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SLEEMAN REPORTS RECORD SECOND QUARTER VOLUMES

Guelph, ON – August 7, 2002 – Sleeman Breweries Ltd. (TSE:ALE) today released its financial results for the second quarter ended June 29, 2002.

For the quarter, Sleeman's net revenue increased to \$43.1 million in 2002, up 5% over the same period last year, reflecting a 5% volume advance to 296,000 hectolitres. For the six-month period, revenue increased 5% to \$71.2 million.

EBITDA in the quarter increased to \$8.9 million from \$8.6 million in 2001. The gain on the sale of the Beck's agency agreement represented \$3.5 million of EBITDA in this year's quarter. Therefore, proforma earnings from continuing operations in the quarter were \$5.4 million. The change in earnings from continuing operations was due to the \$4.8 million increase in selling, general and administrative expenses largely due to the planned shift of the Company's sales and marketing spending into the second quarter to coincide with the beginning of the peak summer selling season. This quarter's EBITDA also includes the negative impact of a beer tax increase in Alberta that could only be partially recovered with price increases (-\$0.6 million for the quarter).

"Our 5% increase in volumes, which included a 4% increase in core volumes, compared very favourably to an industry volume decline of approximately 3% in the quarter" said John Sleeman, Chairman & CEO. "Despite a continued difficult competitive environment, overall we gained market share in the quarter. This notable achievement was a result of a number of factors including our increased marketing spending in Ontario, the successful launch of the Sleeman Cream Ale heritage barrel can in Ontario and Alberta and the introduction of the popular Sleeman Cream Ale 5-litre party keg in Ontario."

Sleeman's net income increased to \$4.6 million for the second quarter of 2002, up from \$3.5 million during the same period last year. This net income resulted in diluted earnings per share of \$0.29 compared to \$0.23 in the second quarter last year. The increase in net income was attributable to the gain on the sale of the Beck's agency agreement and the Company's adoption of the new accounting standard that no longer permits the amortization of goodwill and certain other intangibles. This new standard resulted in a decrease in intangible asset amortization of \$0.6 million from the same period last year. The adjusted diluted earnings per share of the prior year's second quarter was \$0.26.

Cash inflows from operating activities were \$4.7 million in the quarter, compared with cash outflows of \$2.4 million during the same period last year. This increase in operating cash flow was largely attributable to a reduction in the Company's working capital requirements in this year's second quarter when compared to last year.

Recent operational highlights include:

- Okanagan Spring 1516 was launched and quickly became the third-largest selling brand in the Okanagan Spring Brewery's portfolio.
- The Old Milwaukee family of brands got a new look, with new packaging that includes the Old Milwaukee "suitcase", a more convenient way to carry and store 24 cans. The new look is backed by a radio and billboard campaign and a promotional program.

- On May 15, Sleeman extended its relationship with H.P. Bulmer Ltd., with the signing of an agreement with Bulmers America Inc. The new agreement calls for Bulmers to sell and distribute Sleeman in five American states - New York, New Jersey, Pennsylvania, Maryland, Virginia, plus Washington, D.C. The Bulmers agreement is the first "reciprocal" agreement that Sleeman has negotiated with an international beverage alcohol partner and more such contracts are anticipated.
- On June 18, Sleeman announced the signing of a 20-year licensing agreement with Maclay Inns Limited of Alloa, Scotland. The exclusive Canadian agreement is for the manufacture, distribution and sales of Maclay's historic Traditional Pale Ale, an easy-to-drink pale ale with 5% Alcohol by Volume (ABV). The new product is being produced at Sleeman's Halifax facility and is being introduced initially for sale in the Maritimes.
- On July 2, after the quarter end, Sleeman announced the signing of an agreement to purchase the long-term sales, marketing and distribution rights for Grolsch products in Canada. The purchase price was a combination of common shares and cash totalling approximately \$9.5 million. The contract is expected to contribute \$3 million in EBITDA in 2003.

"These new international relationships address important market opportunities for Sleeman. Grolsch will replace the Beck's contract that we sold in April, and we expect it to perform very well in terms of both volumes and EBITDA contribution for Sleeman. Our agreement with Bulmers America is a new opportunity to establish our core brands and generate revenue in some of America's largest beer markets. Maclay's serves a consumer taste for traditional Scottish pale ale, and with its current mainstream pricing, it should do very well," said Mr. Sleeman. "We are confident that our second quarter sales results demonstrate that our decision to increase sales and marketing investments will continue to produce superior volume and share growth."

