



**THIRD QUARTER
REPORT TO SHAREHOLDERS 2001**

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RESULTS OF OPERATIONS

Net Sales

Sales for the nine months to September 30, 2001 were \$559.2 million, which represents a decrease of \$60.1 million or 9.7% from the \$619.3 million achieved in the comparable period of last year, while third quarter sales, at \$182.5 million, were \$20.5 million or 10.1% below last year. The slowing North American economy which resulted in weak business conditions in the first six months of this year has continued to negatively impact the Company in the third quarter. All segments recorded lower sales in the quarter compared to last year as well as compared to the second quarter of this year.

Sales of the Packaging segment in the third quarter, at \$92.9 million, were down \$7.9 million or 7.8% with weakness noted in all geographic areas. Metal Processing sales for the quarter were \$66.4 million, which is down \$11.2 million or 14.4% due primarily to lower sales of roll formed products. Distribution sales, at \$23.3 million were down \$1.5 million or 5.9% compared to last year due to lower sales in the U.S.

Earnings

Earnings before goodwill amortization for the first nine months of 2001 were \$13.2 million or \$0.40 per share, which represents a decrease of 49.4% from the \$26.0 million or \$0.76 per share earned last year. Net earnings for the nine months to September 30, 2001 were \$11.9 million or \$0.36 per share compared to \$24.6 million or \$0.72 per share last year. For the third quarter, earnings before goodwill amortization were \$4.8 million or \$0.15 per share, which represents a decrease of 42.5% from the \$8.4 million or \$0.25 earned last year. Net earnings for the third quarter were \$4.4 million or \$0.13 per share, a decrease of 44.1% from \$7.9 million or \$0.23 per share earned last year. Compared to the second quarter of this year, net earnings are down 8.6%.

Operating profit (earnings before interest, income taxes and goodwill amortization) for the third quarter amounted to \$9.6 million which is \$4.8 million or 33.1% below the comparable quarter of last year. The Packaging segment had operating profit of \$5.0 million which is 15.8% higher than the \$4.3 million earned last year. The U.S. accounted for the increase with much improved results as additional savings related to last year's restructuring are realized. Compared to the second quarter of this year, operating profits for the Packaging segment increased by 13.6%.

The Metal Processing segment generated an operating profit of \$6.6 million which is 38.1% below the comparable quarter of last year. The major reason for the shortfall is a decline in earnings from roll formed products due to reduced demand from the railroad industry. Earnings from pickling operations also declined due to the continuing slowdown in the North American auto industry. Compared to the second quarter of this year, operating profits for the Metal Processing segment are down 15.3%.

Within the Distribution segment there was an operating loss of \$0.8 million which is substantially below the \$0.5 million earned in the comparable quarter last year and also higher than the \$0.1 million loss in the second quarter this year reflecting the continuing soft market conditions in both Canada and the U.S.

FINANCIAL CONDITION

Liquidity and Capital Resources

Cash flow before changes in non-cash operating working capital for the first nine months of 2001 amounted to \$34.8 million which is down \$10.7 million from \$45.5 million in the comparable period of last year. Overall cash flow from operating activities increased to \$49.3 million from \$29.8 million last year reflecting reduced requirements for non-cash operating working capital.

Cash used in investing activities at \$28.9 million is well below last year's \$42.8 million and is due to decreased spending on business acquisitions. Cash used for financing activities amounted to \$0.8 million in the nine months compared to \$5.4 million last year. During the nine months, the Company spent \$4.2 million on the purchase of 738,695 shares under its Normal Course Issuer Bid compared to \$3.0 million last year. Dividends paid on common shares for the nine months were \$3.6 million or \$0.11 per share compared to \$5.1 million or \$0.15 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 this year. This reduction was in response to the continued softness in the Company's earnings in the current year.

Capital Expenditures

Capital expenditures in the nine months to September 2001 were \$26.4 million compared to \$17.6 million during the comparable period last year. Expenditures in the current nine months relate primarily to the new pickling line expansion at Nanticoke, Ontario, which was commissioned on schedule in September, and various equipment purchases and upgrades in Canada and the U.S.

Working Capital

Working capital at September 30, 2001 was \$170.4 million, an increase of \$11.3 million from the year-end position, due mainly to lower bank indebtedness and accounts payable offset in part by inventories which have decreased by \$17.5 million. Overall, the working capital ratio increased to 2.5 from both the year-end position and the end of the third quarter last year when it was 2.2 and 2.0 respectively.

