SAMUEL MANU-TECH INC.

FIRST QUARTER
REPORT TO SHAREHOLDERS 2005

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Results of Operations

Net Sales

Sales for the three months to March 31, 2005 were $217.2 million, which represents an increase of $26.1 million or 13.7% from the $191.1 million achieved in the comparable period of last year. Increased demand and steel price escalations that helped to produce record results last year continued to impact the first quarter of 2005 and resulted in all segments recording higher sales in the quarter compared to last year.

Sales of the Packaging segment, at $107.5 million, were up $19.2 million or 21.8% with increases in both Canada and the U.S. mainly in steel and plastic strapping. Metal Processing sales for the quarter were $83.6 million, which is up 0.4%. This was due to higher sales of roll formed products, mainly for railcars, and steel pressure vessels offset in part by lower sales of stainless steel tubular products, and decreased pickling volumes reflecting reduced demand in the automotive sector. Distribution sales were $26.1 million. This was up $6.4 million or 32.8% over last year with higher sales in both Canada and the U.S. reflecting higher volumes and a stronger pricing environment.

Earnings

Net earnings for the first three months of 2005 were $18.7 million or $0.59 per share, compared to the $5.6 million or $0.18 per share achieved in the comparable quarter of last year. The first quarter results this year include a restructuring gain of $5.8 million on the sale of the Brockhouse facility as outlined in Note 3 to the interim financial statements. This restructuring gain of $5.5 million after tax positively impacted earnings in the first quarter by $0.17 per share. This compares to the first quarter results last year which included a restructuring charge of $6.7 million ($4.3 million after tax) to close the Brockhouse facility and which negatively impacted earnings by $0.14 per share.

Operating profit (earnings before restructuring (gain)/charge, interest and income taxes) for the first quarter amounted to $20.9 million which is $5.0 million or 31.6% above last year.

The Packaging segment had profits of $11.1 million which is 84.0% above the comparable quarter of last year, with increases in both Canada and the U.S.

The Metal Processing segment generated profits of $10.6 million which is 3.8% below the comparable quarter of last year. The major reasons for the decrease are decreased profits from steel pickling operations (including technology income) and from stainless steel tubular products, reflecting lower volumes and reduced automotive demand. Profits from roll formed products were higher compared to last year reflecting higher margins on custom forming sales. Profits from steel pressure vessels were also higher compared to last year.

Within the Distribution segment there was an operating profit of $2.0 million compared to a profit of $0.5 million in the comparable quarter of last year with both Canada and the U.S. posting increased positive results.

Financial Condition

Liquidity and Capital Resources

Cash flow before changes in non-cash working capital for the first quarter of 2005 amounted to $19.3 million which is up $6.0 million from $13.3 million in the comparable quarter of last year. Overall cash flow used in operating activities was $17.1 million compared to cash flow from operating activities of $12.1 million last year. This reflects higher levels of profitability which was more than offset by increased requirements for non-cash working capital.

Cash from investing activities at $1.8 million was above last year's $3.9 million used for investing activities, and was due to the proceeds on sale of capital assets. Cash from financing activities amounted to $9.0 million in the quarter compared to an outflow of $13.0 million last year with the increase in cash this year due to the increase in long-term debt. During the quarter, the Company did not purchase any common shares under its Normal Course Issuer Bid compared to $0.4 million last year. Dividends paid on common shares amounted to $2.9 million or $0.09 per share in the quarter compared to $1.6 million or $0.05 per share in the comparable period of last year. In aggregate, the cash position decreased by $6.3 million compared to a $4.7 million decrease last year. The Company continues to maintain credit facilities with various banks and at March 31, 2005 had available unused credit facilities of approximately $93 million.

Capital Expenditures

Capital expenditures in the three months to March 31, 2005 were $3.0 million compared to $3.9 million during the first quarter last year. Expenditures in the current quarter related primarily to new and replacement machinery and equipment at several locations.

Business Acquisitions

On January 7, 2005, the Company acquired the businesses and assets of HTI and AmCa. Additional details are outlined in Acquisitions Note 5 to the interim financial statements.