Management's Discussion and Analysis of Results of Operations and Financial Position:

The following discussion and analysis should be read in conjunction with the financial statements for the second quarter of fiscal 2002 and 2001; with the MD&A in the fiscal 2001 annual report, including the section on risks and uncertainties; and with the notes to the financial statements for the second quarter of fiscal 2002 and in the fiscal 2001 annual report. (All amounts are in Canadian dollars unless otherwise stated.)

Operating Results:

Quarterly Comparison

NET REVENUES

Net revenue in the second quarter of 2002 increased 5% to \$43.1 million from \$40.9 million in the prior year. This revenue growth resulted from a 4% increase in core volumes, the increased prices the Company received on the sale of its core brands throughout Canada in the quarter and the increase in net revenues from the agency brand representation fees the Company received in the quarter. As a result of the arbitrary change in Alberta beer tax rates on breweries producing more than 200,000 hectolitres in any year, introduced in March of 2002, the Company did not benefit from the favourable tax rates in this year's second quarter that it did in 2001's second quarter. Comparable net revenues for 2001's second quarter would have been \$0.6 million lower if the new tax regime existed last year. As a result, the proforma net revenue increase in this year's second quarter would have been 7%.

Total volumes increased by 5% to 296,000 hectolitres on a proforma basis (the proforma basis includes agency brand volumes for both years as though all brands sold in the current quarter were represented in both years). This volume growth compares very favourably to the industry decline for the period of 3%.

In Eastern Canada, volumes were stable as weather-induced volume softness in Quebec offset volume increases in the Maritimes and Ontario.

In Western Canada, volumes grew by 12% as all brands continued to grow at very strong rates in all Western provinces.

COST OF GOODS SOLD

Costs of goods sold increased by 3% (\$0.6 million). This increase was a result of the 4% increase in core volume sales.

OTHER OPERATING ITEMS

Selling, general and administrative expenses increased by \$4.8 million from \$11.7 million to \$16.5 million. This was the result of the Company's decision to move the spending of a large majority of its planned increase in this fiscal year's selling and marketing costs into the quarter to coincide with the beginning of the peak summer selling season. The Company strategically deployed its increased marketing spending to maximize the value of its new marketing programs. The fact that the Company exceeded industry performance for the quarter by 8% and continued to see marked improvement in its market share after the end of the quarter validates this decision.

A further reason that the Company decided to incur this increase in expenditures in the second quarter, was that the Company had the earnings capacity to do so as a result of the \$3.5 million pretax gain on the sale of the Beck's brand sales, marketing and distribution agreement.

The Company's depreciation and amortization expense decreased by \$0.6 from last year's second quarter. Last year's second quarter had a charge of \$0.7 million for the amortization of goodwill and indefinite life intangible assets in the quarter while this year's second quarter does not. More information on this change in accounting is available in note 2 to the Company's quarterly financial statements.

The Company's tax provision was stable at \$1.6 million notwithstanding the increase in pretax earnings from \$5.2 million to \$6.2 million in this year's second quarter. The lower effective tax rate on this year's pretax earnings results from the gain on the sale of the Beck's agency agreement being eligible for capital gains treatment at one-half the Company's normal income tax rate.

Year to Date Comparison

Total sales volume of the Company's core and agency brands increased by 4% from 482,000 hectolitres in fiscal 2001 (adjusted on a proforma basis) to 504,000 hectolitres in fiscal 2002.

Net revenues of \$71.2 million for the period were up 5% over net revenues of \$68 million in the first six months of fiscal 2001. The increase in net revenues for the 6 month period would have been significantly higher if not for the above noted tax change in Alberta early in the period.

Costs of goods sold were \$36 million for the period compared to \$34.5 million in the first six months for 2001. The increase of \$1.6 million (5%) is the result of the above noted volume increase and general cost inflation.

Selling, general and administration expenses for the first six months of fiscal 2002 increased to \$24.2 million from \$19.5 million. The reason for this \$4.7 million increase in the period is discussed above in the "Quarterly Comparison" section.

