



FIRST QUARTER
REPORT TO SHAREHOLDERS 2009

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RESULTS OF OPERATIONS

Samuel Manu-Tech Inc.'s results for the first quarter of 2009 continued to be negatively impacted by the severe economic downturn experienced in the fourth quarter of 2008.

Net Sales

Sales for the three months to March 31, 2009 were \$193.8 million, which represents a decrease of \$34.0 million or 14.9% from the \$227.8 million achieved in the comparable period of last year, reflecting lower overall volumes and selling prices. The reduction in volumes results primarily from the continued deterioration in North American economic and market conditions and lack of demand for most steel products, particularly in the housing, construction, forestry and automotive sectors. This ongoing lack of demand in turn has led to falling commodity prices. Sales were down notwithstanding the favourable impact of recent acquisitions namely, Tubular Products Company and Omega Joists, both of which were acquired during the first quarter of 2008. In addition, the weak Canadian dollar had a favourable impact on Canadian exports and U.S. based sales in the first quarter as compared to the comparable period of last year. The average exchange rate of the U.S. dollar in the first quarter of 2009 was Cdn. \$1.25 compared to Cdn. \$1.00 in the first quarter of last year.

Sales of the Packaging segment, at \$99.9 million, were down \$9.6 million or 8.8% compared to \$109.5 million last year due mainly to significantly lower volumes as well as reduced selling prices. Strapping sales were down in both Canada and the U.S. with most of the decrease occurring in Canada reflecting the continued slowdown in the forestry and construction sectors. The weak Canadian dollar however had a positive impact on Canadian exports and U.S. based sales compared to last year. Sales of the Unalloy-IWRC division were higher in the first quarter compared to last year reflecting the bulk sales of the stainless and tool steel inventories in February 2009 as it exited those product lines.

Metal Processing sales for the first quarter were \$93.9 million, which was down \$24.4 million or 20.6% from \$118.3 million in the first quarter of 2008. This decrease was due to lower sales of stainless steel tubular products, reflecting lower volumes and selling prices. Sales of roll formed products were down with decreases in all product lines. Steel pickling sales were also reduced reflecting decreased demand for its services due mainly to the slowdown in the manufacturing sector and the steep decline in the automotive industry. Sales of carbon steel tubular products were relatively flat compared to last year with increases at Tubular Products Company offsetting decreases at Tube.tec which resulted from the lack of demand at its major customers. Steel pressure vessel sales were up compared to last year due mainly to the favourable impact of the exchange rate.

Earnings

Net loss for the first three months of 2009 was \$9.1 million or \$0.28 per share, compared to net earnings of \$3.1 million or \$0.10 per share achieved in the comparable quarter of last year. The first quarter results this year include a pre-tax restructuring gain of \$0.7 million (\$0.5 million after tax) consisting of the balance of the gain on the sale of the equipment at the Scarborough, Ontario strapping manufacturing facility as outlined in Note 5 to the interim consolidated financial statements and which positively impacted earnings in the first quarter of 2009 by \$0.01 per share. This compares to the first quarter results last year which included a restructuring charge of \$0.5 million (\$0.3 million after tax) and which negatively impacted earnings by \$0.01 per share.

Operating loss (see below for cautionary language regarding non-GAAP measures) for the first quarter amounted to \$13.1 million compared to an operating profit of \$6.9 million in the comparable quarter of last year with losses incurred in both the Packaging and Metal Processing segments. The operating losses reported by the U.S. operations were increased due to the impact of the average foreign exchange rate of Cdn. \$1.25 used in the conversion to Canadian dollars.

The Packaging segment had an operating loss of \$8.0 million compared to an operating profit of \$1.8 million earned in the comparable quarter of last year, with decreases in both Canada and the U.S. The decreased profitability

reflects the ongoing contraction of the forestry, metals, and construction sectors in North America. Margins were also negatively impacted by the liquidation of higher costed inventories and reduced production levels. In addition, the Unalloy-IWRC division incurred a loss of approximately \$2.0 million on the bulk sales of its stainless and tool steel inventories as the Company made the strategic decision to exit these two product lines.

