SAMUEL MANU-TECH INC.

THIRD QUARTER
REPORT TO SHAREHOLDERS 2002

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Results of Operations

Net Sales

Sales for the nine months to September 30, 2002 were $512.0 million, which represents a decrease of $47.2 million or 8.4% from the $559.2 million achieved in the comparable period of last year, while third quarter sales at $179.3 million, were $3.3 million or 1.8% below last year. The economic slowdown in North America which resulted in weak business conditions last year and the first half of this year has continued to impact some segments of the Company in the third quarter. All segments except for Metal Processing recorded lower sales in the quarter compared to last year, however, compared to the first and second quarters of this year sales are up 11.9% and 3.9% respectively.

Sales of the Packaging segment in the third quarter, at $88.1 million, were down $4.9 million or 5.2%. Excluding the sales from the U.K. unit, which was sold effective November 21, 2001, however, sales were actually up 10.3% with increased sales in both the U.S. and Canada. Metal Processing sales for the quarter were $69.8 million, which is up $3.4 million or 5.1% due primarily to higher steel pickling sales. Distribution sales were $21.5 million, which is $1.8 million or 7.8% lower than last year due to reduced sales in the U.S.

Earnings

Net earnings for the nine months to September 30, 2002 were $20.2 million or $0.62 per share compared to $11.9 million or $0.36 per share last year. Net earnings for the third quarter were $8.1 million or $0.25 per share, an increase of 83.6% over the $4.4 million or $0.13 per share earned last year. Compared to the second quarter of this year net earnings are up 19.2%.

Operating profit (earnings before interest and income taxes) for the third quarter amounted to $13.1 million, which is $4.0 million or 43.3% above the comparable quarter of last year. The Packaging segment had an operating profit of $7.1 million, which is 56.6% above the $4.5 million earned last year with both the U.S. and Canada posting improved results. Compared to the second quarter of this year, operating profits for the Packaging segment increased by 27.7%.

The Metal Processing segment generated profits of $8.9 million which is 33.8% above the comparable quarter of last year. Earnings from pickling operations were up due to higher volumes reflecting improved market conditions in both Canada and the U.S. Earnings from roll formed products declined due to reduced demand from the railroad industry and profits from the sale of stainless steel tubular products and pressure vessels were also lower. Compared to the second quarter of this year, operating profits for the Metal Processing segment are up 7.5%.

Within the Distribution segment there was an operating loss of $1.0 million compared to a loss of $0.8 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 nine months of 2002 amounted to $42.7 million which is up $7.8 million from $34.9 million in the comparable period of last year. Overall cash flow from operating activities decreased to $42.7 million from $49.3 million last year reflecting increased requirements for non-cash working capital.

Cash used for investing activities at $7.2 million is well below last year's $28.9 million and is due to decreased spending on fixed assets and business acquisitions. Cash flow used in financing activities amounted to $43.0 million in the nine months compared to $0.8 million last year with the increased use of cash due to repayment of long-term debt.

During the nine months, the Company spent $3.0 million on the purchase of 429,200 shares under its Normal Course Issuer Bid compared to $4.2 million last year. Dividends paid on common shares for the nine months amounted to $2.9 million or $0.09 per share compared to $3.6 million or $0.11 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 $7.8 million compared to an increase of $19.7 million last year.

Capital Expenditures

Capital expenditures in the nine months to September 30, 2002 were $7.4 million compared to $26.4 million during the comparable period last year. Expenditures in the current nine months related to new and replacement machinery and equipment at all locations.

Working Capital

Working capital at September 30, 2002 was $112.0 million, a decrease of $27.1 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 third quarter last year when it was 2.4 and 2.5 respectively.

Net Borrowings to Capitalization

The Company's net borrowings as at September 30, 2002 amounted to $130.3 million, a decrease of $30.3 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 36.7% compared to 43.2% at year end and 47.4% at the end of the third 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 operating profit for the third quarter by $0.4 million and by $1.2 million for the first nine 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 nine months results.

Normal Course Issuer Bid

On August 15, 2002, 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 1,618,997 Common Shares of Samuel Manu-Tech Inc. during the one-year period commencing August 19, 2002. For the quarter ended September 30, 2002, 260,400 shares were purchased under the current issuer bid which expires August 18, 2003.

Outlook

The Company is pleased with the performance for the first nine months, and the outlook remains positive 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 Samuel.