The Company's depreciation and amortization expense decreased by \$1.1 million in the period. Last year's first six month period absorbed \$1.2 million of charges related to the amortization of goodwill and indefinite life intangibles while this year's period did not. This matter is more fully described above in the "Quarterly Comparison" section.

The Company's effective tax rate was 28% in the period compared to 32% last year due to the above noted favourable tax treatment applicable to the gain on the sale of the Beck's agency agreement in the period.

Net revenue, costs of goods sold and selling, general and administrative costs for the 2001 periods have been reclassified to conform to the financial statement presentation adopted in the current period.

Financial Position:

Consistent with last year, each of the Company's working capital components increased significantly from their respective levels at the 2001 fiscal year for seasonal reasons. Accounts receivable increased by \$6.2 million due to higher sales levels in June when compared to December. Inventories (\$3.0 million) and accounts payable (\$9.8 million) increased due to the Company's substantial increase in production levels in the summer months. Prepaid expenses increased by \$2.2 million as the Company prepaid \$1.5 million of its summer marketing program spending before the period end.

Property, plant and equipment increased by \$1.7 million (net of depreciation) as the Company incurred capital expenditures to increase its production capacity to meet growing core brand demand.

The note receivable asset resulted from the Beck's agency agreement sale in the period as discussed above and in note 5 to the Company's quarterly financial statements.

Long-term investments decreased by \$1 million in the period due to the repayment of the executive loan receivable from the Company's former president.

Share capital increased by \$1.4 million because of the exercise of stock options by employees and former employees in the period.

Cash Flow:

Quarterly Comparison

There was a \$2 million decrease in the Company's working capital assets in the period compared to an increase of \$9 million in last year's second quarter. This change was the principle reason for the \$7.1 increase in cash flow provided by operations in the quarter.

Investing activities used \$1.8 million less in the quarter as the Company incurred \$1.5 million less of capital expenditures in the period.

In terms of financing activities, the Company received \$1.2 million on the exercise of options by its current and former employees in this year's second quarter compared to \$0.1 last year. The Company's net repayment of long term loans in this year's second quarter and last year's second quarter were virtually the same.

As a result of the above changes in operating, investing and financing activities, there was a net cash inflow for the period of \$1.6 million compared with a net outflow of \$8.7 million in 2001's second quarter. This net cash inflow was used to reduce the Company's operating bank loan.

Year to Date Comparison

Cash flow from operating activities grew to \$3.8 million from \$2.0 million in the first 6 months of 2001. This increase resulted principally from a reduction in the Company's working capital funding requirements in the period compared to last year.

Investing activities consumed \$5.5 million less this year largely as a result of the \$3.7 million reduction in the current period's capital spending compared to last year and the \$1.0 million repayment of the executive loan in the first six months of this year.

Financing activities used \$2.3 million in the period. These activities generated \$0.3 million in the first six months of 2001. The Company repaid \$3.7 million of its long-term loan facilities in this year's period while there was no net repayment in the first six months of 2001. The increased financing requirement in this year's period was partially offset by the \$1.2 million increase in proceeds generated from the exercise of stock options by the Company's employees.

The Company ended the period with an operating line of credit balance of \$17.4 million. The authorized operating credit line limit is currently \$22 million. In 2002, the Company plans to use its operating cash flow to finance its purchases of capital and intangible assets and repay \$8.4 million of long term debt. The Company plans to use its remaining operating cash flow to reduce its operating line of credit balance.

Outlook:

The Company will continue to focus on gaining market share and increasing its sales volumes over the rest of the year. The strong consumer response to the new products the Company introduced in the second quarter and the Company's new marketing programs leave it confident that it will increase its sales volumes at a rate higher than the industry average over the remainder of the year.

The Company's recent purchase of the rights to sell, market and distribute Grolsch products in Canada provides the Company with a strong international brand to supplement its stable of high quality products. The representation of the Grolsch brands also represents a significant revenue generation opportunity for the Company in terms of commissions.

The Company continues to be well positioned to act as a production, sales, distribution and marketing partner for international alcoholic beverage brand owners looking to grow their North American sales. The Company is pursuing production arrangements with international brewers looking for a quality production facility close to the United States which will allow those brewers to export their brands to the United States in a cost effective manner. The Company believes that such arrangements will provide a significant source of revenue growth and production efficiencies in the future.