The Metal Processing segment incurred an operating loss of \$2.5 million compared to an operating profit of \$6.8 million earned in the comparable quarter of last year with all divisions posting lower operating results. Operating profits from roll form and steel pressure vessel operations were down reflecting a change in product mix and lower pricing levels. Carbon steel tubular operations also posted a profit, with the profit achieved by Tubular Products Company more than offsetting the loss incurred at Tube.tec. These profitable operations however were more than offset by losses from stainless steel tubular and pickling operations. Stainless steel tubular operations incurred an operating loss reflecting a less favourable product mix, lower volumes and selling prices and slowdowns at its U.S. and Mexican operations. Steel pickling operations also incurred a loss in the first quarter reflecting lower overall volumes primarily as a result of reduced demand for pickling in both Canada and the U.S., and further downsizing at our Canadian pickling location.

Including corporate costs of \$2.6 million, the total operating loss in the first quarter was \$13.1 million.

FINANCIAL CONDITION

Liquidity and Capital Resources

Cash used in operations before changes in non-cash working capital for the first quarter of 2009 amounted to \$4.6 million. This represents a decrease of \$14.0 million from the \$9.4 million generated in the comparable quarter of last year with the decrease mainly attributable to the net loss incurred in the quarter. Overall cash flow generated from operating activities increased to \$78.7 million compared to \$7.0 million generated last year. The increase reflects decreased requirements for non-cash working capital offset in part by decreased levels of profitability.

Cash used in investing activities at \$3.5 million was below last year's \$63.5 million due to no spending on business acquisitions this year, offset in part by increased spending on capital assets. Cash used in financing activities amounted to \$64.1 million in the first quarter compared to \$56.9 million generated last year with the decrease in cash this year due to the net reduction in long-term debt of \$60.3 million. The increase in cash last year resulted from the net increase in long-term debt of \$60.0 million which was required to fund business acquisitions. Dividends paid on common shares amounted to \$3.2 million in the quarter which was the same as last year reflecting a dividend of \$0.10 per share. In aggregate, the cash position increased by \$11.3 million compared to a \$0.4 million increase last year.

The Company continues to maintain credit facilities with various banks and at March 31, 2009 had available unused credit facilities of approximately \$157 million, of which approximately \$40 million was available. The Company's current earnings decline, combined with its existing bank financial covenants, have resulted in the Company being restricted in the amount of its total borrowings, notwithstanding the size of the existing committed bank term facilities. The Company is in the process of renegotiating the terms of its various credit agreements in order to be able to access a greater portion of its committed bank term facilities without being in breach of existing bank financial covenants. The Company is hopeful in concluding these negotiations, including the execution of definitive documentation, in the second quarter of 2009. Assuming the successful conclusion of these negotiations, the Company will have access to additional unused credit facilities.

Capital Expenditures

Capital expenditures in the three months to March 31, 2009 were \$4.1 million compared to \$3.3 million during the first quarter last year. Due to the current state of the economy, and in order to better manage ongoing liquidity requirements, capital expenditures not immediately necessary to protect and preserve the business are being

postponed. The Company is however proceeding with all vital expenditures of significant operational or growth strategic value required in order to maintain facilities and equipment, to be better positioned for success as the economy recovers. Expenditures in the current quarter related primarily to new machinery and equipment at several locations.

Working Capital

Working capital at March 31, 2009 was \$221.7 million, a decrease of \$78.4 million from the year-end position, with a decrease in receivables and inventories and increased payables and current portion of long-term debt, offset in part by higher cash, income taxes receivable and lower bank indebtedness. The Company initiated an aggressive working capital reduction program at the beginning of the year which resulted in a significant reduction in both receivables and inventories and increased payables in the first quarter. Working capital would have been reduced further had it not been for the change in the U.S. dollar exchange rate which was Cdn. \$1.26 at the end of the first quarter this year as opposed to Cdn. \$1.22 at December 31, 2008. The weaker Canadian dollar has a negative impact on the conversion of the U.S. denominated working capital balances as it results in higher reported amounts in Canadian dollars. Overall, the working capital ratio decreased to 3.1 from both the year-end position and the end of the first quarter last year when it was 4.5 and 3.8 respectively.

