



Winpak Reports Fourth Quarter Earnings

Winnipeg, Manitoba, February 17, 2009 - Winpak Ltd. (WPK) today reports consolidated results in US dollars for the fourth quarter of 2008, which ended on December 28, 2008.

<u>Year Ended</u>	<u>December 28 2008</u>	<u>December 30 2007</u>
<i>(thousands of US dollars, except per share amounts)</i>		
Sales	512,037	466,622
Net earnings	29,352	23,958
Minority interest	64	(74)
Provision for income taxes	15,725	8,061
Interest	1,131	2,044
Depreciation and amortization	25,407	24,138
EBITDA (1)	71,679	58,127
Basic and fully diluted net earnings per share (cents)	45	37
	<u>December 28 2008</u>	<u>December 30 2007</u>
<u>Fourth Quarter Ended</u>		
<i>(thousands of US dollars, except per share amounts)</i>		
Sales	129,690	126,638
Net earnings	8,882	6,157
Minority interest	(107)	5
Provision for income taxes	5,568	(770)
Interest	215	552
Depreciation and amortization	6,110	6,509
EBITDA (1)	20,668	12,453
Basic and fully diluted net earnings per share (cents)	14	10

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

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¹ 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 Winpak's 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 fourth quarter of 2008 were \$8.9 million or 14 cents per share compared to \$6.2 million or 10 cents per share in the corresponding period of 2007. The current three-month result represents the best quarterly net earnings recorded in the past five years, except for the second quarter of 2006 when profits included the sale of real estate. The 44.3 percent increase in net earnings compared to the fourth quarter of 2007 was mainly attributable to enhanced gross profit margins and the favorable impact of foreign exchange, offset in part by the effect of lower future Canadian income tax rates, which favorably impacted 2007 fourth quarter net earnings.

Net earnings for the year were \$29.4 million or 45 cents per share compared to \$24.0 million or 37 cents per share in 2007, an increase in net earnings of 22.5 percent. The improvement was largely the result of higher sales volumes, increased gross profit margins, expense reductions and the favorable effect of foreign exchange. This was partially offset by the favorable effect on 2007 earnings of lower future Canadian income tax rates.

Sales

Fourth quarter sales in 2008 of \$129.7 million increased by \$3.1 million or 2.4 percent in relation to the 2007 corresponding period. Although sales increased overall, volumes fell by 4.0 percent or \$5.0 million in comparison to the fourth quarter of 2007. Rigid containers, lidding and packaging machinery were the only product groups to exhibit modest single-digit volume increases in the quarter. Specialty films and biaxially oriented nylon film, on the other hand, both experienced a contraction in sales volumes of approximately 25 percent, while volumes in modified atmosphere packaging declined moderately by approximately 5 percent. A weaker Canadian dollar also negatively impacted sales by a further \$4.9 million. Higher overall selling prices, however, offset the declines in sales due to volume and foreign exchange by advancing sales by a total of \$13.0 million to counteract increased raw material costs.

In 2008, sales for the year increased by \$45.4 million or 9.7 percent over 2007. Greater volumes accounted for \$20.0 million of that increase or a 4.3 percent improvement over the prior year. All product groups contributed to core volume growth in 2008 with the exception of specialty films. Rigid containers experienced robust growth in excess of 15 percent while shipments of biaxially oriented nylon, modified atmosphere packaging ("MAP") and lidding each grew at more modest rates ranging from 2 to 6 percent. MAP product volumes included \$4.9 million in sales resulting from the acquisition of the film packaging business of Walsroder Packaging, a subsidiary of The Dow Chemical Company. Packaging machinery sales displayed respectable volume growth although at a less favorable product mix. Meanwhile, sales of specialty films declined as the state of the U.S. economy had a more pronounced effect on this product group. Price and mix changes resulted in a sizable increase in sales of \$23.2 million or 4.9 percent compared to 2007 as all business units instituted price increases to coincide with the sharp rise in raw material costs. The strengthening of the Canadian dollar versus the US dollar, on average for the year, also increased sales by \$2.2 million or approximately 0.5 percent.

