



## Winpak Reports Third Quarter Earnings

Winnipeg, Manitoba, October 23, 2008 - Winpak Ltd. (WPK) today reports consolidated results in US dollars for the third quarter of 2008, which ended on September 28, 2008.

<u>Year-To-Date Ended</u>	<u>September 28 2008</u>	<u>September 30 2007</u>
<i>(thousands of US dollars, except per share amounts)</i>		
Sales	382,347	339,984
Net earnings	20,470	17,801
Minority interest	171	(79)
Provision for income taxes	10,157	8,831
Interest	916	1,492
Depreciation and amortization	19,297	17,629
EBITDA (1)	51,011	45,674
Basic and fully diluted net earnings per share (cents)	31	27
<u>Third Quarter Ended</u>	<u>September 28 2008</u>	<u>September 30 2007</u>
<i>(thousands of US dollars, except per share amounts)</i>		
Sales	131,419	116,745
Net earnings	7,288	5,073
Minority interest	92	2
Provision for income taxes	3,559	2,221
Interest	244	450
Depreciation and amortization	6,565	6,218
EBITDA (1)	17,748	13,964
Basic and fully diluted net earnings per share (cents)	11	7

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 for the third quarter of 2008 were 11 cents per share compared to 7 cents per share in the corresponding period of 2007. The 43.7 percent increase in net earnings was attributable to enhanced sales volumes, higher selling prices, improved manufacturing efficiencies, reductions in expenses and the favorable impact of foreign exchange.

Net earnings per share for the first nine months of 2008 were 31 cents compared to 27 cents in the same period of 2007, an increase in net earnings of 15.0 percent. The improvement was primarily a result of higher sales volumes, manufacturing efficiencies and lower expenses offset in part by higher raw material costs and the unfavorable effect of foreign exchange.

### Sales

Sales in the third quarter of 2008 continued the strong growth exhibited in the first half of the year, increasing by \$14.7 million or 12.6 percent in relation to the third quarter of 2007. Greater sales volumes accounted for nearly half of the increase, followed closely by advances in selling prices. A slightly stronger Canadian dollar provided only a marginal increase in reported sales. One-third of the improvement in sales volume in the quarter was due to the acquisition of the film packaging business of Walsroder Packaging LLC on June 30, 2008. Except for specialty films and lidding, all other business units experienced volume growth, with the highest percentage increases evident in machinery as well as rigid container sales. Selling prices increased in response to increments in raw material costs.

In the first nine months of 2008, sales grew by \$42.4 million or 12.5 percent. Greater sales volumes accounted for nearly 60 percent of this increase. Biaxially oriented nylon film and rigid containers demonstrated robust growth during this period while only moderate growth was seen in modified atmosphere packaging and lidding. Sales of specialty films and machinery fell short of the prior year levels, while less than 10 percent of the volume growth was due to the Walsroder acquisition. Improvements in selling prices and product mix favorably impacted reported sales, accounting for nearly 25 percent of the increase while the balance of the sales growth was due to the stronger Canadian dollar.

### Gross profit margins

Gross profit margins advanced to 24.9 percent of sales in the third quarter of 2008, up substantially from 22.7 percent of sales recorded in the corresponding quarter in 2007 and improved slightly from the 24.4 percent recorded in the second quarter of this year. Improvements in manufacturing performance contributed to an increase of over 3 percentage points in gross profit margins and the effect of foreign exchange also had a favorable impact. The improvement would have been much greater had it not been for the continued escalation in raw material costs, which were not offset enough by higher selling prices to further augment margins.

For the first nine months, gross profit margins were virtually identical to the corresponding 2007 period, falling just short by 0.1 percentage points. The improvements in gross profit margins due to manufacturing performance of nearly 2.5 percentage points was overshadowed by the inability to pass through the full extent of raw material and other related cost escalations to the customer base.

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. The index was rebalanced as of December 31, 2007 to reflect the mix of the eight primary raw materials purchased in 2007.