Net Borrowings to Capitalization

The Company's net borrowings as at March 31, 2009 amounted to \$142.0 million, a decrease of \$65.9 million from \$207.9 million at December 31, 2008. This decrease reflects the lower investment in working capital, offset in part by the cash used in operations during the first three months due to the net loss incurred. The majority of the Company's long-term debt is denominated in U.S. dollars, and would have been reduced further had it not been for the change in the U.S. exchange rate. Funded debt to capitalization at the end of the quarter decreased to 30.2% from both the year-end position and the end of the first quarter last year when it was 37.8% and 36.6% respectively.

Capital Stock

Details of issued and outstanding common shares are outlined in Note 2 to these interim consolidated financial statements. As at the date of this report the number of outstanding common shares is 32,140,245. No stock options were issued or exercised during the first quarter.

Outlook

The deterioration in economic and market conditions experienced in the fourth quarter of 2008 continued into the first quarter of 2009, with demand for most manufactured products remaining soft. The current economic downturn including low automobile and home sales, weakness in commercial construction and a lack of manufacturing investment has been responsible for this low demand. In addition, the lack of steel demand resulted in carbon and stainless steel prices continuing to decrease in the first quarter to very low levels.

The rapid decline in carbon steel pricing levels experienced in the fourth quarter of 2008 continued into 2009. The weakening global economy and financial crisis has continued to lower demand for cars, housing and other durable goods. These conditions have led to further production cutbacks and plant closures by a number of North American steelmakers in an effort to better balance supply and demand; and, have resulted in the domestic steel industry operating at their lowest levels in decades. The outlook is for carbon steel prices to remain at these relatively low levels for the short to medium term.

In addition, after stainless steel price declines in the fourth quarter of 2008, nickel prices stabilized somewhat in early 2009. However base prices and surcharges have continued to decrease in the first quarter, with base prices remaining at their lowest level for many years. The reason for the decrease was due to the drop in demand, mainly driven by the continued deterioration of the automotive and construction industries in North America and inventory destocking by service centers. The continuing weak demand and decreases in raw material costs will also make it difficult for a recovery in stainless steel pricing levels in the near to medium term.

As a result of these negative conditions, the Company generated losses at most of its operating divisions in the first quarter as it liquidated higher cost inventories and adjusted production levels at all of its manufacturing facilities to meet lower demand levels. The ongoing economic downturn has also forced the Company to take difficult but necessary actions in all areas of its operations. This includes temporary and permanent layoffs and plant shutdowns at a number of locations, as well as consolidating certain manufacturing facilities. Efforts also continue with regard to improving productivity at all manufacturing operations. In addition, the Company continues to focus on maximizing liquidity, restricting capital expenditures and reducing its cost structure to deal with these negative market conditions. This includes selling all products, assets and locations that are not deemed to be strategically important. The Company is also actively pursuing all opportunities that may be available in the recent economic stimulus packages in both Canada and the U.S. Based on the current economic forecast the Company expects to perform better in the second quarter, although additional losses are anticipated. No material improvement is expected before late 2009.

Quarterly Results

(in thousands of dollars except per share amounts)

	2009 Q1	2008 Q4	2008 Q3	2008 Q2	2008 Q1	2007 Q4	2007 Q3	2007 Q2
Net Sales from continuing operations	\$ 193,838	\$ 236,556	\$ 265,639	\$ 259,771	\$ 227,764	\$ 209,360	\$ 226,663	\$ 229,235
Net Earnings (Loss) from continuing operations	(9,103)	(46,918)	22,430	12,070	3,078	3,278	4,104	8,028
Basic Earnings (Loss) per Share	(0.28)	(1.46)	0.70	0.37	0.10	0.10	0.12	0.25
Diluted Earnings (Loss) per Share	(0.28)	(1.46)	0.70	0.37	0.10	0.10	0.12	0.24
Net Earnings (Loss)	(9,103)	(46,918)	22,430	12,070	3,078	3,278	7,800	9,197
Basic Earnings (Loss) per Share	(0.28)	(1.46)	0.70	0.37	0.10	0.10	0.24	0.29
Diluted Earnings (Loss) per Share	(0.28)	(1.46)	0.70	0.37	0.10	0.10	0.24	0.28