In terms of costs of sales, the production of 85% of the Stroh volume in Sleeman's Canadian facilities for the full year will allow the Company to generate purchasing and production efficiencies which will moderate cost of goods sold increases.

The increase in sales and marketing costs which occurred in the second quarter represents the vast majority of the Company's planned increased investment in these areas this year. Sales and marketing costs for the remainder of this fiscal year should be in line with levels incurred in the second half of 2001.

Based on the foregoing, the Company is confident it will meet its stated earnings per share targets for the year.

Quarterly Conference Call Notification:

Please note the Company's conference call with analysts and media will be webcast live at 11:00 am ET, August 7, 2002 at www.Q1234.com and on the Sleeman investor website at www.ale-sleeman.com. All shareholders and other interested parties are invited to monitor this webcast, which is being offered on a listen-only basis.

Sleeman Breweries Ltd. is the leading brewer and distributor of premium beer in Canada and the third largest brewing company nation-wide. The Company has supplemented its core Sleeman brands, which are available in every province, with a family of exceptional regional brands. These include Okanagan

Spring and Shaftebury in British Columbia and Alberta, Upper Canada in Ontario, Seigneuriale in Quebec and The Maritime Beer Company in Nova Scotia. Sleeman entered the rapidly growing value price segment in 1999 by acquiring the Stroh portfolio of brands in Canada. The company also markets and distributes world-class imported products such as Grolsch, Samuel Adams, Scottish & Newcastle, Pilsner Urquell and Strongbow Cider. Sleeman is also available in selected U.S. and British markets. Please visit our website at www.ale-sleeman.com.

Forward Looking Statements:

All statements in this press release that do not directly and exclusively relate to historical facts constitute forward-looking statements. These statements represent Sleeman Breweries Ltd's intentions, plans, expectations, and beliefs, and are subject to risks, uncertainties, and other factors, of which many are beyond the control of the Company. These factors could cause actual results to differ materially from such forward-looking statements. Sleeman Breweries Ltd disclaims any intention or obligation to update or revise any forward-looking statements, as a result of new information, future events or otherwise.

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Sleeman Breweries Ltd.
Consolidated Statement of Earnings-unaudited
for the three months ended June 29, 2002

(all amounts in '000's except per share and per hectolitre amounts)

	(3 months ended June 29, 2002)	Per hL	(3 months ended June 30, 2001)	Per hL	Change
Net Revenue	\$43,084	\$155	\$40,888	\$153	5%
Cost of Goods Sold	\$21,185	\$76	\$20,578	\$77	3%
Gross Margin	\$21,899	\$79	\$20,310	\$76	8%
S, G & A Expenses	\$16,521	\$59	\$11,747	\$44	41%
Earnings before Undernoted	\$5,378	\$19	\$8,563	\$32	-37%
Gain on Sale of Agency Agreement (Note 5)	\$3,547	\$13	\$0	\$0	0%
EBITDA	\$8,925	\$32	\$8,563	\$32	4%
Depreciation & Amort.	\$1,192	\$4	\$1,823	\$7	-35%
EBIT	\$7,733	\$28	\$6,740	\$25	15%
Interest	\$1,496	\$5	\$1,588	\$6	-6%
Income before Taxes	\$6,237	\$22	\$5,152	\$19	21%
Provision for Taxes	\$1,620	\$6	\$1,660	\$6	-2%
Net Income	\$4,617	\$17	\$3,492	\$13	32%

	<u>2002</u>	<u>2001</u>
Total Proforma HL's Reported	296,000	281,500
<u>Earnings Per Share</u> (note 2a)		
EPS - Basic	\$0.30	\$0.23
EPS - Diluted	\$0.29	\$0.23
<u>Adjusted Earnings Per Share</u> (note 2b)		
EPS - Basic	\$0.30	\$0.26
EPS - Diluted	\$0.29	\$0.26
Weighted average common shares during the period		
-basic	15,383,116	15,208,825
-diluted	15,876,396	15,483,631

Sleeman Breweries Ltd.
Consolidated Statement of Earnings-unaudited
for the six months ended June 29, 2002

(all amounts in '000's except per share and per hectolitre amounts)