Gross profit margins

Gross profit margins strengthened to 30.0 percent of sales in the fourth quarter of 2008, up substantially from the 20.7 percent of sales recorded in the corresponding quarter in 2007. The weakening of the Canadian dollar had a favorable impact on the gross profit margin percentage in the fourth quarter of 2008 of nearly 7 percentage points, reflecting the foreign exchange transaction differences on raw materials purchased by the Canadian subsidiaries in U.S. dollars. The balance of the improvement of approximately 6.0 cents per share in net earnings was mainly attributable to selling price advances in relation to raw material costs and improved manufacturing performance. In particular, the lag typically experienced in selling price-indexing agreements, whereby adjustments to selling prices lag changes in raw material costs, augmented results for the quarter as raw material costs reversed their upward trend. The same practice had negatively impacted margins in previous quarters when raw material costs were rising. In comparison to the fourth quarter of 2007, a significant reduction in unfavorable manufacturing variances was achieved, as the start-up issues experienced in the prior year were substantially resolved.

In comparison to 2007, 2008 gross profit margins increased by \$22.6 million due to foreign exchange impacts of \$10.7 million, volume advances of \$4.9 million, and improvements in manufacturing performance of \$7.0 million, or 7.0 cents per share in after-tax dollars. This



substantial gain was mainly attributable to the significant reduction in manufacturing variances in 2008, which contributed 5.5 cents in net earnings per share. Greater manufacturing efficiencies from lower unit costs for direct labor and overheads accounted for most of the remaining 1.5 cents per share advancement in gross profit margins. The Company was also reasonably successful in matching raw material cost changes with selling price adjustments in the past year, having little impact on net earnings.

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	4/06	1/07	2/07	3/07	4/07	1/08	2/08	3/08	4/08
Purchase Price Index	148.8	146.0	152.5	158.3	161.8	167.9	174.6	190.7	160.3

The index in the fourth quarter fell by 15.9 percent from the previous record high recorded in the third quarter of 2008 but was only marginally lower than the index for the fourth quarter of 2007. The trend reversal experienced in this past quarter is certainly encouraging and if stability in raw material pricing at current levels is achieved, a further decline in the index could be expected. However, with continued volatility in pricing, it is difficult to determine what future trends are likely.

Expenses and Other

For the fourth quarter of 2008, operating expenses increased in relation to the corresponding period in 2007 and represented a reduction in net earnings for the quarter of \$1.2 million or nearly 2.0 cents per share, when adjusted for the effect of foreign exchange and sales volumes. Higher incentive costs and the timing of the recording of research and development tax credits accounted for the majority of the operating expense increase. Due to the considerable weakening of the Canadian dollar in the last three months of 2008, the overall impact of foreign exchange on the net earnings for the quarter was an improvement of 3.5 cents per share. In regard to income taxes, the fourth quarter of 2007 included the benefit of the enactment of lower future Canadian rates of income tax, which increased net earnings in 2007 by 4.0 cents per share but had no effect on the same period in 2008.

Year-to-date, interest costs declined by over \$0.9 million in 2008 compared to the prior year and resulted in an increase of 1.0 cent in net earnings per share. The overall weakening of the Canadian dollar over the course of the year resulted in an increase of approximately 1.5 cents per share in 2008 compared to the prior year. The enactment of lower future Canadian income tax rates increased net earnings in 2007 more than 2008 by 3.5 cents per share. Conversely, the difference in income tax rates between 2008 and 2007, after adjusting for the tax effect of foreign exchange gains and losses, resulted in a contribution of approximately 0.5 cents per share to net earnings in the current year.

Capital Resources, Cash Flow and Liquidity

At December 28, 2008, Winpak's cash position totaled \$19.8 million, an increase of \$21.9 million in the fourth quarter of 2008 alone and \$24.8 million from the prior year-end. The healthy increase in cash during the fourth quarter was generated by strong cash flow from operating activities before changes in working capital of \$20.8 million as well as a net reduction in the investment in working capital of \$5.4 million. The reduction in working capital was aided by a sharp decline in raw material inventories due to both decreases in quantities on hand and cost. During the quarter, cash was utilized for defined benefit pension payments of \$1.7 million, equipment purchases of \$3.2 million, purchase of intangibles of \$0.2 million and dividends of \$1.9 million. There was also a foreign exchange adjustment on cash of \$2.7 million.

