Management's Discussion & Analysis

Three-month period ended June 30, 2008 compared with three-month period ended June 30, 2007.

The following Management's Discussion and Analysis ("MD&A") dated August 13, 2008 should be read in conjunction with the MD&A for the year ended December 31, 2007, the audited consolidated financial statements for the year ended December 31, 2007, and the unaudited consolidated interim financial statements of the Company for the three months ended June 30, 2008 with the notes thereto. The interim financial results are prepared in accordance with Canadian Generally Accepted Accounting Principles and results are reported in Canadian dollars.

The MD&A contains statements that are forward-looking in nature. Such statements involve known and unknown risks and uncertainties that may cause the actual results of the Company to be materially different from those expressed or implied by such forward-looking statements. Such items include, among others: general economic and business conditions, product selling prices, raw material and operating costs, changes in foreign currency rates and other factors referenced herein and in the Company's continuous disclosure filings.

Additional information, including the Company's Annual Information Form, quarterly and annual reports, and supplementary information is available on SEDAR at www.sedar.com**.** Press releases and other information are also available in the Financial Information section of the Company's Web site at www.stella-jones.com**.**

Our business
Stella-Jones is a leading North American producer and marketer of industrial pressure treated wood products and also provides treated consumer lumber products and customized services to lumber retailers and wholesalers for outdoor applications.

The Company specializes in four major product categories: railway ties and timbers for rail transportation companies; treated wood utility poles for utility and telecommunication companies; treated consumer lumber products for the residential market; and industrial lumber products for construction and maritime applications.

As at August 13, 2008, the Company owns and operates 15 wood treating plants, two distribution centres, two pole peeling facilities and has a 50% interest in a third pole peeling operation. These 20 facilities are located in six Canadian provinces and seven American states. The Company's workforce currently numbers approximately 765 employees.

Our mission
Stella-Jones' objective is to be the performance leader in the wood preserving industry and a model corporate citizen, exercising environmental responsibility and integrity.

Stella-Jones will achieve these goals by focusing on customer satisfaction, core products, key markets, innovative work practices and the optimal use of its resources.

Stella-Jones is committed to providing a safe, respectful and productive environment for its employees, where problem solving, initiative and high standards of performance are rewarded.

Foreign exchange
The table below shows the closing and average exchange rates for the quarters ended June 30, 2008 and 2007.

Canada/US exchange rate		2008	2007
Closing rate to translate assets and liabilities	Cdn$/US$	1.0197	1.0654
Average rate to translate sales and expenses	Cdn$/US$	1.0110	1.0958

Operating results

Sales
Sales for the quarter ended June 30, 2008 reached $123.1 million, an increase of $38.6 million, or 45.6%, over sales of $84.5 million for the quarter ended June 30, 2007. The acquisition of The Burke-Parsons-Bowlby Corporation ("BPB"), effective April 1, 2008, contributed sales of approximately $32.8 million, while organically, sales increased by almost 7.0%. The appreciation of the Canadian dollar, Stella-Jones' reporting currency, reduced the value of U.S. dollar denominated sales by approximately $2.8 million in the second quarter when compared with the same period last year.

For the first six months of 2008, sales totalled $189.3 million, an improvement $42.8 million, or 29.2%, over sales of $146.5 million recorded in the first six months of 2007. In addition to the BPB acquisition, the increase is also due to the contribution from the Arlington, Washington facility for the entire period, versus only four months in 2007. When compared with the same period a year ago, the appreciation of the Canadian dollar reduced the value of U.S. dollar denominated sales by approximately $7.8 million in the first half of 2008.

Sales by product group
Railway ties
Railway tie sales for the second quarter of 2008 amounted to $65.7 million, an increase of $34.0 million, or 107.3%, over the second quarter of 2007. These results reflect the BPB acquisition, continued strength in railway tie demand and increased supply capability following the expansion of the Bangor, Wisconsin facility with the addition, in May 2007, of a treating cylinder that increased the plant's capacity by more than 50%. Railway tie sales accounted for 53.4% of the Company's total sales in the second quarter of 2008. For the six-month period ended June 30, 2008, railway tie sales stood at $98.0 million, an increase of 74.1% over sales of $56.3 million a year earlier.

Utility poles
Utility pole sales reached $37.0 million in the second quarter of 2008 compared with $35.9 million during the same period in 2007. This 3.1% increase relates to solid demand for distribution poles and the recovery of utility pole installation that had been delayed in the first quarter, offset by lower sales of transmission poles and a lower conversion rate on U.S. utility pole sales. Utility pole sales accounted for 30.0% of the Company's total sales in the second quarter of 2008. In the first half of 2008, utility pole sales totalled $64.7 million, a decrease of $1.7 million, or 2.5%, versus sales of $66.4 million last year.