	(6 months ended June 29, 2002)	Per hL	(6 months ended June 30, 2001)	Per hL	Change
Net Revenue	\$71,193	\$153	\$68,041	\$150	5%
Cost of Goods Sold	\$36,021	\$78	\$34,450	\$76	5%
Gross Margin	\$35,172	\$76	\$33,591	\$74	5%
S, G & A Expenses	\$24,199	\$52	\$19,477	\$43	24%
Earnings before Undernoted	\$10,973	\$24	\$14,114	\$31	-22%
Gain on Sale of Agency Agreement (Note 5)	\$3,547	\$8	\$0	\$0	0%
EBITDA	\$14,520	\$31	\$14,114	\$31	3%
Depreciation & Amort.	\$2,326	\$5	\$3,425	\$8	-32%
EBIT	\$12,194	\$26	\$10,689	\$24	14%
Interest	\$2,985	\$6	\$3,314	\$7	-10%
Income before Taxes	\$9,209	\$20	\$7,375	\$16	25%
Provision for Taxes	\$2,600	\$6	\$2,390	\$5	9%
Net Income	\$6,609	\$14	\$4,985	\$11	33%

	<u>2002</u>	<u>2001</u>
Total Proforma HL's Reported	504,000	482,000
<u>Earnings Per Share (note 2a)</u>		
EPS - Basic	\$0.43	\$0.33
EPS - Diluted	\$0.42	\$0.32
<u>Adjusted Earnings Per Share (note 2b)</u>		
EPS - Basic	\$0.43	\$0.39
EPS - Diluted	\$0.42	\$0.39
Weighted average common shares during the period		
-basic	15,365,339	15,192,343
-diluted	15,796,438	15,345,881

See accompanying notes to the consolidated financial statements.

These financial statements should be read in conjunction with the audited annual financial statements.

Certain prior year amounts have been reclassified to conform to the current year's presentation format.

Sleeman Breweries Ltd.
Consolidated Balance Sheet-unaudited
as at June 29, 2002
(all amounts in '000's)

	<u>June 29, 2002</u>	<u>December 29, 2001</u> (audited)
Assets		
Current		
Accounts receivable	\$30,265	\$24,030
Inventories	22,285	19,296
Prepaid expenses	3,386	1,185
	<u>55,936</u>	<u>44,511</u>
Property, plant and equipment	69,297	67,569
Note receivable	4,016	-
Long-term investments	7,086	8,090
Intangible assets	77,500	77,472
	<u>\$213,835</u>	<u>\$197,642</u>
Liabilities		
Current		
Bank indebtedness	17,417	16,063
Accounts payable & accrued liabilities	31,708	21,892
Current portion of long-term obligations	8,892	8,360
	<u>58,017</u>	<u>46,315</u>
Long-term obligations	67,658	71,933
Future income taxes	7,060	6,306
	<u>\$132,735</u>	<u>\$124,554</u>
Shareholders Equity		
Share capital (Note 3)	40,368	38,965
Retained earnings	\$40,732	34,123
	<u>81,100</u>	<u>73,088</u>
	<u>\$213,835</u>	<u>\$197,642</u>

See accompanying notes to the consolidated financial statements.

These financial statements should be read in conjunction with the audited annual financial statements.

Sleeman Breweries Ltd.
Consolidated Statement of Retained Earnings-unaudited
for the six months ended June 29, 2002
(all amounts in '000's)

	<u>6 months ended</u> <u>June 29, 2002</u>	<u>6 months ended</u> <u>June 30, 2001</u>
Retained Earnings, Beginning of the Period	\$34,123	\$24,357
Net Earnings for the Period	<u>\$6,609</u>	<u>\$4,985</u>
Retained Earnings, End of the Period	<u><u>\$40,732</u></u>	<u><u>\$29,342</u></u>

Sleeman Breweries Ltd.
Consolidated Statements of Cash Flows-unaudited
(all amounts in '000's)