Quarter and Year	3/06	4/06	1/07	2/07	3/07	4/07	1/08	2/08	3/08
Purchase Price Index	155.4	148.8	146.0	152.5	158.3	161.8	167.9	174.6	190.7

The index in the third quarter was at the highest point in the Company's history after surpassing the previous record set in the prior quarter. The increase in raw materials of 9.2 percent in the third quarter alone and the year-over-year increase of 20.5 percent are unprecedented in recent history. Fortunately, recent sharp drops in both petroleum and natural gas markets should help to reverse this trend going forward.



### Expenses and Other

For the third quarter and year-to-date, efficiencies gained through volume growth resulted in operating expenses increasing at a significantly lower rate than sales when compared to the prior year. However, this was offset by foreign exchange losses occurring on the translation of the Company's net monetary assets. Interest costs also declined due to the reduction in both long-term and short-term debt and significantly lower interest rates in comparison to a year ago.

### Capital Resources, Cash Flow and Liquidity

The Company utilized cash resources of \$2.7 million in the third quarter. The \$15.2 million in cash generated from operating activities before changes in working capital was offset in part by \$10.6 million utilized for working capital requirements and \$0.5 million for defined benefit plan payments. The cash utilized for working capital requirements was influenced by the acquisition of inventories related to the Walsroder acquisition as well as the significant increases in both the cost of materials and selling prices in the quarter, which boosted the value of inventories and accounts receivable. Cash resources of \$4.3 million were utilized for the current year's plant and equipment expenditure program, \$1.9 million for dividends and \$0.8 million for the purchase of intangibles related to the Walsroder acquisition. There was also a small foreign exchange adjustment on cash of \$0.2 million.

Year-to-date, Winpak's cash position improved by \$2.9 million due primarily to cash flow generated from operating activities. Cash was used to fund additional working capital requirements, capital equipment additions, dividends, defined benefit plan payments, intangibles and repayment of long-term debt. Winpak is confident that sufficient financial resources are in place to fund cash requirements for the foreseeable future and with its strong balance sheet, is poised to take advantage of any acquisition opportunities that would be beneficial to the long-term interests of the Company.

### Business Acquisition

On June 30, 2008 the Company acquired the film packaging business of Walsroder Packaging LLC, a subsidiary of The Dow Chemical Company. The transaction involved the purchase of inventory, production equipment and intangibles. The acquisition will expand Winpak's extensive sales and distribution network and should result in the addition of approximately \$10 million in sales to the Company on an annual basis as well as being immediately accretive to earnings in 2008.

### Summary of Quarterly Results

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

	Quarter Ended							
	September 28 2008	June 29 2008	March 30 2008	December 30 2007	September 30 2007	July 1 2007	April 1 2007	December 31 2006
Sales	131,419	127,582	123,346	126,638	116,745	114,479	108,760	113,088
Net earnings	7,288	7,231	5,951	6,157	5,073	5,224	7,504	6,579
EPS	11	11	9	10	7	8	12	10

### Looking Forward

The Company is optimistic that the fourth quarter will continue to exhibit improved results over 2007. Sales should continue to outpace the prior year by a healthy margin although one has to be somewhat cautious given the current state of the US and worldwide economies. With the recent downturn in the price of petroleum and natural gas, this should eventually result in a reduction in raw material prices experienced by the Company. This favorable effect on costs, however, has been delayed somewhat due to the impact of Hurricane Ike on resin production. Much of North America's resin production occurs in Texas and surrounding states along the Gulf of Mexico and the hurricane flooded quite a number of resin plants in the region. As a result, a number of suppliers have restricted shipments and it will require some very careful planning and execution on the part of the Company to ensure that customers are not adversely affected. Should the recent trend in the strengthening of the US dollar continue, this too should have a positive impact on the future earnings of the Company. Additionally, Winpak's solid financial condition puts it in a position to take advantage of any investment opportunities that would be beneficial to the long-term interests of the Company. Overall, the future looks bright but is clouded somewhat by the uncertain economic environment that currently faces all businesses.



### 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 3031, 3862, 3863 and 1535. The changes were adopted prospectively from December 31, 2007. These new standards had no significant impact on the Company's Consolidated Financial Statements.

