



**SECOND QUARTER
REPORT TO SHAREHOLDERS 2002**

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RESULTS OF OPERATIONS

Net Sales

Sales for the six months to June 30, 2002 were \$332.7 million, which represents a decrease of \$43.9 million or 11.7% from the \$376.6 million achieved in the comparable period of last year, while second quarter sales at \$172.5 million, were \$17.5 million or 9.2% below last year. The economic slowdown in North America which resulted in weak business conditions last year and the first quarter of this year has continued to impact the Company in the second quarter albeit to a lesser degree. All segments recorded lower sales in the quarter compared to last year, however, compared to the first quarter of this year sales are up 7.6%.

Sales of the Packaging segment in the second quarter, at \$86.2 million, were down \$10.5 million or 10.8%. Excluding the sales from the U.K. unit, which was sold effective November 21, 2001, however, sales were actually up 3.6% with increased sales in both the U.S. and Canada. Metal Processing sales for the quarter were \$64.4 million, which is down \$3.5 million or 5.2% due primarily to lower sales of roll formed products. Distribution sales were \$21.9 million, which is \$3.5 million or 13.8% lower than last year due to reduced sales in the U.S.

Earnings

Net earnings for the six months to June 30, 2002 were \$12.1 million or \$0.37 per share compared to \$7.5 million or \$0.23 per share last year. Net earnings for the second quarter were \$6.8 million or \$0.21 per share, an increase of 40.9% over the \$4.8 million or \$0.15 per share earned last year. Compared to the first quarter of this year net earnings are up 27.7%.

Operating profit (earnings before interest and income taxes) for the second quarter amounted to \$12.3 million, which is \$2.1 million or 20.4% above the comparable quarter of last year. The Packaging segment had an operating profit of \$5.6 million, which is 41.3% above the \$3.9 million earned last year. Although results in both the U.S. and Canada improved, most of the Canadian increase resulted from higher sales and cost reductions. Compared to the first quarter of this year, operating profits for the Packaging segment increased by 50.4%.

The Metal Processing segment generated profits of \$8.3 million which is 5.4% 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 and pressure vessels were also higher. Earnings from roll formed products declined due to reduced demand from the railroad industry. Compared to the first quarter of this year, operating profits for the Metal Processing segment are up 27.7%.

Within the Distribution segment there was an operating loss of \$0.2 million compared to a loss of \$0.1 million in the comparable quarter of last year and reflects continuing soft market conditions in the U.S.

FINANCIAL CONDITION

Liquidity and Capital Resources

Cash flow before changes in non-cash working capital for the first six months of 2002 amounted to \$27.2 million which is up \$4.4 million from \$22.8 million in the comparable period of last year. Overall cash flow from operating activities increased to \$30.2 million from \$25.6 million last year reflecting decreased requirements for non-cash working capital.

Cash used for investing activities at \$4.5 million is well below last year's \$21.6 million and is due to decreased spending on fixed assets and business acquisitions. Cash flow used in financing activities amounted to \$31.1 million in the six months compared to \$8.8 million last year with the increased use of cash due to repayment of long-term debt. During the six months, the Company spent \$1.0 million on the purchase of 168,800 shares under its Normal Course Issuer Bid compared to \$2.1 million last year. Dividends paid on common shares for the six months amounted to \$1.9 million or \$0.06 per share compared to \$2.7 million or \$0.08 per share in the comparable period of last year, reflecting the reduction in the dividend rate from \$0.05 per share to \$0.03 per share

effective with the second quarter of last year. In aggregate, the cash position decreased by \$5.5 million compared to \$4.8 million last year.

Capital Expenditures

Capital expenditures in the six months to June 30, 2002 were \$4.7 million compared to \$19.0 million during the comparable period last year. Expenditures in the current six months related to new and replacement machinery and equipment at all locations.

Working Capital

Working capital at June 30, 2002 was \$109.2 million, a decrease of \$29.9 million from the year-end position due mainly to higher payables and an increase in the current portion of long-term debt which is offset by a corresponding reduction in long-term debt. Overall, the working capital ratio decreased to 1.9 from both the year-end position and the end of the first quarter this year when it was 2.4 and is also below the end of the second quarter last year when it was 2.2.

Net Borrowings to Capitalization

The Company's net borrowings as at June 30, 2002 amounted to \$131.3 million, a decrease of \$29.3 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 37.6% compared to 43.2% at year end and 48.5% at the end of the second quarter last year.