Net Borrowings to Capitalization

The Company's net borrowings as at September 30, 2001 amounted to \$205.2 million, a decrease of \$3.5 million from \$208.7 million at December 31, 2000 and is attributable in part to the reduced investment in inventory. The net debt to capitalization ratio at the end of the quarter decreased to 47.4% from 48.5% at year-end.

Normal Course Issuer Bid

On August 16, 2001, the Company issued a press release announcing that it had filed with The Toronto Stock Exchange a notice of intention to make a Normal Course Issuer Bid for its Common Shares. The Company is entitled to purchase up to 1,646,112 Common Shares of Samuel Manu-Tech Inc. during the one-year period commencing August 19, 2001. For the quarter ended September 30, 2001, 375,295 shares were purchased under the current issuer bid as well as the Company's previous issuer bid which expired August 18, 2001.

Outlook

It is expected that the weak business conditions in many of the markets served by the Company will continue. Market activity has continued to weaken and in light of recent world events the Company foresees further pressures on sales and profits through the remainder of this year and into the next.



Mark C. Samuel
President and CEO

CONSOLIDATED STATEMENTS OF EARNINGS

Nine Months ended September 30, 2001 and 2000 (unaudited)

(thousands of dollars except per share amounts)

	3RD QUARTER		NINE MONTHS	
	2001	2000	2001	2000
NET SALES	\$182,549	\$203,038	\$559,152	\$619,287
COSTS (INCOME) AND EXPENSES:				
Cost of sales, selling & administration	166,037	181,712	510,522	554,029
Depreciation and amortization	6,898	6,946	20,632	19,862
Interest on long-term debt	2,868	3,131	9,080	8,784
Interest on short-term debt	91	450	685	1,107
Interest income	—	(92)	(124)	(259)
	175,894	192,147	540,795	583,523
EARNINGS BEFORE INCOME TAXES AND GOODWILL AMORTIZATION	6,655	10,891	18,357	35,764
INCOME TAXES:				
Current	1,418	2,729	3,954	9,887
Future	416	(229)	1,249	(137)
	1,834	2,500	5,203	9,750
EARNINGS BEFORE GOODWILL AMORTIZATION	4,821	8,391	13,154	26,014
GOODWILL AMORTIZATION, net of income taxes	403	491	1,205	1,429
NET EARNINGS	\$ 4,418	\$ 7,900	\$ 11,949	\$ 24,585
BASIC AND DILUTED EARNINGS PER SHARE BEFORE GOODWILL AMORTIZATION	\$ 0.15	\$ 0.25	\$ 0.40	\$ 0.76
BASIC AND DILUTED EARNINGS PER SHARE	\$ 0.13	\$ 0.23	\$ 0.36	\$ 0.72

See accompanying notes to consolidated financial statements.

SEGMENTED INFORMATION

Nine Months ended September 30, 2001 and 2000 (unaudited)

(thousands of dollars)

	3RD QUARTER		NINE MONTHS	
	2001	2000	2001	2000
NET SALES				
Packaging	\$ 92,919	\$100,790	\$285,469	\$312,460
Metal Processing	66,363	77,521	200,606	229,070
Distribution	23,267	24,727	73,077	77,757
Consolidated	\$182,549	\$203,038	\$559,152	\$619,287
	3RD QUARTER		NINE MONTHS	
EARNINGS BEFORE INTEREST, INCOME TAXES AND GOODWILL AMORTIZATION	2001	2000	2001	2000
Packaging	\$ 5,022	\$ 4,338	\$ 11,788	\$ 13,713
Metal Processing	6,639	10,722	20,821	31,981
Distribution	(758)	545	(617)	2,854
Corporate	(1,289)	(1,225)	(3,994)	(3,152)
Earnings before interest, income taxes and goodwill amortization	9,614	14,380	27,998	45,396
Interest on long-term debt	2,868	3,131	9,080	8,784
Interest on short-term debt	91	450	685	1,107
Interest income	—	(92)	(124)	(259)
Earnings before income taxes and goodwill amortization	\$ 6,655	\$ 10,891	\$ 18,357	\$ 35,764

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

September 30, 2001 (*unaudited*) and December 31, 2000 (*audited*)