Year-to-date, Winpak's cash position improved by \$24.8 million as reflected in total funds provided by operations of \$47.3 million and a foreign exchange adjustment on cash of \$3.1 million less disbursements for investing and financing activities of \$25.6 million. Cash flow derived from operating activities before changes in working capital and payments to defined benefit plans totaled \$64.4 million, a record for the Company. Cash was used to fund additional working capital requirements of \$11.3 million, capital equipment additions of \$14.8 million, dividends of \$7.7 million, defined benefit plan payments of \$5.8 million, intangibles of \$1.0 million and repayment of long-term debt of \$5.0 million. Additional cash was generated by an investment of \$2.9 million by a minority shareholder in a subsidiary.

At the close of the year, the Company's cash exceeded its total debt, consisting of \$17 million in long-term debt, by \$2.8 million. 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.



Summary of Quarterly Results

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

	Quarter Ended							
	December 28 2008	September 28 2008	June 29 2008	March 30 2008	December 30 2007	September 30 2007	July 1 2007	April 1 2007
Sales	129,690	131,419	127,582	123,346	126,638	116,745	114,479	108,760
Net earnings	8,882	7,288	7,231	5,951	6,157	5,073	5,224	7,504
EPS	14	11	11	9	10	7	8	12

Looking Forward

Much has changed in the fourth quarter in the overall economy that will impact the Company in the ensuing year. If the weakening of the Canadian dollar exhibited in the fourth quarter of 2008 is maintained at the same level throughout 2009, Winpak's results going forward will be favorably impacted as the Company's costs denominated in Canadian funds exceed the Company's Canadian dollar sales. The sharp decline in commodity prices, particularly in the case of natural gas, petroleum, and aluminum, has resulted in decreases in raw material costs after six successive years of increases. Just over 40 percent of the Company's sales are subject to formal selling price-indexing agreements, whereby selling prices are adjusted as raw material prices change, albeit with a time lag. However, the remaining portion of the customer base, although still subject to selling price adjustments, has not kept up with the more than 85 percent increase in raw material costs that has transpired over the last six years. As a result, as raw material costs decline, margins that have eroded in recent years should experience some recovery, as this portion of the customer base should not expect to benefit to the same degree from these raw material cost decreases. The overall state of the North American and global economies is also of concern to the Company. Many businesses are experiencing a reduction in demand for their products and certainly Winpak is not immune from this as evidenced by the 4.0 percent curtailment in fourth quarter volumes. Nonetheless, as approximately 90 percent of the Company's sales are into the food and healthcare markets, where demand is fairly inelastic to economic downturns, the impact of the economic slump on Winpak should be considerably less than on companies in other industries. The management of the Company, however, must still be mindful of any credit concerns with customers that could arise in this economic environment, although Winpak believes that its processes and procedures in this area should minimize this risk.

In recent years leading up to the current year, the Company has invested heavily in property, plant and equipment to maintain and advance the Company's technological strengths. This included adding new capacity for high-barrier films, shrink bags, custom thermoforming and lidding. Though most of these projects were completed in 2007, there still remains unused extrusion capacity related to these additions of well over \$50 million in sales going forward at current selling prices. This provides a strong foundation from which to build upon for the future. In 2009, the capital program will focus on adding shrink bag capacity as well as furthering thermoforming capabilities in addition to other equipment enhancements directed at improving efficiencies or extending the life of current equipment. In this regard, the Company anticipates doubling its spending on capital projects from the very modest level of just under \$15 million in 2008 in conjunction with retiring its remaining long-term debt obligations. Furthermore, due to the Company's strong financial position with current cash resources outstripping short-term and long-term debt, Winpak is very well placed to respond to acquisition opportunities that may arise which enhance shareholder value and further strengthen the Company's future outlook.

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 project has been completed and a detailed IFRS



implementation plan has been developed for fiscal 2009. A high level review of the major differences between Canadian GAAP and current IFRS has been undertaken and at this time, 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. The potential 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 still have to be evaluated by the Company. To date, the project leaders have received training with respect to IFRS through attendance at seminars and through working with various specialists from the external advisory firm. Winpak will continue to invest in training and external advisor resources throughout the transition to facilitate a timely and successful 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. The Company has completed its initial assessment on the impact of this new standard on its consolidated financial statements. Management expects the standard to have no significant impact on the required financial statement disclosures and no effect 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 December 28, 2008 to provide reasonable assurance that the information being 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. Internal control systems, no matter how well designed, have inherent limitations and therefore can only provide reasonable assurance as to the effectiveness of internal controls over financial reporting, including the possibility of human error and the circumvention or overriding of the controls and procedures. Management used the Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) as the control framework in designing its internal controls over financial reporting. Based on management's design and testing of the effectiveness of the Company's internal controls over financial reporting, the Company's Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures are designed and operating effectively as of December 28, 2008 to provide reasonable assurance that the financial information being reported is materially accurate. During the fourth quarter ended December 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
Fourth Quarter Ended: December 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) (unaudited)