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 second quarter by \$0.4 million and by \$0.8 million for the first six months. In the second quarter, the Company completed the transitional goodwill impairment tests for its reporting units and determined that there were no goodwill impairments. Adoption of the new recommendations relating to stock-based payments did not have any effect on the first six months results.

Normal Course Issuer Bid

Under the Company's Normal Course Issuer Bid 168,800 common shares of Samuel Manu-Tech Inc. were purchased during the six months bringing the cumulative total under the Issuer Bid to 542,295 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

Although pleased with the performance for the first six months, the Company remains cautiously optimistic for the balance 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

Six Months ended June 30, 2002 and 2001 (unaudited)

(in thousands of dollars except per share amounts)

	2ND QUARTER		SIX MONTHS	
	2002	2001	2002	2001
NET SALES	\$172,477	\$189,964	\$332,714	\$376,603
COSTS (INCOME) AND EXPENSES:				
Cost of sales, selling & administration	153,112	172,432	296,584	344,485
Depreciation and amortization	7,111	7,351	14,267	14,705
Interest on long-term debt	2,335	3,069	4,472	6,212
Interest on short-term debt	32	255	99	594
Interest income	(20)	(45)	(45)	(124)
	162,570	183,062	315,377	365,872
EARNINGS BEFORE INCOME TAXES	9,907	6,902	17,337	10,731
INCOME TAXES:				
Current	2,438	1,653	3,948	2,367
Future	662	417	1,252	833
	3,100	2,070	5,200	3,200
NET EARNINGS	\$ 6,807	\$ 4,832	\$ 12,137	\$ 7,531
BASIC AND DILUTED NET EARNINGS PER SHARE	\$ 0.21	\$ 0.15	\$ 0.37	\$ 0.23

See accompanying notes to consolidated financial statements.

SEGMENTED INFORMATION

Six Months ended June 30, 2002 and 2001 (unaudited)

(in thousands of dollars)

	2ND QUARTER		SIX MONTHS	
	2002	2001	2002	2001
NET SALES				
Packaging	\$ 86,212	\$ 96,693	\$164,655	\$192,550
Metal Processing	64,370	67,882	125,196	134,243
Distribution	21,895	25,389	42,863	49,810
Consolidated	\$172,477	\$189,964	\$332,714	\$376,603

	2ND QUARTER		SIX MONTHS	
	2002	2001	2002	2001
EARNINGS BEFORE INTEREST AND INCOME TAXES				
Packaging	\$ 5,565	\$ 3,939	\$ 9,264	\$ 5,807
Metal Processing	8,252	7,829	14,713	14,170
Distribution	(247)	(79)	(944)	141
Corporate	(1,316)	(1,508)	(1,170)	(2,705)
Earnings before interest and income taxes	12,254	10,181	21,863	17,413
Interest on long-term debt	2,335	3,069	4,472	6,212
Interest on short-term debt	32	255	99	594
Interest income	(20)	(45)	(45)	(124)
Earnings before income taxes	\$ 9,907	\$ 6,902	\$ 17,337	\$ 10,731

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

June 30, 2002 (unaudited) and December 31, 2001 (audited)

(in thousands of dollars)

	June 30, 2002	Dec. 31, 2001
ASSETS		
CURRENT ASSETS:		
Cash and short-term deposits	\$ 2,803	\$ 15,877
Accounts receivable	101,668	85,755
Inventories	119,658	123,906
Prepaid expenses and sundry	2,197	3,318
Income taxes receivable	—	—
Future income taxes	8,260	7,966
	234,586	236,822
FIXED ASSETS	185,312	197,831
FUTURE INCOME TAXES	11,585	13,230
DEFERRED PENSION COSTS	255	306
INTANGIBLE ASSETS, net of amortization	32,184	34,309
	\$463,922	\$482,498
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Bank indebtedness	\$ 4,122	\$ 11,673
Accounts payable and accrued liabilities	85,122	66,642
Dividends payable	981	984
Income taxes payable	4,825	5,698
Current portion of long-term debt	30,324	12,742
	125,374	97,739
LONG-TERM DEBT (note 3)	99,666	152,086
POST-RETIREMENT BENEFITS OTHER THAN PENSIONS	2,873	3,459
FUTURE INCOME TAXES	17,908	18,007
	245,821	271,291
SHAREHOLDERS' EQUITY:		
Capital stock (note 2)	26,206	26,343
Retained earnings	184,551	175,244
Cumulative translation adjustment	7,344	9,620
	218,101	211,207
	\$463,922	\$482,498