Samuel Manu-Tech Inc. (SMT-TSX) is a leading North American industrial products and technology company producing and distributing a wide range of steel, plastic and related industrial products and services from locations in Canada, the United States and Mexico.



Mark C. Samuel
Chairman & CEO

April 28, 2009

The "First Quarter Results" utilize the term "operating profit/loss" which is a non-GAAP measure. Securities regulations require that corporations caution readers that these terms do not have standardized meanings under GAAP and are unlikely to be comparable to similar measures used by other companies. Operating profit/loss is defined as earnings/loss before restructuring, interest and income taxes.

Operating profit/loss should not be construed as a substitute for net earnings/loss or cash flows from operations (each as determined in accordance with generally accepted accounting principles) for the purpose of analyzing the Company's operating performance, financial position or cash flows. The Company believes that, in addition to cash flow from operations and net earnings/loss, operating profit/loss is a useful financial performance measurement for assessing operating performance as it provides investors with an additional basis to evaluate the ability of the Company to incur and service debt and to fund capital expenditures.

This report may contain forward-looking information that is subject to risks, uncertainties and assumptions. Such information represents our current views based on information as at the date of issuing this report. We do not intend to update this information and disclaim any legal obligation to the contrary.

NOTICE TO READER OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The interim consolidated financial statements of Samuel Manu-Tech Inc., which include the interim consolidated balance sheet as at March 31, 2009 and the interim consolidated statements of earnings (loss), retained earnings, cash flows and other comprehensive income (loss) for the three month period then ended are the responsibility of management. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada and, where appropriate, reflect estimates based on the best judgment of management.

These interim consolidated financial statements have not been audited or reviewed on behalf of the shareholders by the independent external auditors of the Company, KPMG LLP.



Mark C. Samuel
Chairman & CEO

April 28, 2009



John D. Amodeo
Vice-President & Chief Financial Officer

CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

Three Months ended March 31, 2009 and 2008 (unaudited)

(in thousands of dollars except per share amounts)

	1st QUARTER	
	2009	2008
NET SALES	\$ 193,838	\$ 227,764
COSTS AND EXPENSES (INCOME):		
Cost of sales, selling & administration	205,001	220,117
Amortization	1,286	1,028
Foreign exchange loss (gain)	638	(276)
Interest on long-term debt	1,849	1,967
Interest on short-term debt	—	68
Interest income	(18)	(8)
	208,756	222,896
EARNINGS (LOSS) BEFORE RESTRUCTURING AND INCOME TAXES	(14,918)	4,868
RESTRUCTURING (note 5)	(665)	490
EARNINGS (LOSS) BEFORE INCOME TAXES	(14,253)	4,378
INCOME TAXES (RECOVERY):		
Current	(2,690)	1,810
Future	(2,460)	(510)
	(5,150)	1,300
NET EARNINGS (LOSS)	\$ (9,103)	\$ 3,078
BASIC EARNINGS (LOSS) PER SHARE	\$ (0.28)	\$ 0.10
DILUTED EARNINGS (LOSS) PER SHARE	\$ (0.28)	\$ 0.10

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

Three Months ended March 31, 2009 and 2008 (unaudited)

(in thousands of dollars)

	1st QUARTER	
	2009	2008
RETAINED EARNINGS, BEGINNING OF PERIOD	\$ 319,733	\$ 341,925
NET EARNINGS (LOSS)	(9,103)	3,078
DIVIDENDS PAID ON COMMON SHARES	(3,214)	(3,212)
RETAINED EARNINGS, END OF PERIOD	\$ 307,416	\$ 341,791