(*thousands of dollars*)

	Sept. 30, 2001	Dec. 31, 2000
ASSETS		
CURRENT ASSETS:		
Cash and short-term deposits	\$ 9,142	\$ 7,009
Accounts receivable	115,701	114,405
Inventories	143,391	160,914
Prepaid expenses and sundry	3,197	3,607
Income taxes receivable	3,287	555
Future income taxes	8,935	9,343
	283,653	295,833
FIXED ASSETS	213,955	201,741
FUTURE INCOME TAXES	6,938	10,617
DEFERRED PENSION COSTS	4,691	4,372
INTANGIBLE ASSETS	41,168	42,535
	\$550,405	\$555,098
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Bank indebtedness	\$ 19,189	\$ 36,722
Accounts payable and accrued liabilities	80,487	86,329
Dividends payable	985	1,673
Current portion of long-term debt	12,628	11,996
	113,289	136,720
LONG-TERM DEBT	182,542	166,984
POST-RETIREMENT BENEFITS OTHER THAN PENSIONS	3,582	3,751
FUTURE INCOME TAXES	22,996	25,834
	322,409	333,289
SHAREHOLDERS' EQUITY:		
Capital stock	26,354	26,951
Retained earnings	194,289	189,552
Cumulative translation adjustment	7,353	5,306
	227,996	221,809
	\$550,405	\$555,098

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

Nine Months ended September 30, 2001 and 2000 (*unaudited*)

(*thousands of dollars*)

	2001	2000
RETAINED EARNINGS, BEGINNING OF PERIOD	\$189,552	\$193,957
CHANGE IN ACCOUNTING POLICY FOR INCOME TAXES	—	(10,004)
NET EARNINGS	11,949	24,585
DIVIDENDS PAID ON COMMON SHARES	(3,628)	(5,129)
SHARES PURCHASED AND CANCELLED	(3,584)	(2,645)
RETAINED EARNINGS, END OF PERIOD	\$194,289	\$200,764

See accompanying notes to consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENTS

Nine Months ended September 30, 2001 and 2000 (unaudited)

(thousands of dollars)

	3RD QUARTER		NINE MONTHS	
	2001	2000	2001	2000
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:				
Net Earnings	\$ 4,418	\$ 7,900	\$ 11,949	\$ 24,585
Items not involving cash:				
Depreciation and amortization	6,898	6,946	20,632	19,862
Goodwill amortization	487	591	1,458	1,779
Future income taxes	416	(229)	1,249	(137)
Increase in deferred pension costs	(38)	(248)	(124)	(255)
Decrease in post-retirement benefits other than pensions	(114)	(129)	(329)	(323)
	12,067	14,831	34,835	45,511
Change in non-cash operating working capital:				
Decrease (increase) in accounts receivable	1,043	541	967	(10,062)
Decrease (increase) in inventories	13,646	2,237	23,917	(9,423)
Decrease (increase) in prepaid expenses and sundry	(18)	(565)	476	(136)
Increase in income taxes receivable	(843)	(2,006)	(2,711)	(1,466)
Increase (decrease) in accounts payable and accrued liabilities	(2,200)	(2,825)	(8,220)	5,336
	23,695	12,213	49,264	29,760
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:				
Proceeds on sale of fixed assets	6	882	133	1,324
Loss on disposal of fixed assets	67	361	55	283
Purchase of fixed assets and intangible assets	(7,335)	(7,937)	(26,352)	(17,564)
Business acquisition	—	—	(2,701)	(26,886)
	(7,262)	(6,694)	(28,865)	(42,843)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:				
Purchase of common shares	(2,089)	(1,774)	(4,181)	(3,019)
Increase in long-term debt	11,084	—	22,131	17,136
Repayment of long-term debt	—	(5,321)	(15,125)	(14,357)
Dividends paid on common shares	(977)	(1,699)	(3,628)	(5,129)
	8,018	(8,794)	(803)	(5,369)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS				
	44	(1,851)	70	(549)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	24,495	(5,126)	19,666	(19,001)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	(34,542)	(23,400)	(29,713)	(9,525)
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ (10,047)	\$ (28,526)	\$ (10,047)	\$ (28,526)

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

Nine Months ended September 30, 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:

	Sept. 30, 2001	Dec. 31, 2000
Number of common shares outstanding	32,562,245	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



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