Working Capital

Working capital at March 31, 2005 was $187.1 million, an increase of $31.9 million from the year-end position. An increase in receivables and inventories and lower income taxes payable was offset in part by higher bank indebtedness. Overall, the working capital ratio increased to 2.5 from both the year-end position and the end of the first quarter last year when it was 2.2 and 1.8 respectively.

Net Borrowings to Capitalization

The Company's net borrowings as at March 31, 2005 amounted to $73.9 million, an increase of $18.2 million from $55.7 million at December 31, 2004. The net debt to capitalization ratio at the end of the quarter increased to 20.7% compared to 17.3% at year-end but was below the end of the first quarter last year when it was 24.4%.

Capital Stock

Details of issued and outstanding common shares are outlined in Note 2 to the interim financial statements. As at the date of this report the number of outstanding common shares is 31,788,445. Under the Company's Normal Course Issuer Bid no common shares of Samuel Manu-Tech Inc. were purchased during the quarter. To date 28,000 commons shares have been purchased and cancelled at an average price per share of $8.69. The Issuer Bid approves the purchase by the Company of up to 1,578,492 common shares during the one-year period commencing August 19, 2004.

Outlook

The Company is pleased with the performance for the first quarter and remains cautiously optimistic for the balance of the year.

The steel price and surcharge escalations that we experienced in 2004 are not expected to repeat in 2005. The steel market showed signs of softening in the first quarter and the outlook for the rest of the year is more moderate. Demand for steel is slowing in some sectors and certain steel producers may cut back on production to help keep supply in line with demand.

Quarterly Results

(thousands of dollar except per share amounts)

	2005 Q1	2004 Q4	2004 Q3	2004 Q2	2004 Q1	2003 Q4	2003 Q3	2003 Q2
Net Sales	**$ 217,151**	$ 213,111	$ 224,918	$ 210,690	$ 191,123	$ 169,975	$ 167,051	$ 166,551
Net Earnings	**18,667**	17,236	19,190	15,096	5,574	6,347	5,090	16
Basic Earnings per Share	**0.59**	0.55	0.61	0.47	0.18	0.20	0.16	—
Diluted Earnings per Share	**0.58**	0.54	0.61	0.47	0.18	0.20	0.16	—

Samuel Manu-Tech Inc. (SMT-TSX) produces and distributes a wide range of steel, plastic and related industrial products and services from locations in Canada and the United States.

Mark C. Samuel
Vice-Chairman
President and CEO

April 27, 2005

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.

Consolidated Statements of Earnings

Three Months ended March 31, 2005 and 2004 *(unaudited)*

(in thousands of dollars except per share amounts)

	1ST QUARTER	
	2005	2004
NET SALES	**$ 217,151**	$ 191,123
COSTS AND EXPENSES (INCOME):		
Cost of sales, selling & administration	**189,502**	168,401
Depreciation and amortization	**6,174**	6,510
Foreign exchange loss	**559**	323
Interest on long-term debt	**599**	1,025
Interest on short-term debt	**170**	33
Interest income	**(4)**	(3)
	197,000	176,289
EARNINGS BEFORE RESTRUCTURING (GAIN) CHARGE AND INCOME TAXES	**20,151**	14,834
RESTRUCTURING (GAIN) CHARGE (note 3)	**(5,786)**	6,658
EARNINGS BEFORE INCOME TAXES	**25,937**	8,176
INCOME TAXES:		
Current	**6,431**	2,327
Future	**839**	275
	7,270	2,602
NET EARNINGS	**$ 18,667**	$ 5,574
BASIC EARNINGS PER SHARE	**$ 0.59**	$ 0.18
DILUTED EARNINGS PER SHARE	**$ 0.58**	$ 0.18

See accompanying notes to consolidated financial statements.

