



## Winpak Reports Second Quarter Earnings

**Winnipeg, Manitoba, July 26, 2007** - Winpak Ltd. (WPK) today reports consolidated results in US dollars for the second quarter of 2007, which ended on July 1, 2007.

| <u>Year-To-Date Ended</u>                                  | <u>July 1<br/>2007</u> | <u>July 2<br/>2006</u> |
|--|------------------------|------------------------|
| <i>(thousands of US dollars, except per share amounts)</i> |                        |                        |
| Sales  | <u>223,239</u>         | <u>222,394</u>         |
| Net earnings   | <u>12,728</u>          | <u>18,156</u>          |
| Minority interest  | (81)                   | 204                    |
| Provision for income taxes                                 | 6,610                  | 8,230                  |
| Interest   | 1,042                  | 1,186                  |
| Depreciation and amortization                              | <u>11,411</u>          | <u>10,144</u>          |
| EBITDA (1)   | <u>31,710</u>          | <u>37,920</u>          |
| Basic and fully diluted net earnings per share (cents)     | <u>20</u>              | <u>28</u>              |
|  | <u>July 1<br/>2007</u> | <u>July 2<br/>2006</u> |
| <u>Second Quarter Ended</u>                                |                        |                        |
| <i>(thousands of US dollars, except per share amounts)</i> |                        |                        |
| Sales  | <u>114,479</u>         | <u>109,325</u>         |
| Net earnings   | <u>5,224</u>           | <u>11,711</u>          |
| Minority interest  | 10                     | 133                    |
| Provision for income taxes                                 | 2,643                  | 4,876                  |
| Interest   | 567                    | 562                    |
| Depreciation and amortization                              | <u>5,876</u>           | <u>5,176</u>           |
| EBITDA (1)   | <u>14,320</u>          | <u>22,458</u>          |
| Basic and fully diluted net earnings per share (cents)     | <u>8</u>               | <u>18</u>              |

Winpak Ltd. manufactures and distributes high-quality packaging materials and related packaging machines. The Company's products are used primarily for the protection of perishable foods, beverages and in health care applications.

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<sup>1</sup> EBITDA is not a recognized measure under Canadian GAAP. Management believes that in addition to net earnings, this measure provides useful supplemental information to investors including an indication of cash available for distribution prior to debt service, capital expenditures and income taxes. Investors should be cautioned, however, that this measure should not be construed as an alternative to net earnings, determined in accordance with GAAP, as an indicator of the Company's performance. The Company's method of calculating this measure may differ from other companies, and, accordingly, the results may not be comparable.



## **Management's Discussion and Analysis**

(presented in US dollars)

*Forward-looking statements:* Certain statements made in the following Management's Discussion and Analysis contain forward-looking statements including, but not limited to, statements concerning possible or assumed future results of operations of the Company. Forward-looking statements represent the Company's intentions, plans, expectations and beliefs, and are not guarantees of future performance. Such forward-looking statements represent our current views based on information as at the date of this report. They involve risks, uncertainties and assumptions and the Company's actual results could differ, which in some cases may be material, from those anticipated in these forward-looking statements. Unless otherwise required by applicable securities law, we disclaim any intention or obligation to publicly update or revise this information, whether as a result of new information, future events or otherwise. The Company cautions investors not to place undue reliance upon forward-looking statements.

### **Results of Operations**

Net earnings in the second quarter of 2007 were 8 cents per share, or 10 cents lower than in 2006. Excluding the one-time gain of 6.5 cents per share for the sale of property in the second quarter of 2006, net earnings in the current year's quarter were 30 percent lower. Applying the same exclusion to the respective six-month periods, net earnings per share were 7 per cent lower in 2007.

Disregarding the property sale, the 3.5 cents per share drop in net earnings in the second quarter of 2007 was primarily due to lower gross profit margins and higher operating expenses. In the first six months of the year, the 1.5 cents per share net earnings reduction, again adjusting for the property sale, can be attributed to lower gross profit margins. Other influences in the six-month period included higher operating expenses offset by foreign exchange gains.