	December 28 2008	December 30 2007
	<u> </u>	<u> </u>
Assets		
Current Assets:		
Cash	\$ 19,796	\$ -
Accounts receivable (note 8)	63,175	57,308
Income taxes receivable	-	6,292
Inventory (note 4)	68,117	74,742
Prepaid expenses	2,060	1,945
Future income taxes	3,363	2,702
	<u>156,511</u>	<u>142,989</u>
Property, plant and equipment (net)	227,180	263,328
Other assets	11,259	10,739
Intangible assets (net)	5,983	6,690
Goodwill	16,082	17,854
	<u>\$ 417,015</u>	<u>\$ 441,600</u>
Liabilities and Shareholders' Equity		
Current Liabilities:		
Bank indebtedness (unsecured)	\$ -	\$ 5,037
Accounts payable and accrued liabilities	33,298	38,061
Income taxes payable	2,017	-
	<u>35,315</u>	<u>43,098</u>
Long-term debt	17,000	22,000
Deferred credits	10,860	12,603
Future income taxes	28,390	28,640
Postretirement benefits	1,624	1,596
	<u>93,189</u>	<u>107,937</u>
Minority interest	14,069	11,065
Shareholders' equity:		
Share capital	29,195	29,195
Retained earnings	249,990	228,470
Accumulated other comprehensive income (note 5)	30,572	64,933
	<u>280,562</u>	<u>293,403</u>
	<u>309,757</u>	<u>322,598</u>
	<u>\$ 417,015</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)

	Fourth Quarter Ended		Year-To-Date Ended	
	December 28	December 30	December 28	December 30
	2008	2007	2008	2007
Sales	\$ 129,690	\$ 126,638	\$ 512,037	\$ 466,622
Cost of sales	90,768	100,380	379,196	356,420
Gross profit	38,922	26,258	132,841	110,202
Expenses				
Selling, general & administrative (note 6)	21,383	17,833	75,062	65,313
Research and technical	2,947	2,051	10,684	9,721
Pre-production	34	430	823	1,179
Earnings from operations	14,558	5,944	46,272	33,989
Interest	215	552	1,131	2,044
Earnings before income taxes and minority interest	14,343	5,392	45,141	31,945
Provision for income taxes	5,568	(770)	15,725	8,061
Minority interest	(107)	5	64	(74)
Net earnings	\$ 8,882	\$ 6,157	\$ 29,352	\$ 23,958
Retained earnings, beginning of period				
As previously reported	\$ 242,721	\$ 224,302	\$ 228,470	\$ 211,139
Change in accounting policy - (note 2 (c))	-	-	(492)	-
Restated	242,721	224,302	227,978	211,139
Net earnings	8,882	6,157	29,352	23,958
Dividends declared	(1,613)	(1,989)	(7,340)	(6,627)
Retained earnings, end of period	\$ 249,990	\$ 228,470	\$ 249,990	\$ 228,470
Earnings per share				
Basic and fully diluted earnings per share (cents)	14	10	45	37
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)

	Fourth Quarter Ended		Year-To-Date Ended	
	December 28	December 30	December 28	December 30
	2008	2007	2008	2007
Net earnings	\$ 8,882	\$ 6,157	\$ 29,352	\$ 23,958
Unrealized (losses) gains on translation of financial statements of operations with CDN dollar functional currency to US dollar reporting currency	(24,430)	3,072	(33,663)	31,442
Unrealized (losses) gains on derivatives designated as cash flow hedges, net of income tax (2008 - \$(558) and \$(615)) (2007 - \$37 and \$376)	(1,037)	68	(1,140)	699
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 - \$228 and \$238) (2007 - \$(110) and \$(335))	423	(204)	442	(623)
Other comprehensive (loss) income - net of income tax (note 5)	(25,044)	2,936	(34,361)	31,518
Comprehensive income	\$ (16,162)	\$ 9,093	\$ (5,009)	\$ 55,476

See accompanying notes to consolidated financial statements.