### Future Accounting Standards

#### International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board confirmed that Publicly Accountable Enterprises will be required to adopt International Financial Reporting Standards ("IFRS") for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition from Canadian generally accepted accounting principles ("GAAP") to IFRS will be applicable for the Company's first quarter of 2011, at which time the Company will prepare both its fiscal 2011 and fiscal 2010 comparative financial information using IFRS. The Company expects the transition to IFRS to impact financial reporting, business processes, disclosure controls, internal controls over financial reporting and information systems.

The Company formally commenced its IFRS conversion project in the second quarter of 2008 and has engaged the services of an external advisor with IFRS expertise to work with management. Regular reporting is provided to the Company's senior management and Audit Committee of the Board of Directors. The Company's conversion project consists of three phases: diagnostic assessment, design and development, and implementation. To date, the initial diagnostic assessment phase of the plan has been completed and a high level IFRS implementation plan has been developed with a more detailed plan to be finalized by the end of fiscal 2008. A high level review of the major differences between Canadian GAAP and current IFRS has been undertaken and at this time, the Company cannot reasonably estimate the impact of adopting IFRS on the consolidated financial statements. Wipak will continue to invest in training and external advisor resources throughout the transition to facilitate a timely conversion.

#### Goodwill, Intangible Assets and Financial Statement Concepts

In February 2008, the CICA issued Section 3064 Goodwill and Intangible Assets, replacing Section 3062 Goodwill and Other Intangible Assets and Section 3450 Research and Development Costs. The new Section establishes standards on the recognition, measurement, presentation and disclosure for goodwill and intangible assets subsequent to their initial recognition. The standard requires retroactive application to prior period financial statements and will apply commencing with the Company's 2009 fiscal year. While the Company is currently assessing the impact of this new standard on its consolidated financial statements, management does not expect the standard to have a significant impact on the Company's consolidated financial results.

### Controls and Procedures

#### Disclosure Controls

Management is responsible for establishing and maintaining disclosure controls and procedures in order to provide reasonable assurance that material information relating to the Company is made known to them in a timely manner and that information required to be disclosed is reported within time periods prescribed by applicable securities legislation. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based on management's evaluation of the design and effectiveness of the Company's disclosure controls and procedures, the Company's Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures are designed and operating effectively as of September 28, 2008 to provide reasonable assurance that the information to be disclosed is recorded, summarized and reported as required.

#### Internal Controls Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles. Management has designed the internal controls over financial reporting as of the end of the period covered by the interim filings, and believes the design is sufficient to provide such reasonable assurance with respect to financial reporting. Internal control systems, no matter how well designed, have inherent limitations and therefore can only provide reasonable assurance with respect to financial reporting. During the third quarter ended September 28, 2008, there have been no changes in the design of the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.



Winpak Ltd.  
Interim Consolidated Financial Statements  
Third Quarter Ended: September 28, 2008

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)*  
 (September 28, 2008 Unaudited)

	September 28 2008	December 30 2007
	<u>                    </u>	<u>                    </u>
<b>Assets</b>		
<b>Current Assets:</b>		
Accounts receivable (note 8)	\$ 65,029	\$ 57,308
Income taxes receivable	1,557	6,292
Inventory (note 4)	83,309	74,742
Prepaid expenses	2,429	1,945
Future income taxes	3,391	2,702
	<u>155,715</u>	<u>142,989</u>
Property, plant and equipment (net)	250,232	263,328
Other assets	12,462	10,739
Intangible assets (net)	6,205	6,690
Goodwill	17,379	17,854
	<u>\$ 441,993</u>	<u>\$ 441,600</u>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current Liabilities:</b>		
Bank indebtedness (unsecured)	\$ 2,108	\$ 5,037
Accounts payable and accrued liabilities	37,529	38,061
	<u>39,637</u>	<u>43,098</u>
Long-term debt	17,000	22,000
Deferred credits	12,974	12,603
Future income taxes	29,090	28,640
Postretirement benefits	1,584	1,596
	<u>100,285</u>	<u>107,937</u>
Minority interest	14,176	11,065
<b>Shareholders' Equity:</b>		
Share capital	29,195	29,195
Retained earnings	242,721	228,470
Accumulated other comprehensive income (note 5)	55,616	64,933
	<u>298,337</u>	<u>293,403</u>
	<u>327,532</u>	<u>322,598</u>
	<u>\$ 441,993</u>	<u>\$ 441,600</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)