### **Sales**

Second quarter 2007 sales increased nearly 5 percent, regaining some momentum after the weak first quarter. Sales of modified atmosphere packaging products, specialty films and rigid containers accelerated on average more than 5 percent when compared to the same quarter of 2006. That growth was partially offset by lower sales of lidding and biaxially oriented nylon products. Certain customers of these products changed suppliers to take advantage of competitive pricing or switched to alternate packaging products not offered by Winpak. Pricing and foreign exchange had only nominal overall bearing, with the positive influence of exchange offset by slightly lower average pricing for biaxially oriented nylon products.

In the six months ended July 1, 2007, sales were essentially unchanged compared to the same period a year ago. Modified atmosphere packaging and specialty films led growth, while lidding and biaxially oriented nylon products lagged expectations. After a lackluster start to 2007, sales of rigid containers recently benefited from a new contract to supply juice cups. Average pricing this period compared to the prior year was slightly favourable, particularly for lidding.

### **Margins and net earnings**

Compared to 2006, gross profit margins in the second quarter of 2007 contracted by 2.7 percentage points and in the first half-year, by 0.3 percentage points. Most of the narrower margins were linked to higher manufacturing costs particularly in the second quarter, largely associated with the start-up of certain major capital projects. The startup phase of the projects should be complete by the end of the year. As planned, the projects should provide incremental sales during the remainder of 2007. Of the second quarter gross profit margin drop of 2.7 percentage points, changes in foreign exchange rates triggered 0.8 percentage points.

Operating expenses in the quarter increased largely due to the startup of certain major capital projects, including pre-production costs, product testing and new employees. Freight costs also increased due to rates charged and changes in customer mix.



Capital Resources, Cash Flow and Liquidity

In the second quarter, the Company's cash position increased by \$4.4 million. This change primarily comprised investing and financing activities more than offset by cash flow from operating activities and reductions in working capital such as inventories of \$4.1 million. Year-to-date, Winpak's cash position decreased by \$10.2 million. These net expenditures reflect the current year's investments in plant and equipment, certain related payments deferred from the fourth quarter of 2006, and an additional \$2.0 million invested in an underfunded defined benefit pension plan.

Winpak announced on April 24, 2007, that the quarterly dividend rate was doubled from 1.5 Canadian cents per share to 3.0 cents per share. The first dividend at the new rate will be paid on July 12, 2007.

Winpak is confident that sufficient financial resources are in place to fund cash needs for the foreseeable future.

Accounting Policy Changes

As more fully described in Note 2 to the Consolidated Financial Statements, the Company adopted the Canadian Institute of Chartered Accountants' Handbook Sections 3855, 3861, 3865, 1530 and 3251. The changes were adopted prospectively from January 1, 2007, except for the retroactive change to the cumulative currency translation adjustments account, which is now included in accumulated other comprehensive income. These new standards had no significant impact on the Company's financial statements and none on the Consolidated Statement of Earnings.

Raw Materials Index

For reference, the following presents the weighted indexed purchased cost of Winpak's eight primary raw materials in the reported quarter and each of the preceding eight quarters, where base year 2001 = 100. Typically, the purchased index cost in one quarter impacts cost of sales in the subsequent quarter.

|                      |       |       |       |       |       |       |       |       |       |
|----------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Quarter and Year     | 2/05  | 3/05  | 4/05  | 1/06  | 2/06  | 3/06  | 4/06  | 1/07  | 2/07  |
| Purchase Price Index | 140.5 | 135.4 | 153.0 | 149.5 | 146.8 | 155.4 | 148.8 | 146.0 | 152.5 |

The 4.4 percent uplift in the index for the second quarter 2007 when compared to the immediately preceding quarter included increases in the average prices of most of the raw material components of the index, particularly polyethylene.