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

March 31, 2009 and December 31, 2008 (unaudited)

(in thousands of dollars)

	March 31, 2009	Dec. 31, 2008
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 9,278	\$ 2,808
Accounts receivable	114,198	134,218
Inventories	187,762	233,441
Prepaid expenses and sundry	3,479	4,398
Income taxes receivable	4,104	—
Future income taxes	10,254	10,018
	329,075	384,883
CAPITAL ASSETS	173,747	171,762
ACCRUED PENSION ASSET	9,037	8,362
ASSETS HELD FOR SALE	2,771	2,771
FUTURE INCOME TAXES	10,926	10,343
GOODWILL	55,361	54,035
INTANGIBLE ASSETS	16,831	17,559
OTHER ASSETS	2,312	1,681
	\$ 600,060	\$ 651,396
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Bank indebtedness	\$ —	\$ 4,879
Accounts payable and accrued liabilities	87,069	67,319
Deferred revenue	6,370	8,206
Dividends payable	3,260	3,258
Income taxes payable	—	1,148
Current portion of long-term debt	10,721	—
	107,420	84,810
LONG-TERM DEBT	140,585	205,859
POST-RETIREMENT BENEFITS OTHER THAN PENSIONS	2,980	2,842
FUTURE INCOME TAXES	11,069	13,035
OTHER LONG-TERM LIABILITIES	2,769	2,928
	264,823	309,474
SHAREHOLDERS' EQUITY:		
Capital stock (note 2)	30,126	30,126
Contributed surplus	195	195
Retained earnings	307,416	319,733
Accumulated other comprehensive loss (note 3)	(2,500)	(8,132)
	335,237	341,922
	\$ 600,060	\$ 651,396

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Three Months ended March 31, 2009 and 2008 (unaudited)

(in thousands of dollars)

	1st QUARTER	
	2009	2008
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:		
Net earnings (loss)	\$ (9,103)	\$ 3,078
Items not involving cash:		
Depreciation and amortization	7,043	6,681
Loss on disposal of capital assets	17	445
Future income taxes	(2,460)	(510)
Loss on derivatives not designated as hedges	490	—
Increase in accrued pension asset	(657)	(299)
Decrease in post-retirement benefits other than pensions	57	19
	(4,613)	9,414
Change in non-cash operating working capital:		
Decrease (increase) in accounts receivable	22,042	(3,140)
Decrease (increase) in inventories	49,512	(8,971)
Decrease (increase) in prepaid expenses and sundry	993	426
Decrease (increase) in income taxes receivable	(867)	107
Increase (decrease) in accounts payable and accrued liabilities	17,907	9,789
Increase (decrease) in deferred revenue	(2,067)	(582)
Increase (decrease) in income taxes payable	(4,207)	—
	78,700	7,043
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:		
Proceeds on sale of capital assets	599	(65)
Purchase of capital assets	(4,064)	(3,308)
Business acquisitions	—	(60,105)
	(3,465)	(63,478)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:		
Increase in other assets	(564)	175
Increase in long-term debt	1,869	61,670
Repayment of long-term debt	(62,203)	(1,719)
Dividends paid on common shares	(3,214)	(3,212)
	(64,112)	56,914
EFFECT OF EXCHANGE RATE CHANGES ON CASH POSITION	226	(38)
INCREASE IN CASH POSITION	11,349	441
CASH POSITION, BEGINNING OF PERIOD	(2,071)	(2,039)
CASH POSITION, END OF PERIOD	\$ 9,278	\$ (1,598)

Cash position is comprised of cash and cash equivalents, with maturities at the date of purchase of three months or less, less bank indebtedness.

See accompanying notes to consolidated financial statements.