	Third Quarter Ended		Year-To-Date Ended	
	September 28	September 30	September 28	September 30
	2008	2007	2008	2007
Sales	\$ 131,419	\$ 116,745	\$ 382,347	\$ 339,984
Cost of sales	98,631	90,197	288,428	256,040
Gross profit	32,788	26,548	93,919	83,944
Expenses				
Selling, general & administrative (note 6)	18,923	16,240	53,679	47,480
Research and technical	2,682	2,337	7,737	7,670
Pre-production	-	225	789	749
<b>Earnings from operations</b>	11,183	7,746	31,714	28,045
Interest	244	450	916	1,492
Earnings before income taxes and minority interest	10,939	7,296	30,798	26,553
Provision for income taxes	3,559	2,221	10,157	8,831
Minority interest	92	2	171	(79)
<b>Net earnings</b>	\$ 7,288	\$ 5,073	\$ 20,470	\$ 17,801
<b>Retained earnings, beginning of period</b>				
As previously reported	\$ 237,321	\$ 221,189	\$ 228,470	\$ 211,139
Change in accounting policy - (note 2 (c))	-	-	(492)	-
Restated	237,321	221,189	227,978	211,139
Net earnings	7,288	5,073	20,470	17,801
Dividends declared	(1,888)	(1,960)	(5,727)	(4,638)
<b>Retained earnings, end of period</b>	\$ 242,721	\$ 224,302	\$ 242,721	\$ 224,302
<b>Earnings per share</b>				
<b>Basic and fully diluted earnings per share (cents)</b>	11	7	31	27
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)

	Third Quarter Ended		Year-To-Date Ended	
	September 28	September 30	September 28	September 30
	2008	2007	2008	2007
Net earnings	\$ 7,288	\$ 5,073	\$ 20,470	\$ 17,801
Unrealized (losses) gains on translation of financial statements of operations with CDN dollar functional currency to US dollar reporting currency	(3,709)	12,817	(9,233)	28,370
Unrealized gains (losses) on derivatives designated as cash flow hedges, net of income tax (2008 - \$9 and \$(57)) (2007 - \$200 and \$339)	18	372	(103)	631
Realized losses (gains) on derivatives designated as cash flow hedges in prior periods transferred to net earnings in the current period, net of income tax (2008 - \$15 and \$10) (2007 - \$(225) and \$(225))	27	(419)	19	(419)
<b>Other comprehensive (loss) income - net of income tax (note 5)</b>	(3,664)	12,770	(9,317)	28,582
<b>Comprehensive income</b>	\$ 3,624	\$ 17,843	\$ 11,153	\$ 46,383

See accompanying notes to consolidated financial statements.



Winpak Ltd.

Consolidated Statements of Cash Flows

(thousands of US dollars) (unaudited)