Summary of Quarterly Results

Thousands of U.S. dollars, except per share amounts (U.S. cents)

|                    | Quarter Ended  |                 |                     |                   |                |                 |                   |                   |
|--------------------|----------------|-----------------|---------------------|-------------------|----------------|-----------------|-------------------|-------------------|
|                    | July 1<br>2007 | April 1<br>2007 | December 31<br>2006 | October 1<br>2006 | July 2<br>2006 | April 2<br>2006 | January 1<br>2006 | October 2<br>2005 |
| Sales              | 114,479        | 108,760         | 113,088             | 111,638           | 109,325        | 113,069         | 109,666           | 111,625           |
| Net earnings       | 5,224          | 7,504           | 6,579               | 7,841             | 11,711         | 6,445           | 6,192             | 5,322             |
| Earnings per share | 8              | 12              | 10                  | 12                | 18             | 10              | 10                | 8                 |



**Winpak Ltd.**  
**Interim Consolidated Financial Statements**  
**Second Quarter Ended: July 1, 2007**

These interim consolidated financial statements have not been audited or reviewed by the Company's independent external auditors, PricewaterhouseCoopers LLP.



**Winpak Ltd.**

**Consolidated Balance Sheets**

*(thousands of US dollars)*

(July 1, 2007 Unaudited)

|   | July 1<br>2007    | December 31<br>2006 |
|---|-------------------|---------------------|
|   | <u>          </u> | <u>          </u>   |
| <b>Assets</b>                                   |                   |                     |
| <b>Current Assets:</b>                          |                   |                     |
| Cash  | \$ -              | \$ 2,994            |
| Accounts receivable                             | 55,665            | 53,656              |
| Inventories                                     | 75,954            | 69,469              |
| Prepaid expenses                                | 3,343             | 1,747               |
| Future income taxes                             | 3,099             | 2,869               |
|   | <u>138,061</u>    | <u>130,735</u>      |
| Property, plant and equipment (net)             | 248,514           | 225,113             |
| Other assets                                    | 8,168             | 5,105               |
| Intangible assets (net)                         | 7,611             | 8,707               |
| Goodwill  | 17,107            | 16,336              |
|   | <u>\$ 419,461</u> | <u>\$ 385,996</u>   |
| <b>Liabilities and Shareholders' Equity</b>     |                   |                     |
| <b>Current Liabilities:</b>                     |                   |                     |
| Bank indebtedness (unsecured)                   | \$ 7,156          | \$ -                |
| Accounts payable and accrued liabilities        | 37,857            | 40,950              |
|   | <u>45,013</u>     | <u>40,950</u>       |
| Long-term debt                                  | 22,000            | 22,000              |
| Deferred credits                                | 12,024            | 10,896              |
| Future income taxes                             | 28,259            | 25,781              |
| Postretirement benefits                         | 1,496             | 1,481               |
|   | <u>108,792</u>    | <u>101,108</u>      |
| Minority interest                               | 11,058            | 11,139              |
| <b>Shareholders' Equity:</b>                    |                   |                     |
| Share capital                                   | 29,195            | 29,195              |
| Retained earnings                               | 221,189           | 211,139             |
| Accumulated other comprehensive income (note 5) | 49,227            | 33,415              |
|   | <u>270,416</u>    | <u>244,554</u>      |
|   | <u>299,611</u>    | <u>273,749</u>      |
|   | <u>\$ 419,461</u> | <u>\$ 385,996</u>   |

See accompanying notes to consolidated financial statements.



## Winpak Ltd.

### Consolidated Statements of Earnings and Retained Earnings

(thousands of US dollars, except per share amounts)

(Unaudited)

