SAMUEL MANU-TECH INC.

SECOND QUARTER
REPORT TO SHAREHOLDERS 2003

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Results of Operations

Net Sales

Sales for the six months to June 30, 2003 were $337.7 million, which represents an increase of $5.0 million or 1.5% from the $332.7 million achieved in the comparable period of last year, while second quarter sales at $166.6 million, were $5.9 million or 3.4% below last year. The slowing North American economy and the difficult business conditions which impacted the Company in the first quarter continued to impact the Company in the second quarter with all segments recording lower sales in the quarter compared to last year. Compared to the first quarter of this year sales are down 2.7% with only the Packaging segment posting increased sales levels.

Sales of the Packaging segment in the second quarter, at $85.0 million, were down $1.2 million or 1.4% with increases in Canada more than offset by decreases in the U.S. The decrease in the U.S. is due entirely to the change in the foreign exchange rate as a result of the continuing strengthening of the Canadian dollar compared to its U.S. counterpart. Metal Processing sales for the quarter were $62.8 million, which is down $1.6 million or 2.4% due primarily to lower sales of pickling as a result of slowdowns in the automotive sector. Distribution sales were $18.7 million, which is $3.2 million or 14.5% lower than last year due to reduced sales in the U.S. This has prompted management to further rationalize and downsize the U.S. operations in conjunction with the opening of an Atlanta call center.

Earnings

Net earnings for the six months to June 30, 2003 were $2.6 million or $0.08 per share compared to $12.1 million or $0.37 per share last year. Net earnings for the second quarter were at a breakeven level compared to $6.8 million or $0.21 per share earned last year.

Operating profit (earnings before interest and income taxes) for the second quarter amounted to $1.6 million, which is $10.7 million or 87.2% below the comparable quarter of last year. The Packaging segment had an operating profit of $1.6 million, which is 72.1% below the $5.6 million earned last year. Full provision has been made during the second quarter for the estimated costs to cover facility closures, disposal of assets, severance and other related items in conjunction with the new polypropylene strapping joint venture as outlined in Note 4 to these interim financial statements.

The Metal Processing segment generated profits of $2.9 million which is 65.3% below the comparable quarter of last year. Earnings from pickling operations were down due to lower volumes reflecting the slowdown in the automotive sector and profits from the sale of stainless steel tubular products, roll formed products and pressure vessels were also lower.

Within the Distribution segment there was an operating loss of $1.3 million compared to a loss of $0.2 million in the comparable quarter of last year reflecting continuing soft market conditions and depressed bar product prices, as well as providing for the costs related to the further rationalization of the business 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 2003 amounted to $17.0 million which is down $10.2 million from $27.2 million in the comparable period of last year. Overall cash flow from operating activities decreased to $14.7 million from $30.2 million last year reflecting reduced levels of profitability and increased requirements for non-cash working capital.

Cash used for investing activities at $7.5 million is above last year's $4.5 million and is due to increased spending on capital assets. Cash flow used in financing activities amounted to $9.8 million in the six months compared to $31.1 million last year with the increased use of cash last year due to repayment of long-term debt. During the six months, the Company spent $0.9 million on the purchase of 118,500 shares under its Normal Course Issuer Bid compared to $1.0 million last year. Dividends paid on common shares for the six months amounted to $3.2 million or $0.10 per share compared to $1.9 million or $0.06 per share in the comparable period of last year, reflecting the increase in the dividend rate from $0.03 per share to $0.05 per share effective with the first quarter of this year. In aggregate, the cash position decreased by $2.9 million compared to $5.5 million last year.

Capital Expenditures

Capital expenditures in the six months to June 30, 2003 were $7.7 million compared to $4.7 million during the comparable period last year. Expenditures in the current six months related 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 Joint Venture Note 4 to these interim financial statements.

Working Capital

Working capital at June 30, 2003 was $108.6 million, a decrease of $5.9 million from the year-end position due mainly to lower inventories and receivables offset in part by lower income taxes payable and the current portion of long-term debt. Overall, the working capital ratio remained unchanged from both the year-end position and the end of the second quarter last year at 1.9 but slightly below the end of the first quarter this year when it was 2.0.

Net Borrowings to Capitalization

The Company's net borrowings as at June 30, 2003 amounted to $100.2 million, a decrease of $19.1 million from $119.3 million at December 31, 2002. The net debt to capitalization ratio at the end of the quarter decreased to 31.3% compared to 34.2% at year-end and 37.6% at the end of the second quarter last year.

