



**FIRST QUARTER
REPORT TO SHAREHOLDERS 2003**

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RESULTS OF OPERATIONS

Net Sales

Sales for the three months to March 31, 2003 were \$171.1 million, which represents an increase of \$10.9 million or 6.8% from the \$160.2 million achieved in the comparable period of last year. Despite the slowing North American economy and the difficult business conditions which continued to impact the Company in the first quarter of 2003, all segments except for Distribution recorded higher sales in the quarter compared to last year.

Sales of the Packaging segment, at \$82.0 million, were up \$3.6 million or 4.6% with the bulk of the increase coming in Canada. Metal Processing sales for the quarter were \$68.5 million, which is up 12.7% due to higher sales of roll formed products and stainless steel tubular products which more than offset decreased sales of steel pressure vessels and steel pickling sales which were relatively flat. Distribution sales were \$20.6 million which is down \$0.4 million or 1.9% from last year due to lower sales in both Canada and the U.S.

Earnings

Net earnings for the first three months of 2003 were \$2.6 million or \$0.08 per share compared to \$5.3 million or \$0.16 per share achieved in the comparable quarter of last year.

The first quarter results in 2002 included a one-time gain of \$1.5 million or \$0.04 per share on the redemption of a portion of the senior notes.

Operating profit (earnings before interest and income taxes) for the first quarter amounted to \$5.7 million which is \$3.9 million or 40.5% below last year.

The Packaging segment had profits of \$3.7 million which were equal to last year, with increases in Canada offset by reductions in the U.S.

The Metal Processing segment generated profits of \$5.8 million, which is 10.6% below the comparable quarter of last year. The major reason for the shortfall is a decline in earnings from steel pickling operations and stainless steel tubular products due to the slowdown in the North American automotive industry.

Within the Distribution segment there was an operating loss of \$2.4 million compared to a loss of \$0.7 million in the comparable quarter of last year which reflects continuing soft market conditions and depressed bar product prices in the U.S.

FINANCIAL CONDITION

Liquidity and Capital Resources

Cash flow before changes in non-cash working capital for the first quarter of 2003 amounted to \$9.8 million which is down \$3.1 million from \$12.9 million in the comparable quarter of last year. Overall cash flow used in operating activities was \$2.6 million compared to cash flow from operating activities of \$10.3 million last year reflecting reduced levels of profitability and increased requirements for non-cash working capital.

Cash used for investing activities at \$3.3 million is above last year's \$2.2 million and is due to increased spending on capital assets. Cash flow from financing activities amounted to \$2.0 million in the quarter compared to an outflow of \$13.7 million last year with the increased use of cash last year due to repayment of long-term debt. During the quarter, the Company incurred \$0.2 million on the purchase of 26,700 shares under its Normal Course Issuer Bid compared to \$0.6 million last year. Dividends paid on common shares

amounted to \$1.6 million in the quarter reflecting a dividend of \$0.05 per share compared to \$1.0 million or \$0.03 per share last year. In aggregate, the cash position decreased by \$3.9 million compared to a \$5.6 million decrease last year.

Capital Expenditures

Capital expenditures in the three months to March 31, 2003 were \$3.4 million compared to \$2.3 million during the first quarter last year. Expenditures in the current quarter related primarily to new and replacement machinery and equipment at all locations.

Business Acquisition

On April 7, 2003, the Company issued a press release announcing that it had finalized its Joint Venture Agreement with Sekisui Jushi of Japan to form a strategic joint venture, which will manufacture, sell and distribute polypropylene strapping in North America. Further details of this initiative are outlined in Subsequent Event Note 4 to these interim financial statements.

Working Capital

Working capital at March 31, 2003 was \$119.5 million, an increase of \$5.0 million from the year-end position, with a decrease in cash, inventories and prepaids more than offset by lower payables. Overall, the working capital ratio increased to 2.0 from the year-end position when it was 1.9 but was below the end of the first quarter last year when it was 2.4.

Net Borrowings to Capitalization

The Company's net borrowings as at March 31, 2003 amounted to \$118.7 million, a decrease of \$0.6 million from \$119.3 million at December 31, 2002. The net debt to capitalization ratio at the end of the quarter increased slightly to 34.4% compared to 34.2% at year-end but is below the end of the first quarter last year when it was 41.9%.