|   | Second Quarter Ended |            | Year-To-Date Ended |            |
|---|----------------------|------------|--------------------|------------|
|   | July 1               | July 2     | July 1             | July 2     |
|   | 2007                 | 2006       | 2007               | 2006       |
| Sales   | \$ 114,479           | \$ 109,325 | \$ 223,239         | \$ 222,394 |
| Cost of sales   | 87,006               | 80,169     | 165,843            | 164,472    |
| Gross profit  | 27,473               | 29,156     | 57,396             | 57,922     |
| Expenses  |                      |            |                    |            |
| Selling, general & administrative (note 3)                | 15,581               | 14,900     | 31,240             | 30,549     |
| Research and technical                                    | 3,027                | 2,266      | 5,333              | 4,386      |
| Pre-production  | 421                  | 130        | 524                | 558        |
| Gain on sale of assets (note 4)                           | -                    | (5,422)    | -                  | (5,347)    |
| <b>Earnings from operations</b>                           | 8,444                | 17,282     | 20,299             | 27,776     |
| Interest  | 567                  | 562        | 1,042              | 1,186      |
| Earnings before income taxes and minority interest        | 7,877                | 16,720     | 19,257             | 26,590     |
| Provision for income taxes                                | 2,643                | 4,876      | 6,610              | 8,230      |
| Minority interest   | 10                   | 133        | (81)               | 204        |
| <b>Net earnings</b>                                       | \$ 5,224             | \$ 11,711  | \$ 12,728          | \$ 18,156  |
| <b>Retained earnings, beginning of period</b>             | \$ 217,795           | \$ 187,086 | \$ 211,139         | \$ 181,319 |
| Net earnings  | 5,224                | 11,711     | 12,728             | 18,156     |
| Dividends declared  | (1,830)              | (687)      | (2,678)            | (1,365)    |
| <b>Retained earnings, end of period</b>                   | \$ 221,189           | \$ 198,110 | \$ 221,189         | \$ 198,110 |
| <b>Earnings per share</b>                                 |                      |            |                    |            |
| <b>Basic and fully diluted earnings per share (cents)</b> | 8                    | 18         | 20                 | 28         |
| Average number of shares outstanding ('000's)             | 65,000               | 65,000     | 65,000             | 65,000     |

### Consolidated Statements of Comprehensive Income

(thousands of US dollars)

(Unaudited)

|  | Second Quarter Ended |           | Year-To-Date Ended |           |
|--|----------------------|-----------|--------------------|-----------|
|  | July 1               | July 2    | July 1             | July 2    |
|  | 2007                 | 2006      | 2007               | 2006      |
| <b>Net earnings</b>  | \$ 5,224             | \$ 11,711 | \$ 12,728          | \$ 18,156 |
| Unrealized gains (losses) on translation of financial statements of subsidiaries with CDN dollar functional currency to US dollar reporting currency | 12,915               | 6,576     | 15,553             | 5,269     |
| Unrealized gains on derivatives designated as cash flow hedges, net of income tax (\$124 and \$140)  | 229                  | -         | 259                | -         |
| <b>Other comprehensive income - net of income tax</b>  | 13,144               | 6,576     | 15,812             | 5,269     |
| <b>Comprehensive income</b>  | \$ 18,368            | \$ 18,287 | \$ 28,540          | \$ 23,425 |

See accompanying notes to consolidated financial statements.



**Winpak Ltd.**  
**Consolidated Statements of Cash Flows**

(thousands of US dollars)

(Unaudited)

|  | Second Quarter Ended |           | Year-To-Date Ended |           |
|--|----------------------|-----------|--------------------|-----------|
|  | July 1               | July 2    | July 1             | July 2    |
|  | 2007                 | 2006      | 2007               | 2006      |
| <b>Cash provided by (used in):</b>                       |                      |           |                    |           |
| <b>Operating activities:</b>                             |                      |           |                    |           |
| Net earnings for the period                              | \$ 5,224             | \$ 11,711 | \$ 12,728          | \$ 18,156 |
| Items not involving cash:                                |                      |           |                    |           |
| Depreciation   | 5,330                | 4,621     | 10,315             | 9,030     |
| Amortization - intangible assets                         | 546                  | 555       | 1,096              | 1,114     |
| Defined benefit plan costs                               | 868                  | 922       | 1,710              | 1,880     |
| Future income taxes                                      | (160)                | 755       | 471                | 165       |
| Foreign exchange gain on long-term debt                  | -                    | (655)     | -                  | (525)     |
| Minority interest  | 10                   | 133       | (81)               | 204       |
| Gain on sale of assets (note 4)                          | -                    | (5,422)   | -                  | (5,347)   |
| Other  | 78                   | 347       | 195                | 361       |
| Cash flow from operating activities before the following | 11,896               | 12,967    | 26,434             | 25,038    |
| Change in working capital:                               |                      |           |                    |           |
| Accounts receivable                                      | (902)                | 459       | 559                | (3,936)   |
| Inventories  | 4,088                | (5,268)   | (2,400)            | 1,475     |
| Prepaid expenses   | (17)                 | (183)     | (1,418)            | (805)     |
| Accounts payable and accrued liabilities                 | 1,546                | 2,080     | (4,959)            | (2,074)   |
| Defined benefit plan payments                            | (196)                | (308)     | (3,956)            | (2,129)   |
|  | 16,415               | 9,747     | 14,260             | 17,569    |
| <b>Investing activities:</b>                             |                      |           |                    |           |
| Acquisition of property, plant and equipment             | (10,099)             | (9,299)   | (21,109)           | (16,549)  |
| Proceeds from sale of assets (note 4)                    | -                    | 8,350     | -                  | 8,632     |
|  | (10,099)             | (949)     | (21,109)           | (7,917)   |
| <b>Financing activities:</b>                             |                      |           |                    |           |
| Dividends paid   | (848)                | (833)     | (1,681)            | (1,674)   |
|  | (848)                | (833)     | (1,681)            | (1,674)   |
| Foreign exchange translation adjustment on cash          | (1,104)              | (85)      | (1,620)            | (14)      |
| <b>Change in cash position</b>                           | 4,364                | 7,880     | (10,150)           | 7,964     |
| <b>(Bank indebtedness) cash, beginning of period</b>     | (11,520)             | 5,026     | 2,994              | 4,942     |
| <b>(Bank indebtedness) cash, end of period</b>           | \$ (7,156)           | \$ 12,906 | \$ (7,156)         | \$ 12,906 |