Normal Course Issuer Bid

Under the Company's Normal Course Issuer Bid 118,500 common shares of Samuel Manu-Tech Inc. were purchased during the six months bringing the cumulative total under the Issuer Bid to 572,300 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 experiencing improving conditions in certain areas, the Company has taken and will continue to take all appropriate steps to protect itself against the difficult business conditions which are expected to continue 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

July 25, 2003

Consolidated Statements of Earnings

Six Months ended June 30, 2003 and 2002 *(unaudited)*

(in thousands of dollars except per share amounts)

	2ND QUARTER		SIX MONTHS	
	2003	2002	**2003**	2002
NET SALES	**$166,551**	$172,477	**$337,688**	$332,714
COSTS (INCOME) AND EXPENSES:				
Cost of sales, selling & administration	**157,143**	152,636	**315,196**	296,127
Depreciation and amortization	**6,734**	7,111	**13,627**	14,267
Foreign exchange loss (gain)	**1,106**	476	**1,578**	457
Interest on long-term debt	**1,561**	2,335	**3,654**	4,472
Interest on short-term debt	**41**	32	**76**	99
Interest income	**(56)**	(20)	**(61)**	(45)
	166,529	162,570	**334,070**	315,377
EARNINGS BEFORE INCOME TAXES	**22**	9,907	**3,618**	17,337
INCOME TAXES:				
Current	**600**	2,438	**1,192**	3,948
Future	**(594)**	662	**(188)**	1,252
	6	3,100	**1,004**	5,200
NET EARNINGS	**$ 16**	$ 6,807	**$ 2,614**	$ 12,137
BASIC AND DILUTED EARNINGS PER SHARE	**$ —**	$ 0.21	**$ 0.08**	$ 0.37

See accompanying notes to consolidated financial statements.

Segmented Information

Six Months ended June 30, 2003 and 2002 *(unaudited)*

(in thousands of dollars)

	2ND QUARTER		SIX MONTHS	
NET SALES	**2003**	2002	**2003**	2002
Packaging	**$ 85,018**	$ 86,212	**$167,033**	$164,655
Metal Processing	**62,817**	64,370	**131,363**	125,196
Distribution	**18,716**	21,895	**39,292**	42,863
Consolidated	**$166,551**	$172,477	**$337,688**	$332,714

	2ND QUARTER		SIX MONTHS	
EARNINGS BEFORE INTEREST AND INCOME TAXES	**2003**	2002	**2003**	2002
Packaging	**$ 1,551**	$ 5,565	**$ 5,269**	$ 9,264
Metal Processing	**2,862**	8,252	**8,639**	14,713
Distribution	**(1,282)**	(247)	**(3,641)**	(944)
Corporate	**(1,563)**	(1,316)	**(2,980)**	(1,170)
Earnings before interest and income taxes	**1,568**	12,254	**7,287**	21,863
Interest on long-term debt	**1,561**	2,335	**3,654**	4,472
Interest on short-term debt	**41**	32	**76**	99
Interest income	**(56)**	(20)	**(61)**	(45)
Earnings before income taxes	**$ 22**	$ 9,907	**$ 3,618**	$ 17,337

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets

June 30, 2003 *(unaudited)* and December 31, 2002 *(audited)*

(in thousands of dollars)

	June 30, 2003	Dec. 31, 2002
ASSETS		
CURRENT ASSETS:		
Cash and short-term deposits	**$ 2,706**	$ 4,742
Accounts receivable	**97,566**	99,602
Inventories	**115,553**	125,475
Prepaid expenses and sundry	**3,754**	3,108
Future income taxes	**7,836**	8,554
	227,415	241,481
CAPITAL ASSETS	**165,831**	182,231
FUTURE INCOME TAXES	**9,387**	9,869
INTANGIBLE ASSETS, net of amortization	**28,225**	32,134
	$430,858	$465,715
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Bank indebtedness	**$ 4,592**	$ 3,771
Accounts payable and accrued liabilities	**85,707**	84,815
Dividends payable	**1,601**	966
Income taxes payable	**1,064**	5,884
Current portion of long-term debt	**25,872**	31,552
	118,836	126,988
LONG-TERM DEBT (note 3)	**72,476**	88,670
ACCRUED PENSION OBLIGATION	**827**	330
POST-RETIREMENT BENEFITS OTHER THAN PENSIONS	**2,261**	2,802
FUTURE INCOME TAXES	**16,421**	17,809
	210,821	236,599
SHAREHOLDERS' EQUITY:		
Capital stock (note 2)	**25,743**	25,839
Retained earnings	**193,020**	194,356
Cumulative translation adjustment	**1,274**	8,921
	220,037	229,116
	$430,858	$465,715

See accompanying notes to consolidated financial statements.