	<u>3 Months Ended</u> <u>2002</u>	<u>2001</u>	<u>6 Months Ended</u> <u>2002</u>	<u>June 29</u> <u>2001</u>
Net inflow (outflow) of cash related to the following activities:				
OPERATING				
Net earnings	\$4,617	\$3,495	\$6,609	\$4,985
Items not affecting cash	0	0		
Depreciation & amortization	1,192	1,823	2,326	3,425
Loss or (gain) on disposal of agency agreement	(3,547)	0	(3,547)	-
Future income taxes	404	1,220	754	1,770
	<u>2,666</u>	<u>6,538</u>	<u>6,142</u>	<u>10,180</u>
Changes in non-cash operating working capital items	<u>2,055</u>	<u>(8,950)</u>	<u>(2,379)</u>	<u>(8,221)</u>
	<u><u>4,721</u></u>	<u><u>(2,412)</u></u>	<u><u>3,763</u></u>	<u><u>1,959</u></u>
INVESTING				
Proceeds from sale of agency agreement	302	0	302	-
Additions to property, plant & equipment	(1,869)	(3,317)	(3,760)	(7,500)
Proceeds from/(additions to) long term investments	0	(72)	1,004	(144)
Dispositions at proceeds amount	23	25	70	38
Additions to intangible assets	(253)	(240)	(395)	(664)
	<u>(1,797)</u>	<u>(3,604)</u>	<u>(2,779)</u>	<u>(8,270)</u>
FINANCING				
Net proceeds from/(repayments of) bank operating loans	(1,633)	8,678	1,354	6,075
Stock options exercised	1,200	59	1,403	259
Common shares repurchased	0	0	-	-
Long-term obligations - proceeds	(0)	2,500	-	7,345
Long-term obligations - principal repayments	(2,491)	(5,221)	(3,741)	(7,368)
	<u>(2,924)</u>	<u>6,016</u>	<u>(984)</u>	<u>6,311</u>
NET CASH FLOW AND CASH BALANCE, END OF PERIOD	<u><u>0</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
Supplementary Cash Flow Information				
Interest paid	1,432	1,555	2,992	3,340
Net income taxes paid/(refunds)	335	(74)	3,574	1

See accompanying notes to the consolidated financial statements.

These financial statements should be read in conjunction with the audited annual financial statements.

Sleeman Breweries Ltd.
Notes to the Consolidated Financial Statements
(in thousands of dollars, except per share amounts)
(unaudited)

1. DESCRIPTION OF BUSINESS

The Company develops, produces, imports, markets and distributes beer for sale to provincial liquor distribution organizations and entities engaged in the food and beverage industries within Canada.

The Company prepares its financial statements in accordance with accounting principles generally accepted in Canada.

The Company experiences seasonal variations in revenue with revenues typically being highest in the second and third quarters and lowest in the first quarter of the fiscal year.

2. SIGNIFICANT ACCOUNTING POLICIES

The disclosures contained in the unaudited consolidated financial statements do not include all requirements of generally accepted accounting principles for annual financial statements. The unaudited consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 29, 2001.

The unaudited consolidated financial statements are based upon accounting principles consistent with those used and described in the annual consolidated financial statements.

a) Stock-Based Compensation

Effective December 30, 2001, the Company adopted Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3870 "Stock-based Compensation and Other Stock-based Payments." Under the new standard, the Company is required to disclose pro forma net income and pro forma earnings per share as if the fair value based method of accounting had been used to account for stock options granted to employees for awards granted on or after January 1, 2002.

The Company maintains a discretionary employee stock option plan. Stock options generally have a term of five to ten years and each grant typically vests one-third per year over the following three years. During the first six months of the current year, the Company granted 48,862 stock options at an exercise price of 10.15.

The Company does not recognize any compensation cost for its stock option plan. If the Company had determined compensation cost related to its stock option plan based on the fair value at the grant dates for awards granted during the period, the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below:

(Dollars in '000's, except per share amounts)	3 months ended June 29, 2002	6 months ended June 29, 2002
Net earnings as reported	4,617	6,609
Net earnings – pro forma	4,605	6,597
Net earnings per share as reported	0.30	0.43
Basic earnings per share – pro forma	0.30	0.43
Diluted earnings per share as reported	0.29	0.42
Diluted earnings per share – pro forma	0.29	0.42

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for grants during the period: dividend yield of 0%; expected volatility of 22%; risk-free interest rate of 5%; and an expected life of 4 years.

b) Goodwill and Other Intangibles

Effective December 30, 2001, the Company adopted the new recommendations of the CICA Handbook Section 3062 “Goodwill and Other Intangible Assets”. Under this standard, which can only be applied prospectively, goodwill and all intangible assets with an indefinite life are no longer amortized but are carried at the lower of carrying value and fair value. Goodwill is tested for impairment on an annual basis as well as on the adoption of this new standard.