Segmented Information

Three Months ended March 31, 2005 and 2004 *(unaudited)*

(in thousands of dollars)

	1ST QUARTER	
NET SALES	**2005**	2004
Packaging	**$ 107,455**	$ 88,220
Metal Processing	**83,583**	83,244
Distribution	**26,113**	19,659
Consolidated	**$ 217,151**	$ 191,123

	1ST QUARTER	
EARNINGS BEFORE RESTRUCTURING (GAIN) CHARGE, INTEREST AND INCOME TAXES	**2005**	2004
Packaging	**$ 11,054**	$ 6,008
Metal Processing	**10,567**	10,984
Distribution	**2,018**	470
Corporate	**(2,723)**	(1,573)
Earnings before restructuring (gain) charge, interest and income taxes	**20,916**	15,889
Restructuring (gain) charge	**(5,786)**	6,658
Interest on long-term debt	**599**	1,025
Interest on short-term debt	**170**	33
Interest income	**(4)**	(3)
Earnings before income taxes	**$ 25,937**	$ 8,176

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets

March 31, 2005 *(unaudited)* and December 31, 2004 *(audited)*

(in thousands of dollars)

	March 31, 2005	Dec. 31, 2004
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	**$ 1,476**	$ 978
Accounts receivable	**124,446**	113,088
Inventories	**169,681**	151,228
Prepaid expenses and sundry	**4,342**	6,300
Accrued pension asset	**2,673**	2,196
Future income taxes	**5,904**	5,833
	308,522	279,623
CAPITAL ASSETS	**141,628**	143,925
ASSETS HELD FOR SALE	**—**	1,346
FUTURE INCOME TAXES	**2,311**	2,963
INTANGIBLE ASSETS, net of amortization	**26,400**	24,422
	$ 478,861	$ 452,279
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Bank indebtedness	**$ 19,032**	$ 12,217
Accounts payable and accrued liabilities	**91,538**	91,264
Dividends payable	**2,880**	2,876
Income taxes payable	**8,008**	18,117
	121,458	124,474
LONG-TERM DEBT	**56,311**	44,496
POST-RETIREMENT BENEFITS OTHER THAN PENSIONS	**1,838**	1,869
FUTURE INCOME TAXES	**15,800**	15,552
	195,407	186,391
SHAREHOLDERS' EQUITY:		
Capital stock (note 2)	**27,161**	27,040
Contributed surplus	**54**	54
Retained earnings	**264,387**	248,580
Cumulative translation adjustment	**(8,148)**	(9,786)
	283,454	265,888
	$ 478,861	$ 452,279

See accompanying notes to consolidated financial statements.

Consolidated Statements of Retained Earnings

Three Months ended March 31, 2005 and 2004 *(unaudited)*

(in thousands of dollars)

	1ST QUARTER	
	2005	2004
RETAINED EARNINGS, BEGINNING OF PERIOD	**$ 248,580**	$ 200,574
NET EARNINGS	**18,667**	5,574
DIVIDENDS PAID ON COMMON SHARES	**(2,860)**	(1,582)
SHARES PURCHASED AND CANCELLED	**—**	(394)
RETAINED EARNINGS, END OF PERIOD	**$ 264,387**	$ 204,172

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Three Months ended March 31, 2005 and 2004 *(unaudited)*

(in thousands of dollars)

	1ST QUARTER	
	2005	2004
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:		
Net earnings	**$ 18,667**	$ 5,574
Items not involving cash:		
Depreciation and amortization	**6,174**	6,510
(Gain) loss on disposal of capital assets	**(5,850)**	940
Future income taxes	**839**	275
Increase in accrued pension asset	**(476)**	—
Increase in accrued pension obligation	**—**	304
Decrease in post-retirement benefits other than pensions	**(40)**	(324)
	19,314	13,279
Change in non-cash operating working capital:		
Increase in accounts receivable	**(9,780)**	(15,608)
(Increase) decrease in inventories	**(16,079)**	350
Decrease in prepaid expenses and sundry	**2,088**	634
(Decrease) increase in accounts payable and accrued liabilities	**(2,816)**	11,853
(Decrease) increase in income taxes payable	**(9,854)**	1,618
	(17,127)	12,126
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:		
Proceeds on sale of capital assets	**7,352**	49
Purchase of capital assets and intangible assets	**(2,957)**	(3,926)
Business acquisition (note 5)	**(2,573)**	—
	1,822	(3,877)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:		
Issuance of common shares (note 2)	**121**	—
Purchase of common shares	**—**	(440)
Increase in long-term debt	**12,522**	7,023
Repayment of long-term debt	**(788)**	(17,978)
Dividends paid on common shares	**(2,860)**	(1,582)
	8,995	(12,977)
EFFECT OF EXCHANGE RATE CHANGES ON CASH POSITION	**(7)**	15
DECREASE IN CASH POSITION	**(6,317)**	(4,713)
CASH POSITION, BEGINNING OF PERIOD	**(11,239)**	2,048
CASH POSITION, END OF PERIOD	**$ (17,556)**	$ (2,665)

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.