Mark C. Samuel
President and CEO

Consolidated Statements of Earnings

Nine Months ended September 30, 2002 and 2001 *(unaudited)*

(in thousands of dollars except per share amounts)

	3RD QUARTER		NINE MONTHS	
	2002	2001	**2002**	2001
NET SALES	**$179,273**	$182,549	**$511,987**	$559,152
COSTS (INCOME) AND EXPENSES:				
Cost of sales, selling & administration	**159,152**	166,037	**455,736**	510,522
Depreciation and amortization	**7,044**	7,385	**21,311**	22,090
Interest on long-term debt	**2,189**	2,868	**6,661**	9,080
Interest on short-term debt	**38**	91	**137**	685
Interest income	**(11)**	—	**(56)**	(124)
	168,412	176,381	**483,789**	542,253
EARNINGS BEFORE INCOME TAXES	**10,861**	6,168	**28,198**	16,899
INCOME TAXES:				
Current	**2,089**	1,334	**6,037**	3,701
Future	**661**	416	**1,913**	1,249
	2,750	1,750	**7,950**	4,950
NET EARNINGS	**$ 8,111**	$ 4,418	**$ 20,248**	$ 11,949
BASIC AND DILUTED NET EARNINGS PER SHARE	**$ 0.25**	$ 0.13	**$ 0.62**	$ 0.36

See accompanying notes to consolidated financial statements.

Segmented Information

Nine Months ended September 30, 2002 and 2001 *(unaudited)*

(in thousands of dollars)

	3RD QUARTER		NINE MONTHS	
NET SALES	**2002**	2001	**2002**	2001
Packaging	**$ 88,056**	$ 92,919	**$252,711**	$285,469
Metal Processing	**69,763**	66,363	**194,959**	200,606
Distribution	**21,454**	23,267	**64,317**	73,077
Consolidated	**$179,273**	$182,549	**$511,987**	$559,152

	3RD QUARTER		NINE MONTHS	
EARNINGS BEFORE INTEREST AND INCOME TAXES	**2002**	2001	**2002**	2001
Packaging	**$ 7,109**	$ 4,540	**$ 16,373**	$ 10,347
Metal Processing	**8,874**	6,634	**23,587**	20,804
Distribution	**(1,027)**	(758)	**(1,971)**	(617)
Corporate	**(1,879)**	(1,289)	**(3,049)**	(3,994)
Earnings before interest and income taxes	**13,077**	9,127	**34,940**	26,540
Interest on long-term debt	**2,189**	2,868	**6,661**	9,080
Interest on short-term debt	**38**	91	**137**	685
Interest income	**(11)**	—	**(56)**	(124)
Earnings before income taxes	**$ 10,861**	$ 6,168	**$ 28,198**	$ 16,899

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets

September 30, 2002 *(unaudited)* and December 31, 2001 *(audited)*

(in thousands of dollars)

	Sept. 30, 2002	Dec. 31, 2001
ASSETS		
CURRENT ASSETS:		
Cash and short-term deposits	**$ 1,333**	$ 15,877
Accounts receivable	**107,500**	85,755
Inventories	**121,435**	123,906
Prepaid expenses and sundry	**3,667**	3,318
Future income taxes	**8,407**	7,966
	242,342	236,822
FIXED ASSETS	**185,035**	197,831
FUTURE INCOME TAXES	**10,728**	13,230
DEFERRED PENSION COSTS	**358**	306
INTANGIBLE ASSETS, net of amortization	**32,577**	34,309
	$471,040	$482,498
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Bank indebtedness	**$ 4,892**	$ 11,673
Accounts payable and accrued liabilities	**86,695**	66,642
Dividends payable	**972**	984
Income taxes payable	**6,060**	5,698
Current portion of long-term debt	**31,744**	12,742
	130,363	97,739
LONG-TERM DEBT (note 3)	**94,969**	152,086
POST-RETIREMENT BENEFITS OTHER THAN PENSIONS	**2,722**	3,459
FUTURE INCOME TAXES	**17,859**	18,007
	245,913	271,291
SHAREHOLDERS' EQUITY:		
Capital stock (note 2)	**25,995**	26,343
Retained earnings	**189,939**	175,244
Cumulative translation adjustment	**9,193**	9,620
	225,127	211,207
	$471,040	$482,498

See accompanying notes to consolidated financial statements.