Consumer lumber
Sales in the consumer lumber category totalled $13.0 million in the second quarter of 2008, up 4.0% from $12.5 million in the second quarter of 2007. Consumer lumber accounted for 10.6% of Stella-Jones' total sales in the second quarter of 2008. After the first six months of 2008, consumer lumber sales amounted to $17.1 million compared with $16.2 million last year, representing an increase of 6.0%.

Industrial lumber
In the second quarter of 2008, industrial lumber sales increased by $3.0 million, or 67.6%, to $7.4 million. The increase reflects BPB's ancillary product sales and offsets lower demand for industrial lumber products in both Eastern and Western Canada. The category represented 6.0% of overall sales in the second quarter of 2008. For the first six months of 2008, industrial lumber sales stood at $9.4 million, up 23.4% from $7.6 million a year earlier.

Sales by destination
In the second quarter of 2008, sales in Canada reached $64.6 million, or 52.5% of the Company's total sales, up 1.5% over sales of $63.6 million a year earlier. Sales in the United States amounted to $58.4 million, or 47.5% of sales, compared with $20.9 million in the second quarter of 2007. The strong increase in sales in the U.S. market came as a result of the contribution of the BPB operations and increased sales from the Bangor, Wisconsin facility following its capacity expansion.

Gross profit
Gross profit stood at $25.3 million or 20.6% of sales in the second quarter of 2008, versus $20.3 million or 24.0% of sales in 2007. The $5.0 million increase in gross profit dollars stems from the contribution of the BPB operations, while the decrease as a percentage of sales reflects a different product mix, BPB's lower margins, and higher raw material, energy and transportation costs resulting from rapid increases in oil prices. A lower conversion rate on U.S. dollar denominated sales also negatively affected margins, in absolute dollar terms, when compared with the same period last year. For the first six months of 2008, gross profit reached $39.0 million, or 20.6% of sales, versus $36.2 million, or 24.7% of sales, a year earlier.

Expenses
Selling and administrative expenses for the second quarter of 2008 were $6.1 million, an increase of $940,000, or 18.2%, compared with $5.2 million a year earlier. The increase is mainly attributable to the BPB operations. As a percentage of sales, selling and administrative expenses amounted to 5.0% in the second quarter of 2008, down from 6.1% in the second quarter of 2007. The decrease in selling and administrative expenses expressed as a percentage of sales reflects overhead cost containment and synergies from increased volumes for the period. For the six-month period ended June 30, 2008, selling and administrative expenses totalled $8.8 million, virtually unchanged from the same period in 2007.

The Company realized a foreign exchange gain of $192,000 in the second quarter of 2008, versus a foreign exchange loss of $417,000 last year. As at June 30, 2008, the Company had on hand foreign exchange contracts for the future sale of U.S. dollars totalling $2.8 million at rates averaging Cdn$1.1518/US$1.00 maturing up to December 2009. The unrealized net foreign exchange gain on these contracts totalled $345,000 as at June 30, 2008.

Amortization of capital and intangible assets totalled $1.8 million in the second quarter of 2008, an increase of $495,000 over the corresponding period in 2007. This increase is mainly attributable to the BPB operations acquired in April 2008, as well as to the addition of a treatment cylinder at the Bangor, Wisconsin facility in May 2007. Amortization of capital and intangible assets reached $3.2 million in the first six months of 2008, an increase of $809,000 over amortization of $2.4 million in the first six months of 2007.

Financial expenses of $2.3 million for the three-month period ended June 30, 2008 marked an increase over financial expenses of $1.4 million in the three-month period ended June 30, 2007. The increase is due to higher borrowings resulting from the acquisition of BPB. In the first six months of 2008, the Company recorded financial expenses of $3.7 million compared with $2.8 million in 2007.

Stella-Jones' income tax expense amounted to $5.3 million in the second quarter of 2008, for an effective tax rate of 34.4%, compared with $3.9 million in the second quarter of 2007, representing an effective tax rate of 32.7%. For the first six months of 2008, the income tax expense reached $8.2 million, for an effective tax rate of 34.7%, compared with $7.7 million, equivalent to an effective tax rate of 35.1%, in the first six months of 2007.

Net earnings
Net earnings for the quarter ended June 30, 2008 totalled $10.0 million, or $0.80 per share, fully diluted, compared with $8.1 million, or $0.64 per share, fully diluted, in the same period in 2007. For the six-month period ended June 30, 2008, net earnings amounted to $15.4 million, or $1.21 per share, fully diluted, up from $14.2 million, or $1.12 per share, fully diluted, a year prior.