Consolidated Statements of Retained Earnings

Six Months ended June 30, 2003 and 2002 *(unaudited)*

(in thousands of dollars)

	2003	2002
RETAINED EARNINGS, BEGINNING OF PERIOD	**$194,356**	$175,244
NET EARNINGS	**2,614**	12,137
DIVIDENDS PAID ON COMMON SHARES	**(3,186)**	(1,945)
SHARES PURCHASED AND CANCELLED	**(764)**	(885)
RETAINED EARNINGS, END OF PERIOD	**$193,020**	$184,551

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Six Months ended June 30, 2003 and 2002 *(unaudited)*

(in thousands of dollars)

	2ND QUARTER		SIX MONTHS	
	2003	2002	**2003**	2002
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:				
Net Earnings	**$ 16**	$ 6,807	**$ 2,614**	$ 12,137
Items not involving cash:				
Depreciation and amortization	**6,734**	7,111	**13,627**	14,267
Loss on disposal of capital assets	**808**	3	**731**	11
Future income taxes	**(594)**	662	**(188)**	1,252
Increase in deferred pension costs	**—**	79	**—**	42
Increase in accrued pension obligation	**270**	—	**449**	—
Decrease in post-retirement benefits other than pensions	**(100)**	(271)	**(252)**	(464)
	7,134	14,391	**16,981**	27,245
Change in non-cash operating working capital:				
Decrease (increase) in accounts receivable	**1,151**	(7,839)	**(3,311)**	(18,023)
Decrease (increase) in inventories	**4,091**	(1,671)	**1,293**	1,370
Decrease (increase) in prepaid expenses and sundry	**(1,227)**	769	**(869)**	1,066
Increase in accounts payable and accrued liabilities	**9,672**	14,121	**5,004**	19,197
Increase (decrease) in income taxes payable	**(3,555)**	165	**(4,414)**	(641)
	17,266	19,936	**14,684**	30,214
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:				
Proceeds on sale of capital assets	**151**	76	**219**	125
Purchase of capital assets	**(4,354)**	(2,415)	**(7,745)**	(4,667)
	(4,203)	(2,339)	**(7,526)**	(4,542)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:				
Purchase of common shares	**(665)**	(387)	**(860)**	(1,022)
Increase in long-term debt	**47,130**	—	**52,423**	26,532
Repayment of long-term debt	**(56,654)**	(16,050)	**(58,164)**	(54,685)
Dividends paid on common shares	**(1,591)**	(972)	**(3,186)**	(1,945)
	(11,780)	(17,409)	**(9,787)**	(31,120)
EFFECT OF EXCHANGE RATE CHANGES ON CASH POSITION	**(224)**	(78)	**(228)**	(75)
INCREASE (DECREASE) IN CASH POSITION	**1,059**	110	**(2,857)**	(5,523)
CASH POSITION, BEGINNING OF PERIOD	**(2,945)**	(1,429)	**971**	4,204
CASH POSITION, END OF PERIOD	**$ (1,886)**	$ (1,319)	**$ (1,886)**	$ (1,319)

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, 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:

	June 30, 2003	Dec. 31, 2002
Number of common shares outstanding	**31,807,645**	31,926,145
Number of options outstanding	**868,500**	868,500

Weighted average number of shares:

	2ND QUARTER		SIX MONTHS	
	2003	2002	**2003**	2002
Basic shares	**31,878,113**	32,410,595	**31,899,904**	32,470,712
Effect of dilutive stock options	**81,809**	43,267	**76,481**	28,225
Diluted shares	**31,959,922**	32,453,862	**31,976,385**	32,498,937

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 or six months ended June 30, 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:

	2ND QUARTER	SIX MONTHS
Net earnings as reported	$16	$2,614
Pro forma net earnings	—	2,598
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, was made on April 28, 2003. This payment was in addition to the required principal repayment of U.S. $20 million, which was 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.

4. JOINT VENTURE:

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 have been proportionately consolidated into the Company's results.

The joint venture's commencement date is scheduled for the latter half of 2003, and has resulted in additional estimated costs of U.S. $1,700, which covers facility closures, disposal of assets, severance and other related items.

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