Normal Course Issuer Bid

Under the Company's Normal Course Issuer Bid 26,700 common shares of Samuel Manu-Tech Inc. were purchased during the quarter bringing the cumulative total under the Issuer Bid to 480,500 shares. The Issuer Bid approves the purchase for the Company of up to 1,618,997 common shares during the one-year period commencing August 19, 2002.

Outlook

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

Samuel Manu-Tech Inc. (SMT-TSX) produces and distributes a wide range of steel, plastic and related industrial products and services from locations in Canada and the United States.



Mark C. Samuel
President and CEO

CONSOLIDATED STATEMENTS OF EARNINGS

Three Months ended March 31, 2003 and 2002 (unaudited)

(in thousands of dollars except per share amounts)

	1ST QUARTER	
	2003	2002
NET SALES	\$171,137	\$160,237
COSTS (INCOME) AND EXPENSES:		
Cost of sales, selling & administration	158,053	143,492
Depreciation and amortization	6,893	7,156
Foreign exchange loss (gain)	472	(20)
Interest on long-term debt	2,093	2,137
Interest on short-term debt	35	67
Interest income	(5)	(25)
	167,541	152,807
EARNINGS BEFORE INCOME TAXES	3,596	7,430
INCOME TAXES:		
Current	592	1,510
Future	406	590
	998	2,100
NET EARNINGS	\$ 2,598	\$ 5,330
BASIC AND DILUTED EARNINGS PER SHARE	\$ 0.08	\$ 0.16

See accompanying notes to consolidated financial statements.

SEGMENTED INFORMATION

Three Months ended March 31, 2003 and 2002 (unaudited)

(in thousands of dollars)

	1ST QUARTER	
	2003	2002
NET SALES		
Packaging	\$ 82,015	\$ 78,443
Metal Processing	68,546	60,826
Distribution	20,576	20,968
Consolidated	\$171,137	\$160,237

	1ST QUARTER	
	2003	2002
EARNINGS BEFORE INTEREST AND INCOME TAXES		
Packaging	\$ 3,718	\$ 3,699
Metal Processing	5,777	6,461
Distribution	(2,359)	(697)
Corporate	(1,417)	146
Earnings before interest and income taxes	5,719	9,609
Interest on long-term debt	2,093	2,137
Interest on short-term debt	35	67
Interest income	(5)	(25)
Earnings before income taxes	\$ 3,596	\$ 7,430

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

March 31, 2003 (unaudited) and December 31, 2002 (audited)

(in thousands of dollars)

	March 31, 2003	Dec. 31, 2002
ASSETS		
CURRENT ASSETS:		
Cash and short-term deposits	\$ 2,635	\$ 4,742
Accounts receivable	101,441	99,602
Inventories	123,902	125,475
Prepaid expenses and sundry	2,640	3,108
Future income taxes	8,195	8,554
	238,813	241,481
CAPITAL ASSETS	173,943	182,231
FUTURE INCOME TAXES	9,628	9,869
INTANGIBLE ASSETS, net of amortization	30,218	32,134
	\$452,602	\$465,715
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Bank indebtedness	\$ 5,580	\$ 3,771
Accounts payable and accrued liabilities	78,025	84,815
Dividends payable	1,603	966
Income taxes payable	4,785	5,884
Current portion of long-term debt	29,356	31,552
	119,349	126,988
LONG-TERM DEBT (note 3)	86,357	88,670
ACCRUED PENSION OBLIGATION	533	330
POST-RETIREMENT BENEFITS OTHER THAN PENSIONS	2,509	2,802
FUTURE INCOME TAXES	17,615	17,809
	226,363	236,599
SHAREHOLDERS' EQUITY:		
Capital stock (note 2)	25,817	25,839
Retained earnings	195,186	194,356
Cumulative translation adjustment	5,236	8,921
	226,239	229,116
	\$452,602	\$465,715

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

Three Months ended March 31, 2003 and 2002 (unaudited)

(in thousands of dollars)

	1ST QUARTER	
	2003	2002
RETAINED EARNINGS, BEGINNING OF PERIOD	\$194,356	\$175,244
NET EARNINGS	2,598	5,330
DIVIDENDS PAID ON COMMON SHARES	(1,595)	(973)
SHARES PURCHASED AND CANCELLED	(173)	(548)
RETAINED EARNINGS, END OF PERIOD	\$195,186	\$179,053