	Third Quarter Ended		Year-To-Date Ended	
	September 28	September 30	September 28	September 30
	2008	2007	2008	2007
<b>Cash provided by (used in):</b>				
<b>Operating activities:</b>				
Net earnings for the period	\$ 7,288	\$ 5,073	\$ 20,470	\$ 17,801
Items not involving cash:				
Depreciation	6,127	5,715	18,032	16,030
Amortization - intangible assets	438	503	1,265	1,599
Defined benefit plan costs	625	884	1,909	2,594
Future income taxes	226	815	1,035	1,286
Foreign exchange loss on long-term debt	378	-	911	-
Minority interest	92	2	171	(79)
Other	16	94	(168)	289
Cash flow from operating activities before the following	15,190	13,086	43,625	39,520
Change in working capital:				
Accounts receivable	(3,935)	234	(9,104)	793
Income taxes receivable	3,010	(1,969)	4,493	(2,746)
Inventory	(6,794)	(279)	(11,435)	(2,679)
Prepaid expenses	170	546	(561)	(872)
Accounts payable and accrued liabilities	(2,974)	(844)	(138)	(5,026)
Defined benefit plan payments	(499)	(3,249)	(4,149)	(7,205)
	4,168	7,525	22,731	21,785
<b>Investing activities:</b>				
Acquisition of property, plant and equipment	(4,332)	(6,646)	(11,564)	(27,755)
Acquisition of intangibles	(780)	-	(780)	-
	(5,112)	(6,646)	(12,344)	(27,755)
<b>Financing activities:</b>				
Repayments of long-term debt	-	-	(5,000)	-
Dividends paid	(1,930)	(1,830)	(5,828)	(3,511)
Investment by minority shareholder in subsidiary	-	-	2,940	-
	(1,930)	(1,830)	(7,888)	(3,511)
Foreign exchange translation adjustment on cash	208	(683)	430	(2,303)
<b>Change in cash position</b>	<b>(2,666)</b>	<b>(1,634)</b>	<b>2,929</b>	<b>(11,784)</b>
<b>Cash (bank indebtedness), beginning of period</b>	<b>558</b>	<b>(7,156)</b>	<b>(5,037)</b>	<b>2,994</b>
<b>Bank indebtedness, end of period</b>	<b>\$ (2,108)</b>	<b>\$ (8,790)</b>	<b>\$ (2,108)</b>	<b>\$ (8,790)</b>

Supplemental disclosure of cash flow information:

Cash paid during the period for:

Interest expense	\$ 289	\$ 834	\$ 1,359	\$ 2,300
Income tax expense	474	3,447	3,752	7,925

See accompanying notes to consolidated financial statements.



**1. Basis of Presentation**

The unaudited interim consolidated financial statements have been prepared by the Company in accordance with Canadian Generally Accepted Accounting Principles (GAAP) and have been prepared on a basis consistent with the same accounting policies and methods of application as disclosed in the Company's audited consolidated financial statements for the year ended December 30, 2007 except as described in Note 2.

These unaudited interim consolidated 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 30, 2007.

The preparation of the interim consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect: the reported amounts of assets and liabilities; the disclosure of contingent assets and liabilities at the date of the consolidated financial statements; and the reported amounts of revenue and expenses in the reporting period. Management believes that the estimates and assumptions used in preparing its interim consolidated financial statements are reasonable and prudent, however, actual results could differ from these estimates.

**2. Accounting Policy Changes**

Effective December 31, 2007, the Company adopted the following new Canadian Institute of Chartered Accountants (CICA) accounting standards.

**(a) Financial Instruments - Disclosures and Presentation:**

Section 3862 Financial Instruments – Disclosure, 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 from financial instruments to which the Company is exposed and how the Company manages those risks and Section 3863 Financial Instruments – Presentation, describes the standards for presentation of financial instruments and non-financial derivatives and carries forward, unchanged, the presentation requirements of Section 3861 Financial Instruments – Disclosure and Presentation (notes 7 and 8).

**(b) Capital Management:**

Section 1535 Capital Disclosures, 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 processes for managing capital, quantitative data about what the Company regards as capital and whether the Company has complied with any externally imposed capital requirements (note 9).

The above noted new standards have no impact on the classification and valuation of the Company's interim consolidated financial instruments.

**(c) Inventory:**

Section 3031 Inventories, which replaced Section 3030 Inventories, establishes standards on the definition of 'cost' to include all costs of purchase (net of supplier payment discounts), costs of conversion and other costs incurred in bringing the inventories to their present location and condition. As a result, companies are required to systematically allocate variable and fixed production overhead costs that are incurred in converting materials into finished goods. The allocation of fixed production overheads is based on normal production capacity of the production facilities. In addition, the standard requires companies to assess the recoverability of inventory costs in comparison to net realizable value. Declines in replacement cost below carrying values for raw material inventories do not require write downs if the finished goods in which they will be utilized are expected to be sold at or above cost. The standard requires disclosing, in the current period, the amount recognized as an expense and the amount recognized as a reversal of previous write-downs (note 4).

The Company has adopted Section 3031 effective December 31, 2007 and restated 2008 opening retained earnings. As a result of this change, inventory was reduced by \$746, current future income tax assets were increased by \$254 and retained earnings were reduced by \$492. The comparative interim consolidated financial statements have not been restated.

