6.3 million from $160.6 million at December 31, 2001. This decrease reflects the lower spending on fixed assets and business acquisitions. The net debt to capitalization ratio at the end of the quarter decreased to 41.9% compared to 43.2% at year end.

New Accounting Principles

Effective January 1, 2002, the Company adopted, on a prospective basis, the new recommendations of the CICA with respect to accounting for goodwill and other intangible assets and accounting for stock-based compensation and other stock-based payments. Full details of these new recommendations are outlined in note 1 to these interim financial statements under Significant Accounting Policies. The application of the new recommendations relating to goodwill and other intangible assets had the effect of increasing net earnings for the first quarter by $0.4 million. Adoption of the new recommendations relating to stock-based payments did not have any effect on the first quarter results.

Normal Course Issuer Bid

Under the Company's Normal Course Issuer Bid 107,500 common shares of Samuel Manu-Tech Inc. were purchased during the quarter bringing the cumulative total under the Issuer Bid to 480,995 shares. The Issuer Bid approves the purchase for the Company of up to 1,646,112 common shares during the one-year period commencing August 19, 2001.

Outlook

The Company is pleased with the performance for the first quarter and remains cautiously optimistic for the balance of the year but recognizes that this performance will be heavily influenced by the anticipated economic recovery.

Mark C. Samuel
President and CEO

Consolidated Statements of Earnings

Three Months ended March 31, 2002 and 2001 *(unaudited)*

(in thousands of dollars except per share amounts)

	1ST QUARTER	
	2002	2001
NET SALES	**$160,237**	$186,639
COSTS (INCOME) AND EXPENSES:		
Cost of sales, selling & administration	**143,472**	172,053
Depreciation and amortization	**7,156**	7,354
Interest on long-term debt	**2,137**	3,143
Interest on short-term debt	**67**	339
Interest income	**(25)**	(79)
	152,807	182,810
EARNINGS BEFORE INCOME TAXES	**7,430**	3,829
INCOME TAXES:		
Current	**1,510**	714
Future	**590**	416
	2,100	1,130
NET EARNINGS	**$ 5,330**	$ 2,699
BASIC AND DILUTED NET EARNINGS PER SHARE	**$ 0.16**	$ 0.08

See accompanying notes to consolidated financial statements.

Segmented Information

Three Months ended March 31, 2002 and 2001 *(unaudited)*

(in thousands of dollars)

	1ST QUARTER	
NET SALES	**2002**	2001
Packaging	**$ 78,443**	$ 95,857
Metal Processing	**60,826**	66,361
Distribution	**20,968**	24,421
Consolidated	**$160,237**	$186,639

	1ST QUARTER	
EARNINGS BEFORE INTEREST AND INCOME TAXES	**2002**	2001
Packaging	**$ 3,699**	$ 1,868
Metal Processing	**6,461**	6,341
Distribution	**(697)**	220
Corporate	**146**	(1,197)
Earnings before interest and income taxes	**9,609**	7,232
Interest on long-term debt	**2,137**	3,143
Interest on short-term debt	**67**	339
Interest income	**(25)**	(79)
Earnings before income taxes	**$ 7,430**	$ 3,829

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets

March 31, 2002 *(unaudited)* and December 31, 2001 *(audited)*

(in thousands of dollars)

	March 31, 2002	Dec. 31, 2001
ASSETS		
CURRENT ASSETS:		
Cash and short-term deposits	**$ 7,206**	$ 15,877
Accounts receivable	**95,403**	85,755
Inventories	**120,732**	123,906
Prepaid expenses and sundry	**3,004**	3,318
Income taxes receivable	**—**	—
Future income taxes	**8,113**	7,966
	234,458	236,822
FIXED ASSETS	**193,440**	197,831
FUTURE INCOME TAXES	**12,443**	13,230
DEFERRED PENSION COSTS	**343**	306
INTANGIBLE ASSETS, net of amortization	**33,832**	34,309
	$474,516	$482,498
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Bank indebtedness	**$ 8,635**	$ 11,673
Accounts payable and accrued liabilities	**72,049**	66,642
Dividends payable	**982**	984
Income taxes payable	**4,941**	5,698
Current portion of long-term debt	**12,754**	12,742
	99,361	97,739
LONG-TERM DEBT (note 3)	**140,115**	152,086
POST-RETIREMENT BENEFITS OTHER THAN PENSIONS	**3,269**	3,459
FUTURE INCOME TAXES	**17,958**	18,007
	260,703	271,291
SHAREHOLDERS' EQUITY:		
Capital stock (note 2)	**26,256**	26,343
Retained earnings	**179,053**	175,244
Cumulative translation adjustment	**8,504**	9,620
	213,813	211,207
	$474,516	$482,498

See accompanying notes to consolidated financial statements.