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Three Months ended March 31, 2003 and 2002 (unaudited)

(in thousands of dollars)

	1ST QUARTER	
	2003	2002
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:		
Net Earnings	\$ 2,598	\$ 5,330
Items not involving cash:		
Depreciation and amortization	6,893	7,156
(Gain) loss on disposal of capital assets	(77)	8
Future income taxes	406	590
Increase in deferred pension costs	—	(37)
Increase in accrued pension obligation	179	—
Decrease in post-retirement benefits other than pensions	(152)	(193)
	9,847	12,854
Change in non-cash operating working capital:		
Increase in accounts receivable	(4,462)	(10,184)
Decrease (increase) in inventories	(2,798)	3,041
Decrease in prepaid expenses and sundry	358	297
Increase (decrease) in accounts payable and accrued liabilities	(4,668)	5,076
Decrease in income taxes payable	(859)	(806)
	(2,582)	10,278
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:		
Proceeds on sale of capital assets	68	49
Purchase of capital assets	(3,391)	(2,252)
	(3,323)	(2,203)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:		
Purchase of common shares	(195)	(635)
Increase in long-term debt	5,293	26,532
Repayment of long-term debt	(1,510)	(38,635)
Dividends paid on common shares	(1,595)	(973)
	1,993	(13,711)
EFFECT OF EXCHANGE RATE CHANGES ON CASH POSITION	(4)	3
DECREASE IN CASH POSITION	(3,916)	(5,633)
CASH POSITION, BEGINNING OF PERIOD	971	4,204
CASH POSITION, END OF PERIOD	\$ (2,945)	\$ (1,429)

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, 2003 and 2002 (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, 2002. All accounting policies and methods of their application used in the interim financial statements are consistent with the Company's annual financial statements.

2. CAPITAL STOCK:

	March 31, 2003	Dec. 31, 2002
Number of common shares outstanding	31,899,445	31,926,145
Number of options outstanding	868,500	868,500
Weighted average number of shares:		
	1ST QUARTER	
	2003	2002
Basic shares	31,921,695	32,530,828
Effect of dilutive stock options	70,807	8,636
Diluted shares	31,992,502	32,539,464

The Company applies the settlement method of accounting for stock options granted to employees and directors. Accordingly no compensation cost has been recognized for the stock option plan. The Company did not issue any stock options during the three months to March 31, 2003. Had compensation cost for the Company's stock option plan been determined on the fair value based method at the grant date for awards under the plan, the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below:

	1ST QUARTER
Net earnings as reported	\$2,598
Pro forma net earnings	\$2,582
Pro forma earnings per share	\$ 0.08

For the purposes of pro forma disclosures, the weighted average estimated fair value for the 177,500 stock options granted during the year ended December 31, 2002 was \$1.77 per share, with a total compensation cost of \$314, which is amortized to earnings over the options' vesting period.

3. LONG-TERM DEBT:

At the Company's option, a voluntary principal repayment of the senior notes, amounting to U.S. \$20 million, will be made on April 28, 2003. This payment is in addition to the required principal repayment of U.S. \$20 million, which is also due on April 28, 2003.

The Company has obtained a U.S. \$20 million revolving credit facility, which bears an interest rate based on LIBOR options plus stamping fees, maturing on April 28, 2006. As at March 31, 2003, the Company has not drawn upon this new U.S. \$20 million revolving credit facility, which brings the Company's total undrawn facility to CDN \$153,189.

4. SUBSEQUENT EVENT:

The Company finalized its Joint Venture Agreement with Sekisui Jushi of Japan, on April 4, 2003 to form a strategic joint venture, which will manufacture, sell and distribute polypropylene strapping in North America.

The Company's contribution into the joint venture will amount to an estimated U.S. \$5,300 in exchange for 50% ownership of the joint venture. The joint venture's operations will be proportionately consolidated into the Company's results.

The joint venture's commencement date is scheduled for the latter half of 2003, and will result in additional estimated costs of U.S. \$1,700 to cover facility closures, disposal of assets, severance and other related items.



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