Supplemental disclosure of cash flow information:

Cash paid during the period for:

|                    |        |        |          |          |
|--------------------|--------|--------|----------|----------|
| Interest expense   | \$ 787 | \$ 525 | \$ 1,466 | \$ 1,578 |
| Income tax expense | 1,395  | 3,806  | 4,478    | 7,819    |

See accompanying notes to consolidated financial statements.



**Notes to Consolidated Financial Statements**  
For the periods ended July 1, 2007 and July 2, 2006  
*(thousands of US dollars) (Unaudited)*

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**1. Basis of presentation:**

The unaudited consolidated interim financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles "GAAP". They have been prepared using the same accounting policies and methods of application as disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2006 except as described in Note 2.

These unaudited consolidated interim financial statements do not include all of the information and notes to the financial statements required by GAAP for annual financial statements and therefore should be read in conjunction with the audited consolidated financial statements and notes included in the Company's Annual Report for the year ended December 31, 2006.

**2. Accounting policy changes:**

***Financial instruments, comprehensive income and hedges:***

Effective January 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants (CICA) handbook section 3855, Financial instruments – recognition and measurement; section 3861, Financial instruments – disclosure and presentation; section 3865, Hedges; section 1530, Comprehensive income and section 3251, Equity. The adoption of these new standards resulted in changes in the accounting policies for financial instruments and hedges. The comparative interim consolidated financial statements have not been restated, except for the retroactive restatement of the unrealized foreign exchange gains or losses on the translation of the financial statements of subsidiaries with the Canadian dollar as the functional currency to US dollar reporting (note 5).

The principal changes in accounting policies, financial statement reporting and disclosure recommendations for comprehensive income and its components and the presentation of equity are described below.

***Financial instruments – recognition and measurement:***

The Company initially recognizes all financial assets and liabilities and non-financial derivatives at fair value unless exempted from derivative treatment. Subsequently, financial assets are measured at either amortized cost or fair value depending on the type of instrument and any optional designations by the Company. Financial liabilities are subsequently measured at amortized cost, or at fair value if they are classified as held for trading purposes. Derivative financial instruments are measured at fair value, even when they are part of a hedging relationship. All changes in fair value are recorded in earnings unless cash flow hedge accounting is used, in which case changes in fair value are recorded in other comprehensive income.

The Company has selected January 1, 2003 as its transition date to apply fair value accounting for all embedded derivatives. An embedded derivative is a component of a financial instrument or another contract of which the characteristics are similar to a derivative. The Company has determined that all of its embedded derivatives are exempt from fair value accounting.