Winpak Ltd.

Consolidated Statements of Cash Flows

(thousands of US dollars) (unaudited)

	Fourth Quarter Ended		Year-To-Date Ended	
	December 28	December 30	December 28	December 30
	2008	2007	2008	2007
Cash provided by (used in):				
Operating activities:				
Net earnings for the period	\$ 8,882	\$ 6,157	\$ 29,352	\$ 23,958
Items not involving cash:				
Depreciation	5,653	6,091	23,685	22,121
Amortization - intangible assets	457	418	1,722	2,017
Defined benefit plan costs	784	660	2,693	3,254
Future income taxes	2,376	(1,560)	3,411	(274)
Foreign exchange loss on long-term debt	3,104	328	4,015	328
Minority interest	(107)	5	64	(74)
Other	(327)	(147)	(495)	142
Cash flow from operating activities before the following	20,822	11,952	64,447	51,472
Change in working capital:				
Accounts receivable	(2,062)	(253)	(11,166)	540
Income taxes receivable	1,557	(1,572)	6,050	(4,318)
Inventory	8,404	5,121	(3,031)	2,442
Prepaid expenses	151	990	(410)	118
Accounts payable and accrued liabilities	(4,333)	(2,149)	(4,471)	(7,175)
Income taxes payable	1,669	-	1,669	-
Defined benefit plan payments	(1,666)	(5)	(5,815)	(7,210)
	24,542	14,084	47,273	35,869
Investing activities:				
Acquisition of property, plant and equipment	(3,248)	(8,202)	(14,812)	(35,957)
Acquisition of intangible assets	(235)	-	(1,015)	-
	(3,483)	(8,202)	(15,827)	(35,957)
Financing activities:				
Repayments of long-term debt	-	(17,000)	(5,000)	(17,000)
Proceeds from long-term debt	-	17,000	-	17,000
Dividends paid	(1,888)	(1,960)	(7,716)	(5,471)
Investment by minority shareholder in subsidiary	-	-	2,940	-
	(1,888)	(1,960)	(9,776)	(5,471)
Foreign exchange translation adjustment on cash	2,733	(169)	3,163	(2,472)
Change in cash position	21,904	3,753	24,833	(8,031)
(Bank indebtedness) cash, beginning of period	(2,108)	(8,790)	(5,037)	2,994
Cash (bank indebtedness), end of period	\$ 19,796	\$ (5,037)	\$ 19,796	\$ (5,037)

Supplemental disclosure of cash flow information:

Cash paid during the period for:

Interest expense	\$ 292	\$ 728	\$ 1,651	\$ 3,028
Income tax expense	143	1,930	3,895	9,855

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 28, 2008 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 aforementioned standards have no impact on the classification or 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 state. 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 write-down 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. In accordance with the requirement of the section comparative interim amounts 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. The Company has completed its initial assessment on the impact of this new standard on its consolidated financial statements. Management expects the standard to have no significant impact on the required financial statement disclosures and no effect on the Company's consolidated financial results.



Notes to Consolidated Financial Statements
For the periods ended December 28, 2008 and December 30, 2007
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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.

The Company has commenced the detailed diagnostic assessment phase of the project and has 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

	December 28 2008	December 30 2007
Raw materials	23,935	27,280
Work-in-process	12,390	11,738
Finished goods	28,806	34,107
Spare parts	2,986	1,617
	68,117	74,742

During the fourth quarter of 2008, the Company recorded inventory write-downs for slow moving and obsolete inventory of \$1,650 (Year-to-date- \$5,799) and reversals of previously written-down items that were sold to customers of \$413 (Year-to-date- \$922).

5. Accumulated Other Comprehensive Income

The accumulated other comprehensive income account represents the net changes due to foreign exchange rate fluctuations in the net investment in the Canadian dollar functional currency operations and the unrealized (losses) gains on derivatives designated as cash flow hedges.