**3. Future Accounting Standards**

The CICA has issued the following handbook section, which applies commencing with the Company's 2009 fiscal year.

**(a) Goodwill, Intangible Assets and Financial Statement Concepts:**

In February 2008, the CICA issued Section 3064 Goodwill and Intangible Assets, replacing Section 3062 Goodwill and Other Intangible Assets and Section 3450 Research and Development Costs. The new Section establishes standards on the recognition, measurement, presentation and disclosure for goodwill and intangible assets subsequent to their initial recognition. The standard requires retroactive application to prior period financial statements.

While the Company is currently assessing the impact of this new standard on its consolidated financial statements, management does not expect the standard to have a significant impact on the Company's consolidated financial results.



3. Future Accounting Standards – continued

**(b) International Financial Reporting Standards:**

In January 2006, the CICA Accounting Standards Board (ASB) adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards for Public Accountable Enterprises would be required to converge with International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011 with comparative figures presented for 2010 on the same basis. In February 2008, the CICA ASB confirmed the effective date of the initial adoption of IFRS. The Company has completed the initial diagnostic assessment, which involved a high level review of the major differences between Canadian GAAP and current IFRS. Currently, the Company has determined that the differences with the highest potential impact to the Company's accounting policies are related to: property, plant and equipment, financial instruments and hedges, impairments, employee defined benefit plans, income taxes, financial statement disclosures, as well as the initial adoption of IFRS under the provisions of IFRS 1, First-Time Adoption of IFRS. We have commenced the detailed diagnostic assessment phase of the project and started to evaluate the accounting policy differences based on management's current understanding of the IFRS. The impact of these changes on the Company's future financial position and results of operations has yet to be determined as accounting policy choices under IFRS are subject to a number of accounting alternatives which have not been evaluated by the Company.

4. Inventory

Inventory is comprised of the following:

	September 28 2008
Raw materials	32,593
Work-in-process	13,611
Finished goods	33,835
Spare parts	3,270
	83,309

During the third quarter of 2008, the Company recorded inventory write-downs of \$1,112 (Year-to-date- \$4,149) and reversals of previously written-down amounts of \$12 (Year-to-date- \$509).

5. Accumulated Other Comprehensive Income

	Third Quarter Ended		Year-To-Date Ended	
	September 28	September 30	September 28	September 30
	2008	2007	2008	2007
Balance, beginning of period	59,280	49,227	64,933	33,415
Other comprehensive (loss) income	(3,664)	12,770	(9,317)	28,582
Balance, end of period	55,616	61,997	55,616	61,997

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 Canadian dollar functional currency to US dollar reporting currency	55,624	61,785
Unrealized (losses) gains on derivatives designated as cash flow hedges	(8)	212
Balance, end of period	55,616	61,997

6. Selling, General & Administrative Expenses

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

	Third Quarter Ended		Year-To-Date Ended	
	September 28	September 30	September 28	September 30
	2008	2007	2008	2007
Foreign exchange translation loss (gain)	630	(519)	909	(1,447)
Defined benefit plan costs	625	884	1,909	2,594



**Notes to Consolidated Financial Statements**  
For the periods ended September 28, 2008 and September 30, 2007  
*(thousands of US dollars) (Unaudited)*

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. The amounts include realized foreign exchange gains (losses) on cash flow hedges arising from transfers of these amounts from other comprehensive income to net earnings.

**7. Financial Instruments**

The following table presents the carrying value and fair value of financial instruments and non-financial derivatives as at September 28, 2008:

Assets (Liabilities)	(Carried at Cost / Amortized Cost)		(Carried at Fair Value)
	Carrying Value	Fair Value	Carrying Value
Accounts receivable	65,029	65,029	
Bank indebtedness	(2,108)	(2,108)	
Accounts payable and accrued liabilities	(37,516)	(37,516)	
Cash flow hedging derivative			(13)
Long-term debt	(17,000)	(17,000)	

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:

- a) 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.
- b) 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.
- c) Foreign exchange forward contracts, designated as a cash flow hedge, have been determined by valuing those contracts to market against prevailing forward foreign exchange rates as at the reporting date.