Business Acquisition

On April 1, 2008 the Company completed the acquisition of BPB through a merger between a wholly-owned U.S. subsidiary of the Company, and BPB. BPB, which began operations in 1955, produces pressure treated wood products, primarily for the railroad industry. This acquisition included five treating plants located in DuBois, Pennsylvania; Goshen, Virginia; Spencer, West Virginia; and Stanton and Fulton, Kentucky. BPB had sales of approximately US$107.0 million for the twelve-month period ended March 31, 2008.

Total consideration for this acquisition was approximately $44.0 million (US$43.0 million), including estimated acquisition costs of approximately $1.1 million (US$1.1 million), and cash on hand of $0.1 million (US$0.1 million). This amount includes $33.7 million (US$33.0 million) paid to BPB stockholders through the conversion of each outstanding share of common stock of BPB into the right to receive US$47.78 per share in cash, $3.5 million (US$3.4 million) representing an additional payment equal to BPB's audited net income for its fiscal year ending March 31, 2008, less any distributions to shareholders during that period and other post-closing adjustments, as well as an additional discounted amount of $5.7 million (US$5.6 million) to be paid with respect to non-compete agreements entered into with certain previous BPB executives.

The acquisition has been accounted for using the purchase method and accordingly, the purchase price was allocated to the assets acquired and liabilities assumed based on Management's estimate of their fair value as of the acquisition date. The following fair value allocation is preliminary and is based on Management's best estimates and information known at the time of preparing these interim unaudited consolidated financial statements. The purchase price allocation is expected to be completed by December 31, 2008 and consequently, changes could occur mainly with respect to acquisition costs, intangible assets, goodwill and future income taxes. The results of operations of BPB have been included in the consolidated financial statements from the acquisition date.

The following is a summary of the net assets acquired at fair values as of the acquisition date:

In thousands of Canadian dollars	$
Assets acquired	
Non cash working capital	41,600
Capital assets	25,764
Customer relationships	3,453
Non-compete agreements	5,732
Goodwill	5,316
Future income tax assets	1,353
	83,218
Liabilities assumed	
Notes payable to banks	(14,007)
Accounts payable and accrued liabilities	(6,858)
Long-term debt	(9,206)
Interest-bearing employee deposits	(2,134)
Future income tax liabilities	(7,061)
	43,952
Consideration	
Cash, financed by debt	33,716
Purchase price adjustment paid in cash	3,478
Non-compete agreements payable	5,732
Cash on hand	(97)
Acquisition costs (including a payable of $182)	1,123
	43,952

The transaction was financed through additional borrowings of approximately $40.9 million (US$40.0 million), including the issuance of a $25.5 million (US$25.0 million) unsecured and nonconvertible debenture to the *Fonds de solidarité des travailleurs du Québec (F.T.Q.)*, a $10.2 million ($US10.0 million) revolving term loan from a Canadian bank and a draw-down on an existing operating margin of $5.1 million (US$5.0 million).

Quarterly results

Sales have historically followed a seasonal pattern, with pole, tie and industrial lumber shipments strongest in the second and third quarters to provide industrial end users with product for their summer maintenance projects. Consumer lumber treatment sales also follow a similar seasonal pattern. In the fall and winter seasons, there tends to be less activity; thus the first and fourth quarters are typically characterized by relatively lower sales levels.

2008

For the quarters ended	**March 31**	**June 30**			
(thousands of dollars, except per share data)	**$**	**$**			
Sales	66,182	123,081			
EBITDA [1]	10,997	19,394			
Operating earnings [1]	9,616	17,599			
Net earnings	5,323	10,047			
Net earnings per common share	0.43	0.81			
Diluted net earnings per common share	0.42	0.80			

2007

For the quarters ended	**March 31**	**June 30**	**Sept. 30**	**Dec. 31**	**Total**
(thousands of dollars, except per share data)	**$**	**$**	**$**	**$**	**$**
Sales	61,949	84,510	74,815	48,440	269,714
EBITDA [1]	12,301	14,725	13,254	8,720	49,000
Operating earnings [1]	11,235	13,424	11,864	7,537	44,060
Net earnings	6,097	8,078	7,085	4,440	25,700
Net earnings per common share	0.50	0.66	0.57	0.36	2.09
Diluted net earnings per common share	0.48	0.64	0.56	0.35	2.03

2006

For the quarters ended	**March 31**	**June 30**	**Sept. 30**	**Dec. 31**	**Total**
(thousands of dollars, except per share data)	**$**	**$**	**$**	**$**	**$**
Sales	44,872	61,396	68,073	49,512	223,853
EBITDA [1]	6,915	9,824	12,203	9,224	38,166
Operating earnings [1]	6,132	9,021	11,331	8,319	34,803
Net earnings	3,518	5,415	6,789	5,124	20,846
Net earnings per common share	0.32	0.50	0.57	0.42	1.81
Diluted net earnings per common share	0.32	0.48	0.55	0.41	1.76

1 EBITDA, consisting of operating earnings before amortization of capital and intangible assets, and operating earnings are financial measures not prescribed by Canadian generally accepted accounting principles ("GAAP") and are not likely to be comparable to similar measures presented by other issuers. Management considers they represent useful information for comparison with other similar operations in our industry, as they present financial results related to industry practice, not affected by non-cash charges or capital structure. EBITDA and operating earnings are readily reconcilable to net earnings presented in our Canadian GAAP financial statements, as there are no adjustments for unusual or non-recurring items.