The Company has completed the transitional impairment test and concluded that no goodwill impairment charge needs to be recorded. Any impairment arising subsequent to December 30, 2001 will be taken as a charge against income. As a result of the new standard, the Company no longer amortizes goodwill or indefinite life intangible assets. The following presents the Company’s adjusted prior year’s net income (all amounts are net of related income taxes) for the quarter:

	Quarter Ended		6 Months Ended	
	<u>June 29, 2002</u>	<u>June 30, 2001</u>	<u>June 29, 2002</u>	<u>June 30, 2001</u>
Reported Net Income	4,617	3,492	6,609	4,985
Add back: Goodwill Amortization	-	257	-	514
Add back: Trademark Amortization	-	217	-	434
Adjusted Net Income	<u>4,617</u>	<u>3,966</u>	<u>6,609</u>	<u>5,933</u>

3. OUTSTANDING SHARES

As at June 29, 2002, the Company had outstanding 15,492,473 common shares and 1,459,005 options to acquire common shares under the Company’s employee stock option plan.

4. SEGMENTED INFORMATION

Sleeman Breweries Ltd. is the largest premium brewery in Canada, producing and marketing several unique brands of beer. The Company operates breweries in Guelph, Ontario, Boucherville, Quebec, Calgary, Alberta, Dartmouth, Nova Scotia, Vernon, British Columbia and LaCrosse, Wisconsin. The Company’s reportable segments represent the aggregation of strategic business units that produce and sell beer in distinct geographic markets. They are managed separately because each business operates in different market environments in terms of regulatory regimes, customer preferences and sales and distribution channels.

The Company has two reportable segments: Eastern Canadian operations and Western Canadian operations. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company accounts for inter-segment sales and transfers at the transferring segment’s cost. Segment performance is evaluated based on earnings before interest, income taxes, depreciation and amortization (“EBITDA”).

The following tables sets forth information about segment profit or loss and segment assets:

	Eastern Canada	Western Canada	Totals	Eastern Canada	Western Canada	Totals
	Quarter Ended June 29, 2002			Six Months Ended June 29, 2002		
Revenues from external customers	\$ 28,387	\$ 14,697	\$ 43,084	\$ 46,214	\$ 24,979	\$ 71,193
Inter-segment revenues	2,598	-	2,598	4,756	13	4,769
EBITDA	6,183	2,740	8,923	10,140	4,379	14,519
Depreciation and amortization	838	354	1,192	1,625	701	2,326
Segment assets	144,688	69,147	213,835	144,688	69,147	213,835
Expenditures for capital assets	1,390	479	1,869	2,585	1,175	3,760
	Quarter Ended June 30, 2001			Six Months Ended June 30, 2001		
Revenues from external customers	\$ 27,737	\$ 13,151	\$ 40,888	\$ 45,192	\$ 22,849	\$ 68,041
Inter-segment revenues	1,369	16	1,385	2,061	23	2,084
EBITDA	6,210	2,353	8,563	10,116	3,998	14,114
Depreciation and amortization	1,175	648	1,823	2,173	1,252	3,425
Segment assets	132,744	66,845	199,589	132,744	66,845	199,589
Expenditures for capital assets	2,100	1,217	3,317	5,200	2,300	7,500

5. GAIN ON SALE OF AGENCY AGREEMENT

Effective June 1, 2002, Company sold the Canadian sales, marketing and distribution rights for Beck's products. The gain reported in the period represents the gross sale proceeds receivable from the purchaser less a provision for disposition related costs of \$725 and deferred interest on future payments of \$1,101. The gross sales proceeds are receivable in annual payments on June 30 of each year in the following amounts:

<u>Year</u>	<u>Amount Receivable</u>
2002	\$ 377
2003	\$ 980
2004	\$1,176
2005	\$1,352
2006	<u>\$1,488</u>
Total	\$5,373

6. SUBSEQUENT EVENT

On July 2, 2002, the Company announced the acquisition of the long-term sales, marketing and distribution rights for Grolsch products in Canada effective July 1, 2002. Under the terms of the purchase agreement, the Company paid to the vendor \$3.5 million in cash and \$2.5 million in stock on July 2, 2002. In addition, as part of this purchase, the Company issued a non-interest bearing promissory note to the vendor to pay \$0.865 million on July 1 of each year from 2003 to 2006.

7. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current period.