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

Six Months ended June 30, 2002 and 2001 (unaudited)

(in thousands of dollars)

	2002	2001
RETAINED EARNINGS, BEGINNING OF PERIOD	\$175,244	\$189,552
NET EARNINGS	12,137	7,531
DIVIDENDS PAID ON COMMON SHARES	(1,945)	(2,651)
SHARES PURCHASED AND CANCELLED	(885)	(1,798)
RETAINED EARNINGS, END OF PERIOD	\$184,551	\$192,634

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Six Months ended June 30, 2002 and 2001 (unaudited)

(in thousands of dollars)

	2ND QUARTER		SIX MONTHS	
	2002	2001	2002	2001
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:				
Net Earnings	\$ 6,807	\$ 4,832	\$ 12,137	\$ 7,531
Items not involving cash:				
Depreciation and amortization	7,111	7,351	14,267	14,705
Loss (gain) on disposal of fixed assets	3	(24)	11	(12)
Future income taxes	662	417	1,252	833
Increase (decrease) in deferred pension costs	79	(52)	42	(86)
Decrease in post-retirement benefits other than pensions	(271)	(143)	(464)	(215)
	14,391	12,381	27,245	22,756
Change in non-cash operating working capital:				
Decrease (increase) in accounts receivable	(7,839)	350	(18,023)	(76)
Decrease (increase) in inventories	(1,671)	7,534	1,370	10,271
Decrease in prepaid expenses and sundry	769	718	1,066	494
Increase (decrease) in accounts payable and accrued liabilities	14,121	(11,008)	19,197	(6,020)
Increase (decrease) in income taxes payable	165	1,615	(641)	(1,868)
	19,936	11,590	30,214	25,557
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:				
Proceeds on sale of fixed assets	76	51	125	127
Purchase of fixed assets and intangible assets	(2,415)	(8,140)	(4,667)	(19,017)
Business acquisitions	—	—	—	(2,701)
	(2,339)	(8,089)	(4,542)	(21,591)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:				
Purchase of common shares	(387)	(1,499)	(1,022)	(2,092)
Increase in long-term debt	—	—	26,532	11,047
Repayment of long-term debt	(16,050)	(15,125)	(54,685)	(15,125)
Dividends paid on common shares	(972)	(990)	(1,945)	(2,651)
	(17,409)	(17,614)	(31,120)	(8,821)
EFFECT OF EXCHANGE RATE CHANGES ON CASH POSITION	(78)	(358)	(75)	26
INCREASE (DECREASE) IN CASH POSITION	110	(14,471)	(5,523)	(4,829)
CASH POSITION, BEGINNING OF PERIOD	(1,429)	(20,071)	4,204	(29,713)
CASH POSITION, END OF PERIOD	\$ (1,319)	\$ (34,542)	\$ (1,319)	\$ (34,542)

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

Six Months ended June 30, 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 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. An impairment loss is to be provided when the carrying amount of the intangible asset exceeds its fair value. The application of the new recommendations had the effect of increasing net earnings for the quarter ended June 30, 2002 by \$379 and \$776 for the six months ended June 30, 2002, which represents goodwill amortization, which would have been provided for under the former recommendations.

In the second quarter, the Company completed the transitional impairment tests for its reporting units and determined that there were no impairments. The Company has determined that none of its intangible assets other than goodwill have indefinite lives, and accordingly, continues to amortize such intangible assets over their estimated useful lives.

For the quarter ended June 30, 2001, amortization of goodwill was \$487. Had goodwill not been amortized, the basic and diluted earnings per share would have increased by \$0.01 to \$0.16 and net income would have been \$5,233. For the six months ended June 30, 2001, amortization of goodwill was \$971. Basic and diluted earnings per share would have increased by \$0.02 to \$0.25 had goodwill not been amortized and accordingly, net income would have been \$8,333.

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 and six month period ended June 30, 2002. The Company also provides a stock purchase plan to employees, which is non-compensatory.

2. CAPITAL STOCK:

	June 30, 2002	Dec. 31, 2001
Number of common shares outstanding	32,279,945	32,548,745
Number of options outstanding	691,000	691,000

Weighted average number of shares:

	2ND QUARTER		SIX MONTHS	
	2002	2001	2002	2001
Basic shares	32,410,595	33,154,457	32,470,712	33,217,940
Effect of dilutive stock options	43,267	6,579	28,225	7,308
Diluted shares	32,453,862	33,161,036	32,498,937	33,225,248

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 on 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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