SEGMENTED INFORMATION

Three Months ended March 31, 2009 and 2008 (unaudited)

(in thousands of dollars)

NET SALES	1st QUARTER	
	2009	2008
Packaging	\$ 99,949	\$ 109,499
Metal Processing	93,889	118,265
Consolidated	\$ 193,838	\$ 227,764

EARNINGS (LOSS) BEFORE RESTRUCTURING, INTEREST AND INCOME TAXES	1st QUARTER	
	2009	2008
Packaging	\$ (7,997)	\$ 1,784
Metal Processing	(2,483)	6,841
Corporate	(2,607)	(1,730)
Earnings (loss) before restructuring, interest and income taxes	(13,087)	6,895
Restructuring charge (note 5)	(665)	490
Interest on long-term debt	1,849	1,967
Interest on short-term debt	—	68
Interest income	(18)	(8)
Earnings (loss) before income taxes	\$ (14,253)	\$ 4,378

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Three Months ended March 31, 2009 and 2008 (unaudited)

(in thousands of dollars)

NET EARNINGS (LOSS)	1st QUARTER	
	2009	2008
NET EARNINGS (LOSS)	\$ (9,103)	\$ 3,078
OTHER COMPREHENSIVE INCOME (LOSS):		
Unrealized gain (loss) on translation of net foreign operations	5,718	5,115
Change in unrealized gain or loss on derivatives designated as cash flow hedges	(103)	(1,559)
Income taxes on change in unrealized gain or loss	33	533
Reclassification of realized gain (loss) on cash flow hedges	(24)	155
Income taxes on reclassification of realized gain (loss)	8	(53)
TOTAL OTHER COMPREHENSIVE INCOME	5,632	4,191
COMPREHENSIVE INCOME (LOSS)	\$ (3,471)	\$ 7,269

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Three Months ended March 31, 2009 and 2008 (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, 2008. 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:

Adoption of new accounting policies

(i) Goodwill and intangible assets

In February 2008, the CICA issued Handbook Section 3064 "Goodwill and Intangible Assets", which replaces Section 3062 "Goodwill and Other Intangible Assets", and Section 3450 "Research and Development Costs", and establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. The provisions relating to the definition and initial recognition of intangible assets, including internally generated intangible assets, are equivalent to the corresponding provisions of International Financial Reporting Standard, IAS 38 "Intangible Assets". This new standard is effective for the Company beginning January 1, 2009. The adoption of this accounting standard did not have an impact on the Company's consolidated financial statements.

(ii) Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

On January 20, 2009, the Emerging Issues Committee (EIC) of the Canadian Accounting Standards Board (AcSB) issued EIC Abstract 173 "Credit Risk and Fair Value of Financial Assets and Financial Liabilities", which establishes that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. This new standard is effective for the Company beginning January 1, 2009 and has been adopted retrospectively, without restatement of prior years. The adoption of this accounting standard did not have an impact on the Company's consolidated financial statements.

Future Changes in Accounting Policy

(i) International Financial Reporting Standards (IFRS)

In February 2008, the AcSB confirmed that publicly accountable enterprises will be required to report under IFRS effective for fiscal periods beginning on or after January 1, 2011. Upon adoption of IFRS, it is likely that changes in accounting policies will be required that may materially impact the Company's consolidated financial statements.

(ii) Business Combinations, Consolidated Financial Statements, and Non-Controlling Interests

In January 2009, the AcSB issued new Sections, 1582 "Business Combinations", 1601 "Consolidated Financial Statements", and 1602 "Non-Controlling Interests". These sections will be effective beginning January 1, 2011, and must be applied prospectively. Earlier adoption is permitted, provided that all three of these Sections must be adopted at the same time. Section 1582 "Business Combinations" will replace the existing Section 1581 "Business Combinations" and will establish standards for accounting for business combinations equivalent to International Financial Reporting Standard IFRS 3 "Business Combinations". Sections 1601 and 1602 will replace the existing Section 1600 "Consolidated Financial Statements" and will establish standards for consolidation and minority interest accounting equivalent to International Financial Reporting Standard IAS 27 "Consolidated and Separate Financial Statements". These changes will not impact the Company's current year consolidated financial statements. The Company is currently assessing the future impact of these standards on its consolidated financial statements.