**8. Financial Risk Management**

The Company's risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company manages its risks and risk exposures through a combination of derivative financial instruments, insurance, a system of internal and disclosure controls and sound business practices. The Company does not purchase any derivative financial instruments for speculative purposes.

Risk management is primarily the responsibility of the Company's corporate finance function. Significant risks are regularly monitored and actions are taken, when appropriate, according to the Company's approved policies, established for that purpose. In addition, as required, these risks are reviewed with the Company's Board of Directors.

***Foreign Exchange Risk***

The Company operates primarily in Canada and the United States. The functional currency of the parent company is CDN dollars and the reporting currency is U.S. dollars. All operations in the United States and American Bixis Inc. operate with the U.S. dollar as the functional currency, while all Canadian operations, excluding American Bixis Inc., operate with the CDN dollar as the functional currency. Most of the Company's business is conducted in U.S. dollars. However, approximately 20 percent of sales are invoiced in CDN dollars and approximately 28 percent of costs are incurred in the same currency, resulting in a net outflow of costs in CDN dollars. Consequently, the Company records foreign currency differences on transactions.

In addition, translation differences arise when foreign currency monetary assets and liabilities are translated at foreign exchange rates that change over time. These foreign exchange gains and losses are recorded in selling, general & administrative expenses. A one-cent strengthening / weakening in the September 28, 2008 period end foreign exchange rate from CDN dollars to U.S. dollars would have increased / decreased net earnings by \$93 for the third quarter of 2008.



## 8. Financial Risk Management – continued

The Company's Foreign Exchange Policy requires that between 50 and 80 percent of the Company's net requirement of CDN dollars for the ensuing 9 to 15 months will be hedged at all times with a combination of cash on hand and forward or zero-cost option foreign exchange contracts. Transactions are only conducted with certain approved Schedule 1 Canadian financial institutions. All foreign exchange contracts are designated as cash flow hedges. Certain foreign currency forward contracts matured during the third quarter of 2008 and the Company realized pre-tax foreign exchange losses of \$42 (year-to-date - realized pre-tax foreign exchange losses of \$29). These foreign exchange losses were recorded in selling, general & administrative expenses. As at September 28, 2008, the Company had foreign currency forward contracts outstanding of \$10.0 million US at an average exchange rate of 1.03 (US to CDN dollars), maturing between October 2008 and April 2009 and the fair value of these contracts was \$9.987 million US as of September 28, 2008. An unrealized foreign exchange gain during the quarter of \$27 (pre-tax) (year-to-date - unrealized foreign exchange loss of \$160 (pre-tax)) was recorded in other comprehensive income.

### *Interest Rate Risk*

The Company's interest rate risk arises from its floating rate bank indebtedness and long-term debt. The Company's policy regarding interest expense is to fix interest rates on between one-and two-thirds of long-term debt outstanding. 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. For the current period, the Company elected to have all long-term debt at a floating interest rate due to the relatively low level of debt outstanding. As such, no interest rate swap instruments were entered into during the third quarter of 2008, and none were outstanding as at September 28, 2008.

Regarding the September 28, 2008 long-term debt balance of \$17.0 million, a 1% increase / decrease in floating interest rates would decrease / increase earnings before tax by \$170 annually.

### *Commodity Price Risk*

Manufacturing costs for the Company's products are affected by the price of raw materials, namely petroleum-based and natural gas-based plastic resins and aluminum. In order to manage its risk, the Company has entered into selling price-indexing programs with certain customers. Changes in raw material prices for these customers are not immediately reflected in selling price adjustments, there is a slight time lag. For the three months ended September 28, 2008, 41% (year-to-date - 40%) of sales were to customers with formal selling price-indexing agreements. For all other customers, the Company's preferred practice is to match raw material cost changes with selling price adjustments, albeit with a slight time lag. This matching is not always possible as customers react to selling price pressures related to raw material cost fluctuations according to conditions pertaining to their markets.