(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, 2004. All accounting policies and methods of their application used in the interim financial statements are consistent with the Company's annual financial statements.

2. CAPITAL STOCK:

	March 31, 2005	Dec. 31, 2004
Number of common shares outstanding	**31,775,245**	31,755,845
Number of options outstanding	**778,900**	798,300

The Company did not issue any stock options during the three months ended March 31, 2005. During the quarter ended March 31, 2005, 19,400 stock options were exercised, resulting in the issuance of 19,400 common shares in exchange for proceeds of $121.

Weighted average number of shares:

	1ST QUARTER	
	2005	2004
Basic shares	**31,762,312**	31,678,728
Effect of dilutive stock options	**307,042**	104,066
Diluted shares	**32,069,354**	31,782,794

The Company applied the settlement method of accounting for stock options granted to employees and directors during the year ended December 31, 2002. Accordingly no compensation cost has been recognized for the 177,500 stock options issued during that period. For the purposes of pro forma disclosures, the weighted average estimated fair value for the 177,500 stock options granted during the year ended December 31, 2002 was $1.77 per share, with a total compensation cost of $314, which is amortized to earnings over the options' vesting period. The following table outlines the pro forma disclosure provisions had the compensation costs for the Company's stock options been determined under the fair-value based method of accounting for awards granted from January 1, 2002 through to December 31, 2002.

	1ST QUARTER	
	2005	2004
Net earnings as reported	**$ 18,667**	$ 5,574
Pro forma net earnings	**18,651**	5,558
Pro forma earnings per share – basic	**$ 0.59**	$ 0.18
– diluted	**$ 0.58**	$ 0.18

3. RESTRUCTURING (GAIN) CHARGE:

On February 19, 2004, the Company announced the approval of a formal plan to close its Brockhouse facility in Brampton, Ontario. The facility closure occurred in the third quarter of 2004; however, the restructuring is not anticipated to be completed until the wind up of the pension plan is approved by the Financial Services Commission of Ontario (FSCO) which can take up to two years. The restructuring costs are associated with the Metal Processing segment, and are reported in the restructuring charge line within the income statement. Total costs expected to be incurred amount to $156, net of the gain on the sale of land and building of $5,886. Costs of $5,942 were incurred in 2004, and a net gain of $5,786 was realized in 2005.

The following table highlights the activity and balance of the restructuring charge for the period ended March 31, 2005:

Restructuring Accrual	Balance, December 31, 2004	Additions to restructuring accrual (expensed in 1st Quarter)	Charges against restructuring accrual	Balance at March 31, 2005
Severance, termination costs & benefits, and retention bonuses	$ 230	$ 100	$ 19	$ 311
Pension curtailment and settlement	1,997	—	87	1,910
Other	98	—	15	83
Subtotal	$ 2,325	$ 100	$ 121	$ 2,304
Gain on sale of land and building	$ —	$ (5,886)	$ (5,886)	$ —
Total	$ 2,325	$ (5,786)	$ (5,765)	$ 2,304

4. FUTURE BENEFIT COSTS:

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

	1ST QUARTER
Defined benefit pension plans	$ 969
Defined contribution pension plans	472
Other benefit plans	80
Total	$ 1,521

5. ACQUISITIONS:

On January 7, 2005, the Company acquired 100% of the shares of HTI and AmCa for consideration of $3,000. These strategic acquisitions will allow the Company to grow its market share in the strapping equipment market and develop new technology in the Packaging segment. These acquisitions have been accounted for under the purchase method of accounting and the results of operations, since these acquisitions, 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	$ 3,000

Net assets acquired, at fair values:	
Cash	$ 427
Accounts receivable	1,211
Inventories	1,615
Prepaid expenses and sundry	23
Income taxes receivable	27
Capital assets	373
Intangible assets	1,109
Goodwill	1,167
Accounts payable	(2,952)
Net assets acquired	$ 3,000

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