***Comprehensive income:***

Comprehensive income is comprised of net earnings and other comprehensive income and is now disclosed by the Company in the consolidated statements of comprehensive income. Comprehensive income is the change in a Company's net assets resulting from transactions or events from sources other than the Company's shareholders. Other comprehensive income includes unrealized foreign exchange gains or losses on translation of the financial statements of subsidiaries with the Canadian dollar as the functional currency to US dollar reporting and gains or losses on the effective portion of derivatives designated as cash flow hedges, net of income taxes.

***Hedge accounting:***

Newly adopted section 3865 replaces and expands upon Accounting Guideline 13 – Hedging Relationships. At the inception of a hedging relationship, the Company documents the relationship between the hedging instrument and the hedged item, which includes linking all derivatives to specific assets and liabilities or to specific firm commitments or forecasted transactions. The Company operates principally in Canada and the United States, which gives rise to risks that its earnings and cash flows may be adversely impacted by fluctuations in foreign exchange rates. The Company enters into foreign currency forward contracts to hedge certain foreign exchange exposures on anticipated sales.

Hedges must be designated as either fair value or cash flow hedges or as a hedge of a net investment in a subsidiary with the Canadian dollar as the functional currency. For a fair value hedge, the gain or loss on the hedging item is recognized in earnings in the period of change together with the offsetting change attributable to the hedged risk. For a cash flow hedge, as well as a hedge of a net investment in a subsidiary with the Canadian dollar as the functional currency, the effective portion of the gain or loss on the hedging item is initially accumulated in other comprehensive income and subsequently recognized in earnings (recorded within selling, general & administrative expenses) when the hedged item affects earnings.



**Notes to Consolidated Financial Statements**  
For the periods ended July 1, 2007 and July 2, 2006  
(thousands of US dollars) (Unaudited)

**2. Accounting policy changes - continued:**

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income as long as the forecasted transaction may occur and would be recognized in the consolidated statement of earnings in the period the hedged transaction impacts earnings. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the consolidated statement of earnings.

**Financial instruments – valuation:**

The following table presents the carrying value and fair value of financial instruments and non-financial derivatives as at July 1, 2007:

| Assets (Liabilities)                     | (Carried at Cost/Amortized Cost) |            | (Carried at Fair Value) |
|--|----------------------------------|------------|-------------------------|
|  | Carrying Value                   | Fair Value | Carrying Value          |
| Accounts receivable                      | 55,266                           | 55,266     |                         |
| Cash flow hedging derivative             |                                  |            | 399                     |
| Bank indebtedness                        | (7,156)                          | (7,156)    |                         |
| Accounts payable and accrued liabilities | (39,986)                         | (39,986)   |                         |
| Long-term debt                           | (22,000)                         | (22,000)   |                         |

Fair value is based on quoted market prices when available. However, when financial instruments lack an available trading market, fair value is determined using management's estimates and is calculated using market factors with similar characteristics and risk profiles. These amounts represent point-in-time estimates and may not reflect fair value in the future. These calculations are subjective in nature, involve uncertainties and are a matter of judgment.

The following summarizes the methods and assumptions used in estimating the fair value of the Company's financial instruments:

- Short-term financial instruments approximate their carrying amount due to the relatively short period to maturity. These include cash, accounts receivable, bank indebtedness and accounts payable and accrued liabilities.
- Long-term debt with a variable interest rate is carried at cost, which reflects fair value as the interest rate is the current market rate available to the Company.
- Derivatives are valued based on closing market quotations.

**Risk management policies:**

The Company manages risk and risk exposures through a combination of insurance, derivative financial instruments, a system of internal and disclosure controls and sound business practices. The Company may use certain derivative financial instruments to manage risks of fluctuation in interest rates and foreign exchange rates. The Company may enter into interest rate swap agreements in order to limit exposure to increases in interest rates and fix interest rates on certain portions of long-term debt. The Company may enter into foreign currency forward and option (floor and cap) contracts to limit exposure on certain anticipated future U.S. dollar cash flows in Canadian dollar functional currency companies. The Company is exposed to credit risk from its customers primarily in relation to accounts receivable. This risk is minimized by the Company's diverse customer base. The Company regularly performs credit assessments of its customers and provides allowances for potentially uncollectible accounts receivable.