	Fourth Quarter Ended		Year-To-Date Ended	
	December 28 2008	December 30 2007	December 28 2008	December 30 2007
Balance, beginning of period	55,616	61,997	64,933	33,415
Other comprehensive (loss) income	(25,044)	2,936	(34,361)	31,518
Balance, end of period	30,572	64,933	30,572	64,933

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 operations with Canadian dollar functional currency to US dollar reporting currency	31,194	64,857
Unrealized (losses) gains on derivatives designated as cash flow hedges	(622)	76
Balance, end of period	30,572	64,933



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6. Selling, General & Administrative Expenses

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

	Fourth Quarter Ended		Year-To-Date Ended	
	December 28	December 30	December 28	December 30
	2008	2007	2008	2007
Foreign exchange translation losses (gains)	4,345	(57)	5,254	(1,504)
Defined benefit plan costs	784	660	2,693	3,254

Foreign exchange translation losses (gains) 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 losses (gains) 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 December 28, 2008:

Assets (Liabilities)	Classification	Carried at Cost/Amortized	Carried at Fair Value
		Carrying / Fair Value	Carrying Value
Cash	Held for trading	19,796	
Accounts receivable	Loans and receivables	63,175	
Accounts payable and accrued liabilities	Other financial liabilities	(32,342)	
Cash flow hedging derivative	Derivatives designated as effective hedges		(956)
Long-term debt	Other financial liabilities	(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.

8. Financial Risk Management – continued

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 Biaxis Inc. operate with the U.S. dollar as the functional currency, while all Canadian operations, excluding American Biaxis Inc., operate with the CDN dollar as the functional currency. Most of the Company's business is conducted in U.S. dollars. However, approximately 19 percent of sales are invoiced in CDN dollars and approximately 27 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. As a result of the Company's U.S. dollar net monetary position within the CDN dollar functional currency operations as at December 28, 2008, a one-cent strengthening / weakening in the year-end foreign exchange rate from CDN dollars to U.S. dollars would have had no impact on net earnings for 2008.

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 fourth quarter of 2008 and the Company realized pre-tax foreign exchange losses of \$651 (year-to-date - realized pre-tax foreign exchange losses of \$680). These foreign exchange losses were recorded in selling, general & administrative expenses. As at December 28, 2008, the Company had foreign currency forward contracts outstanding with a notional amount of \$16.0 million US at an average exchange rate of 1.1412 (US to CDN dollars), maturing between January 2009 and November 2009 and the fair value of the notional amount of these contracts was \$15.044 million US as of December 28, 2008. An unrealized foreign exchange loss during the quarter of \$1,595 (pre-tax) (year-to-date - unrealized foreign exchange loss of \$1,755 (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 fourth quarter of 2008, and none were outstanding as at December 28, 2008.

Regarding the December 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 December 28, 2008, 42% (year-to-date - 41%) 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 counterparties, 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 December 28, 2008, 19% 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 December 28, 2008, on aggregate, accounted for 26% of the Company's total accounts receivable balance.



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8. Financial Risk Management – continued

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:

	December 28 2008	December 30 2007
Current	45,029	39,325
<u>Past due amounts:</u>		
1 - 60 days	18,688	17,602
Greater than 60 days	1,121	1,919
Less: Allowance for doubtful accounts	(1,663)	(1,538)
Total accounts receivable, net	<u>63,175</u>	<u>57,308</u>

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, \$48 million was unused as at December 28, 2008. The Company has remained within all bank debt covenants and foresees no change in its ability to meet these covenants in 2009.

The 2009 requirements for capital expenditures, working capital and debt repayments can be financed from cash on hand, cash flow provided by operating activities and unused credit facilities. The Company expects to repay all of the \$17 million of long-term debt outstanding in the 2009 fiscal year unless unexpected circumstances occur.

Commitments and Contractual Obligations

The Company enters into commitments and contractual obligations in the normal course of business operations. The Company has commitments of \$1,314 (2007 - \$2,898) with respect to equipment purchases. The Company rents premises and equipment under operating leases that expire at various dates until April 30, 2015. The aggregate minimum rentals payable for these leases are as follows:

Year	2009	2010	2011	2012	2013	Thereafter	Total
Amount \$	1,824	1,628	825	603	544	721	6,145

9. Capital Management

The Company's objectives in managing capital are to ensure that the Company will continue as a going concern and have 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 December 28, 2008, the ratio was 0.00:1. 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 December 28, 2008, the ratio was 3.99:1.

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



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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.