### *Credit Risk*

Credit risk arises from cash held with banks, derivative financial instruments (foreign exchange forward and option contracts and interest rate swaps with positive fair values), as well as credit exposure to customers, including outstanding accounts receivable. The maximum exposure to credit risk is equal to the carrying value of the financial assets.

The objective of managing counter-party credit risk is to prevent losses on financial assets. The Company assesses the credit quality of counter-parties, taking into account their financial position, past experience and other factors. Management regularly monitors customer credit limits, performs credit reviews, and in certain cases insures accounts receivable balances against credit losses. As at September 28, 2008, 23% of the Company's total accounts receivable balance was insured against credit losses.

The Company's exposure to individual customers is limited and the ten largest customers as at September 28, 2008, on aggregate, accounted for 23% of the Company's total accounts receivable balance.

The carrying amount of accounts receivable are reduced through the use of an allowance account and the amount of the loss is recognized in the earnings statement within selling, general, & administrative expenses. When a receivable balance is considered uncollectible, it is written off against the allowance for accounts receivable. Subsequent recoveries of amounts previously written off are credited against selling, general, & administrative expenses in the earnings statement.

The following table details the aging of the Company's receivables and related allowance for doubtful accounts:

	September 28 2008
Current	51,025
<u>Past due amounts:</u>	
1 - 60 days	14,534
Greater than 60 days	1,285
Less: Allowance for doubtful accounts	(1,815)
Total accounts receivable, net	<u>65,029</u>



**8. Financial Risk Management – continued**

***Liquidity Risk***

Investments to drive growth can require significant financial resources. A range of funding alternatives is available to the Company including cash flow provided by operations, additional debt, the issuance of equity or a combination thereof. The moderate level of outstanding debt and an informal investment grade credit rating allow the Company to enjoy relatively low interest rates. Under the terms of the Company's bank credit facilities currently in place, the \$17 million of long-term debt outstanding is revolving, although the Company retains the right to repay, without penalty, amounts as deemed appropriate. The Company has determined that total current credit facilities of \$68 million (unsecured), including operating lines of \$48 million and term-debt lines of \$20 million, are adequate. Of the total credit facilities, \$38 million was unused as at September 28, 2008. The Company has remained within all bank debt covenants and foresees no change in its ability to meet these covenants in 2008.

The 2008 requirements for capital expenditures, working capital and debt repayments can be financed from cash flow provided by operating activities and unused credit facilities. Unless unexpected circumstances occur in 2008, the Company expects to repay a portion of the \$17 million of long-term debt outstanding by the end of the 2008 fiscal year.

The Company enters into contractual obligations in the normal course of business operations. As at September 28, 2008, these obligations have not changed significantly from the amounts reported in the Company's 2007 Annual Report.

**9. Capital Management**

The Company's objectives in managing capital are to ensure sufficient liquidity to pursue its strategy of organic growth combined with strategic acquisitions and to deploy capital to provide an appropriate return on investment to its shareholders. The Company also strives to maintain an optimal capital structure to reduce the overall cost of capital.

In the management of capital, the Company includes bank indebtedness, long-term debt and shareholders' equity. The Board of Directors has established quantitative return on capital criteria for management and year-over-year sustainable earnings growth targets. The Board of Directors also reviews, on a regular basis, the level of dividends paid to the Company's shareholders.

The Company has externally imposed capital requirements as governed through its bank credit facilities. The Company monitors capital on the basis of funded debt to EBITDA (earnings before, interest, income taxes, depreciation and amortization) and debt service coverage. Funded debt is defined as the sum of long-term debt and bank indebtedness less cash. The funded debt to EBITDA is calculated as funded debt, as at the financial reporting date, over the twelve month rolling EBITDA. This ratio is to be maintained under 3.00:1. As at September 28, 2008, the ratio was 0.30:1. Debt service coverage is calculated as a twelve month rolling earnings from operations over debt service. Debt service is calculated as the sum of one-sixth long-term debt outstanding plus annualized interest expense and dividends. This ratio is to be maintained over 1.50:1. As at September 28, 2008, the ratio was 3.15:1.

There were no changes in the Company's approach to capital management during the current period.

**10. 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.

**11. Comparative Interim Amounts**

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