2. CAPITAL STOCK:

	March 31, 2009	December 31, 2008
Number of common shares outstanding	32,140,245	32,140,245
Number of options outstanding	324,400	324,400

The Company did not issue any stock options during the three months ended March 31, 2009, nor were any options exercised.

Weighted average number of shares:

	1st QUARTER	
	2009	2008
Basic shares	32,140,245	32,123,445
Effect of dilutive stock options ^(a)	—	113,740
Diluted shares	32,140,245	32,237,185

^(a)As the Company had a net loss in the quarter ended March 31, 2009, options granted and outstanding under the Company's stock option plan have been excluded from the diluted weighted average number of common shares calculation as their inclusion would be anti-dilutive.

3. ACCUMULATED OTHER COMPREHENSIVE LOSS:

	1st QUARTER	
	2009	2008
CUMULATIVE TRANSLATION ADJUSTMENT		
Balance, beginning of period	\$ (6,332)	\$ (34,291)
Unrealized gain on translation of net foreign operations	5,718	5,115
Balance, end of period	\$ (614)	\$ (29,176)
UNREALIZED DERIVATIVE GAIN (LOSS) ON CASH FLOW HEDGES, NET:		
Balance, beginning of period	\$ (1,800)	\$ (379)
Changes in unrealized gain or loss on derivatives designated as cash flow hedges	(103)	(1,559)
Income taxes on change in unrealized gain or loss	33	533
Reclassification of realized (gain) loss on cash flow hedges	(24)	155
Income taxes on reclassification of unrealized gain (loss)	8	(53)
Balance, end of period	\$ (1,886)	\$ (1,303)
ACCUMULATED OTHER COMPREHENSIVE LOSS	\$ (2,500)	\$ (30,479)

4. FUTURE BENEFIT COSTS:

The Company has incurred pension and other post-retirement benefit costs as noted below.

	1st QUARTER	
	2009	2008
Defined benefit pension plans	\$ 866	\$ 905
Defined contribution pension plans	474	439
Other benefit plans	73	53
Total	\$ 1,413	\$ 1,397

5. RESTRUCTURING:

On January 5, 2007, the Company announced the approval of a formal plan to close its Warden Avenue manufacturing facility in Scarborough, Ontario. The Company estimates it will incur costs of \$3,112 (\$1,100 after income taxes) to provide for facility closure, disposal of certain assets, severance and other related items. The restructuring costs are associated with the Packaging segment, and are reported in the restructuring line within the consolidated statements of earnings (loss). As of March 31, 2009, \$3,112 of cumulative restructuring has been recorded net of a gain on sale of land building and equipment of \$5,969.

The following table highlights the restructuring activity and balance for the period ended March 31, 2009:

<i>Restructuring Charge</i>	Total Costs Expected	Costs incurred to December 31, 2008	Costs incurred three months ended March 31, 2009	Cumulative costs incurred
Severance, termination costs, benefits, retention bonuses	\$ 2,974	\$ 2,974	\$ —	\$ 2,974
Pension curtailment and settlement	3,756	3,756	—	3,756
Gain on sale of machinery and equipment	(1,855)	(1,190)	(665)	(1,855)
Gain on sale of land and building	(4,114)	(4,114)	—	(4,114)
Other	2,351	2,351	—	2,351
Total	\$ 3,112	\$ 3,777	\$ (665)	\$ 3,112

Other restructuring includes facility closure costs, capital asset dismantling and write down, and inventory write down.