**3. Selling, general & administrative expenses:**

Included within selling, general & administrative expenses are the following amounts:

|                                   | Second Quarter Ended |                | Year-To-Date Ended |                |
|-----------------------------------|----------------------|----------------|--------------------|----------------|
|                                   | July 1<br>2007       | July 2<br>2006 | July 1<br>2007     | July 2<br>2006 |
| Foreign exchange translation gain | (657)                | (313)          | (928)              | (351)          |
| Defined benefit plan costs        | 868                  | 922            | 1,710              | 1,880          |

Foreign exchange translation gains and losses represent the realized and unrealized foreign exchange differences recognized upon translation of monetary assets and liabilities, including long-term debt.



**Notes to Consolidated Financial Statements**  
For the periods ended July 1, 2007 and July 2, 2006  
(thousands of US dollars) (Unaudited)

**4. Sale of property, business, related assets and associated costs:**

In June 2006, Winpak sold the premises formerly occupied by the converting operating unit at Laird Drive, Toronto, Ontario. Net cash proceeds for the premises of \$8,303 generated a pre-tax gain of \$5,463 and net earnings of \$4,266. In 2005, the Company ceased normal operations at the aforementioned premises. Consequently, in 2005 the Company incurred employee termination and pension plan curtailment and settlement costs. The Company made employee termination payments totaling \$168 during the second quarter of 2007 (Year-to-date 2007- \$420), leaving a liability of \$491, a majority of which is to be paid by the end of fiscal 2007. The pension plan curtailment and settlement cost liability of \$902 should also be paid by the end of fiscal 2007.

**5. Accumulated other comprehensive income:**

|   | Second Quarter Ended |                | Year-To-Date Ended |                |
|---|----------------------|----------------|--------------------|----------------|
|   | July 1<br>2007       | July 2<br>2006 | July 1<br>2007     | July 2<br>2006 |
| Balance, beginning of period, as previously reported  | 36,083               | 34,019         | -                  | -              |
| Unrealized gains on translation of financial statements of subsidiaries with<br>Canadian dollar functional currency to US dollar reporting currency | -                    | -              | 33,415             | 35,326         |
| Unrealized gains (losses) on derivatives designated as cash flow hedges   | -                    | -              | -                  | -              |
| Restated balance, beginning of period   | 36,083               | 34,019         | 33,415             | 35,326         |
| Other comprehensive income  | 13,144               | 6,576          | 15,812             | 5,269          |
| Balance, end of period  | <u>49,227</u>        | <u>40,595</u>  | <u>49,227</u>      | <u>40,595</u>  |

The accumulated balances for each component of other comprehensive income, net of income taxes, are comprised of the following:

|   |               |               |
|---|---------------|---------------|
| Unrealized gains on translation of financial statements of subsidiaries with<br>Canadian dollar functional currency to US dollar reporting currency | 48,968        | 40,595        |
| Unrealized gains on derivatives designated as cash flow hedges  | 259           | -             |
| Balance, end of period  | <u>49,227</u> | <u>40,595</u> |

**6. Future accounting standards:**

In December 2006, the CICA issued three handbook sections, which apply to fiscal years beginning on or after October 1, 2007.

**Financial instruments – disclosures:**

Section 3862 describes the required disclosures related to the significance of financial instruments on the Company's financial position and performance and the nature and extent of risks arising for financial instruments to which the entity is exposed and how the entity manages those risks. This section complements existing handbook section 3855, Financial instruments – recognition and measurement, section 3863, Financial instruments – presentation and 3865, Hedges.

**Financial instruments – presentation:**

Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. This section complements the existing handbook section 3861, Financial instruments – disclosure and presentation.

**Capital disclosures:**

Section 1535 establishes standards for disclosing information about a Company's capital and how it is managed to enable users of financial statements to evaluate the Company's objectives, policies and procedures for managing capital.

The Company is currently evaluating the impact of these new handbook sections on the consolidated financial statements and will adopt the sections commencing fiscal 2008.

**7. Seasonality:**

The Company experiences seasonal variation in sales, with sales typically being the highest in the second and fourth quarters, and lowest in the first quarter.

**8. Comparative interim amounts:**

Certain comparative interim amounts have been reclassified to conform with the presentation in the current period.