Consolidated Statements of Retained Earnings

Three Months ended March 31, 2002 and 2001 *(unaudited)*

(in thousands of dollars)

	1ST QUARTER	
	2002	2001
RETAINED EARNINGS, BEGINNING OF PERIOD	**$175,244**	$189,552
NET EARNINGS	**5,330**	2,699
DIVIDENDS PAID ON COMMON SHARES	**(973)**	(1,661)
SHARES PURCHASED AND CANCELLED	**(548)**	(510)
RETAINED EARNINGS, END OF PERIOD	**$179,053**	$190,080

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Three Months ended March 31, 2002 and 2001 *(unaudited)*

(in thousands of dollars)

	1ST QUARTER	
	2002	2001
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:		
Net Earnings	**$ 5,330**	$ 2,699
Items not involving cash:		
Depreciation and amortization	**7,156**	7,354
Loss on disposal of fixed assets	**8**	12
Future income taxes	**590**	416
Increase in deferred pension costs	**(37)**	(34)
Decrease in post-retirement benefits other than pensions	**(193)**	(72)
	12,854	10,375
Change in non-cash operating working capital:		
Increase in accounts receivable	**(10,184)**	(426)
Decrease in inventories	**3,041**	2,737
Decrease (increase) in prepaid expenses and sundry	**297**	(224)
Increase (decrease) in accounts payable and accrued liabilities	**5,076**	(3,483)
Increase (decrease) in income taxes payable	**(806)**	4,988
	10,278	13,967
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:		
Proceeds on sale of fixed assets	**49**	76
Purchase of fixed assets and intangible assets	**(2,252)**	(10,877)
Business acquisitions	**—**	(2,701)
	(2,203)	(13,502)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:		
Purchase of common shares	**(635)**	(593)
Increase in long-term debt	**26,532**	11,047
Repayment of long-term debt	**(38,635)**	—
Dividends paid on common shares	**(973)**	(1,661)
	(13,711)	8,793
EFFECT OF EXCHANGE RATE CHANGES ON CASH POSITION	**3**	384
INCREASE (DECREASE) IN CASH POSITION	**(5,633)**	9,642
CASH POSITION, BEGINNING OF PERIOD	**4,204**	(29,713)
CASH POSITION, END OF PERIOD	**$ (1,429)**	$ (20,071)

Cash position is comprised of cash and short-term deposits, with maturities at the date of purchase of three months or less, less bank indebtedness.

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Three Months ended March 31, 2002 and 2001 *(unaudited)*

(in thousands of dollars except per share amounts)

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, 2001. All accounting policies and methods of their application used in the interim financial statements are consistent with the Company's annual financial statements except as noted below.

Goodwill and Other Intangible Assets

Effective January 1, 2002 the Company adopted the new recommendations of the CICA with respect to goodwill and other intangible assets on a prospective basis. These recommendations require that goodwill and other intangible assets with indefinite lives ("intangible assets") no longer be amortized but instead be subjected to an annual impairment test to ensure that the carrying value of intangible assets does not exceed their fair value. If impairment of intangible assets is determined, an impairment loss will be recognized and intangible assets will be written down to their fair value. The application of the new recommendations had the effect of increasing net earnings for the quarter ended March 31, 2002 by $397 which represents goodwill amortization net of applicable taxes which would have been provided under the former recommendations. Had these new recommendations been applied in the quarter ended March 31, 2001, net earnings would have been increased by $401 to $3,100 or by $0.01 to $0.09 basic and diluted earnings per share.

Stock-based Compensation and Other Stock-based Payments

Effective January 1, 2002 the Company adopted the new recommendations of the CICA with respect to stock-based compensation and other stock-based payments on a prospective basis. The Company has a fixed stock option plan to which it applies the intrinsic value based method of accounting. The new standard permits the Company to continue its existing policy of not recording compensation cost on the grant of stock options to employees. Consideration paid by the employees on the exercise of stock options is recorded as capital stock. There have been no changes in the Company's fixed stock option plan since December 31, 2001 and no options were granted or exercised under the plan in the quarter ended March 31, 2002. The Company also provides a stock purchase plan to employees which is non-compensatory.

2. CAPITAL STOCK:

	March 31, 2002	Dec. 31, 2001
Number of common shares outstanding	**32,441,245**	32,548,745
Number of options outstanding	**691,000**	691,000

Weighted average number of shares:

	1ST QUARTER	
	2002	2001
Basic shares	**32,530,828**	33,281,423
Effect of dilutive stock options	**8,636**	3,277
Diluted shares	**32,539,464**	33,284,700

3. LONG-TERM DEBT:

On January 18, 2002 the Company redeemed U.S. $16,800 in senior notes resulting in a gain on extinguishment of Cdn. $1,518. This gain is included as part of cost of sales, selling and administration in the Consolidated Statements of Earnings and as part of Corporate in the Segmented Information. On the same date the Company drew U.S. $15,700 against its U.S. $20,000 non-revolving term facility maturing April 28, 2005. At the time of drawing on this facility, the Company entered into an interest rate swap agreement expiring April 28, 2005 which subjects the Company to a fixed rate of 4.545% on U.S. $13,000.

4. COMPARATIVE FIGURES:

The comparative figures for 2001 have been reclassified to conform to the financial statement presentation adopted in 2002 with respect to the amortization of goodwill and other intangible assets.

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