<i>Restructuring Accrual</i>	Balance December 31, 2008	Less costs paid or otherwise settled	Less costs incurred and charged to expense	Adjustments	Balance, March 31, 2009
Severance, termination costs, benefits, retention bonuses	\$ 238	\$ 105	\$ —	\$ —	\$ 133

6. CAPITAL MANAGEMENT:

There were no changes in the Company's approach to capital management during the period compared to that of 2008. The Company's strategy for capital management continues to be driven by the cost effectiveness of externally available debt, cash from operations and expectations for future acquisitions and capital expenditures. However, the Company's recent earnings decline, combined with existing bank financial covenants, have resulted in the Company being restricted in the amount of its total borrowings, notwithstanding the magnitude of its existing committed bank term facilities. The Company's existing credit facilities include Funded Debt to Capitalization, Rolling Four Quarter Funded Debt to Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) and Current Ratio financial covenants, all of which the Company was in compliance with at March 31, 2009. The Company anticipates, however, that its existing Rolling Four Quarter Funded Debt to EBITDA financial covenant, which is currently set at a maximum of 3:1, will become too restrictive in future quarters in 2009. The Funded Debt to Capitalization covenant, which is not to exceed 50%, and the Current Ratio covenant, which is to exceed a minimum 1.5 times, are at acceptable levels so as not to restrict total borrowings of the Company.

As a result, the Company is currently re-evaluating its approach to capital management with respect to the magnitude of total and individual bank commitments, underlying terms of existing bank facilities and whether the bank facilities are secured or unsecured. This process involves renegotiating the Company's current credit agreements in order to be able to access a greater portion of its committed financing without being in breach of existing covenants.

7. FINANCIAL INSTRUMENTS:

The Company uses derivative financial instruments to manage risks from fluctuations in exchange rates. All such instruments are used for risk management purposes only; the Company does not enter into derivatives for speculative purposes.

At March 31, 2009, the Company was committed to the sale of U.S. \$9,000 under forward exchange contracts at rates of exchange ranging from Cdn. \$1.0661 to Cdn. \$1.2145 maturing from April 30, 2009 to October 15, 2009. The fair value of the contracts as at March 31, 2009 was an unrealized loss of \$847 (\$583 net of tax) and is recorded within accounts payable and accrued liabilities on the consolidated balance sheet.

The Company is subject to floating interest rates on its long-term debt facilities and consequently, there is risk of cash flow exposure in the event that interest rates increase. The Company enters into interest rate swaps to hedge its exposure to changes in interest rates. At March 31, 2009, the Company had U.S. \$85,000 of interest rate swap agreements in place with the balance of long-term debt subject to floating interest rates.

Any change in the fair value of the effective portion of an interest rate swap that is designated and qualifies as a cash flow hedge is recognized in other comprehensive income. Any gain or loss in fair value relating to the ineffective portion, if any, is recognized immediately in the statement of earnings (loss). The fair value of the interest rate swaps at March 31, 2009 was an unrealized loss of \$2,768 (\$1,896 net of tax) based on the amount quoted by the Company's bankers and has been recognized in other comprehensive income with \$2,455 recorded within other long-term liabilities and \$313 recorded within accounts payable and accrued liabilities on the consolidated balance sheet.

At March 31, 2009, the Company had cash and cash equivalents of \$9,278. Revolving credit facilities permitted the Company to borrow funds up to an aggregate of \$301,487 subject to covenant compliance, which reduced the aggregate funds available for borrowing to \$184,530. At March 31, 2009, \$153,986 had been drawn against the Company's long-term facilities in the form of long-term debt (\$151,306) and letters of credit (\$2,680).

8. RELATED PARTY TRANSACTIONS:

In the normal course of operations, the Company has transactions with its parent and companies under its control which are measured at amounts agreed to by the respective parties subject to normal trade terms, as described in the notes of the Company's annual financial statements.

In addition, on February 12, 2009, the Company's Board of Directors approved the sale of the tool steel inventory and related equipment and working capital items of Unalloy-IWRC ("Unalloy"), a division of the Company, to Samuel, Son & Co. Ltd. (SSCL), a related party, at a negotiated selling price of \$6,100 subject to working capital adjustments. This decision resulted from an extensive review whereby it was determined that these product lines were no longer a strategic fit within the Company. The review also involved exploring various options for sale of the business to third party buyers before it was determined that the most attractive sale be concluded with SSCL. This transaction closed February 27, 2009 and resulted in a loss of approximately \$1,800.



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