Consolidated Statements of Retained Earnings

Nine Months ended September 30, 2002 and 2001 *(unaudited)*

(in thousands of dollars)

	2002	2001
RETAINED EARNINGS, BEGINNING OF PERIOD	**$175,244**	$189,552
NET EARNINGS	**20,248**	11,949
DIVIDENDS PAID ON COMMON SHARES	**(2,908)**	(3,628)
SHARES PURCHASED AND CANCELLED	**(2,645)**	(3,584)
RETAINED EARNINGS, END OF PERIOD	**$189,939**	$194,289

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Nine Months ended September 30, 2002 and 2001 *(unaudited)*

(in thousands of dollars)

	3RD QUARTER		NINE MONTHS	
	2002	2001	**2002**	2001
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:				
Net Earnings	**$ 8,111**	$ 4,418	**$ 20,248**	$ 11,949
Items not involving cash:				
Depreciation and amortization	**7,044**	7,385	**21,311**	22,090
Loss (gain) on disposal of fixed assets	**(6)**	67	**5**	55
Future income taxes	**661**	416	**1,913**	1,249
Increase in deferred pension costs	**(103)**	(38)	**(19)**	(124)
Decrease in post-retirement benefits other than pensions	**(151)**	(114)	**(720)**	(329)
	15,556	12,134	**42,738**	34,890
Change in non-cash operating working capital:				
Decrease (increase) in accounts receivable	**(4,368)**	1,043	**(22,013)**	967
Decrease (increase) in inventories	**(1,331)**	13,646	**2,178**	23,917
Decrease (increase) in prepaid expenses and sundry	**(1,101)**	(18)	**(353)**	476
Increase in income taxes receivable	**—**	(843)	**—**	(2,711)
Increase (decrease) in accounts payable and accrued liabilities	**1,968**	(2,200)	**19,846**	(8,220)
Increase in income taxes payable	**1,545**	—	**361**	—
	12,269	23,762	**42,757**	49,319
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:				
Proceeds on sale of fixed assets	**27**	6	**152**	133
Purchase of fixed assets and intangible assets	**(2,407)**	(7,335)	**(7,392)**	(26,352)
Business acquisitions	**—**	—	**—**	(2,701)
	(2,380)	(7,329)	**(7,240)**	(28,920)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:				
Purchase of common shares	**(1,971)**	(2,089)	**(2,992)**	(4,181)
Increase in long-term debt	**2,500**	11,084	**29,654**	22,131
Repayment of long-term debt	**(11,563)**	—	**(66,803)**	(15,125)
Dividends paid on common shares	**(963)**	(977)	**(2,908)**	(3,628)
	(11,997)	8,018	**(43,049)**	(803)
EFFECT OF EXCHANGE RATE CHANGES ON CASH POSITION	**(132)**	44	**(231)**	70
INCREASE (DECREASE) IN CASH POSITION	**(2,240)**	24,495	**(7,763)**	19,666
CASH POSITION, BEGINNING OF PERIOD	**(1,319)**	(34,542)	**4,204**	(29,713)
CASH POSITION, END OF PERIOD	**$ (3,559)**	$ (10,047)	**$ (3,559)**	$ (10,047)

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.

Nine Months ended September 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 operating profit for the quarter ended September 30, 2002 by $405 and $1,181 for the nine months ended September 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 September 30, 2001, amortization of goodwill was $487. Had goodwill not been amortized, the basic and diluted earnings per share would have increased by $0.02 to $0.15 and net income would have been $4,821. For the nine months ended September 30, 2001, amortization of goodwill was $1,458. Basic and diluted earnings per share would have increased by $0.04 to $0.40 had goodwill not been amortized and accordingly, net income would have been $13,154.

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

2. CAPITAL STOCK:

	Sept. 30, 2002	Dec. 31, 2001
Number of common shares outstanding	**32,119,545**	32,548,745
Number of options outstanding	**691,000**	691,000

Weighted average number of shares:

	3RD QUARTER		NINE MONTHS	
	2002	2001	**2002**	2001
Basic shares	**32,333,712**	32,778,026	**32,425,045**	33,071,302
Effect of dilutive stock options	**62,411**	7,985	**41,382**	7,941
Diluted shares	**32,396,123**	32,786,011	**32,466,427**	33,079,243

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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