Liquidity and capital resources

As at June 30, 2008, Stella-Jones' working capital reached $140.3 million, up from $106.5 million as at December 31, 2007. Current assets amounted to $239.8 million on June 30, 2008, up from $172.8 million as at December 31, 2007. Most of this $67.0 million increase is attributable to accounts receivable and inventories related to BPB's operations.

Excluding BPB, the value of accounts receivable would have risen by $22.4 million since the beginning of the year owing to stronger business activity in the second quarter. The value of inventories would have declined by approximately $3.0 million, as usage of raw materials purchased at favourable terms in late 2007 more than offset purchases for future sales volume increases.

Because of the long periods required to air-season wood, which can occasionally exceed nine months before a sale is concluded, inventories are a significant component of working capital. However, solid relationships and long-term contracts with certain customers enable the Company to better ascertain inventory requirements. The Company believes that its cash flows from operations and available operating lines of credit are adequate to meet its working capital requirements for the foreseeable future.

Capital assets stood at $96.1 million as at June 30, 2008, compared with $70.3 million as at December 31, 2007. This increase relates to the addition of BPB's capital assets and to capital expenditures of $3.0 million during the six-month period.

Following the BPB acquisition, intangible assets totalling $8.8 million, comprised of customer relationships and the non-compete agreements, as well as goodwill of $5.3 million, were included in the Company's balance sheet as at June 30, 2008. This fair value allocation is preliminary and is based on Management's best estimates and information known at the time of preparing the June 30, 2008 interim unaudited consolidated financial statements.

Bank indebtedness at the end of the second quarter totalled $62.9 million, an increase of $23.9 million over bank indebtedness of $39.0 million at the beginning of the fiscal year. This increase essentially mirrors increased working capital requirements during the Company's peak season comprised of the second and third quarters. Bank indebtedness includes a $50.0 million demand operating loan with a Canadian bank, as well as a US$40.0 million operating line of credit with the U.S. bankers of Stella-Jones' U.S. subsidiaries. Total availability under the Company's Canadian and U.S. operating lines of credit was $17.1 million and US$15.1 million, respectively, as at June 30, 2008.

Management believes that these operating lines of credit, combined with its funds from operations in the next quarters, will be adequate to meet its cash requirements for the foreseeable future. However, future corporate acquisitions may require new sources of financing.

On June 30, 2008, the Company's long-term debt, including the current portion, amounted to $94.8 million, an increase in excess of $47.4 million over borrowings of $47.4 million at the beginning of the fiscal year, essentially attributable to the BPB acquisition.

Shareholders' equity was $142.8 million as at June 30, 2008, a $15.1 million increase from December 31, 2007 levels. The Company's earnings for the six-month period accounted for most of this increase. Book value stood at $11.37 per common share as at June 30, 2008, up from $10.35 per common share as at December 31, 2007.

As at June 30, 2008, Stella-Jones' ratio of total long-term debt, including the current portion, to shareholders' equity stood at 0.66:1 compared with 0.37:1 as at December 31, 2007.

The following table sets forth summarized cash flow components for the periods indicated.

Summary of cash flows	**Three-month periods ended**		**Six-month periods ended**	
(thousands of dollars)	**June 30, 2008**	**June 30, 2007**	**June 30, 2008**	**June 30, 2007**
Operating activities	$9,753	($1,718)	($4,688)	($5,558)
Financing activities	$30,569	$3,437	$45,625	$26,424
Investing activities	($40,322)	($1,719)	($40,937)	(20,866)
Cash and cash equivalents	$---	$---	$---	$---

The Company's activities, acquisitions and capital expenditures are primarily financed by cash flows from operating activities, the use of cash and operating lines of credit, and the issuance of long-term debt and/or common shares.

Cash flows from operating activities before changes in non-cash working capital components was $12.4 million for the three-month period ended June 30, 2008, compared with $10.0 million for the same period in 2007. The increase essentially stems from higher net earnings in the second quarter of 2008. Changes in non-cash working capital components required funds of $2.7 million in the second quarter of 2008 compared with $11.7 million in the second quarter of 2007. As a result, cash flows from operating activities generated liquidity of $9.8 million in the second quarter of 2008, versus using $1.7 million in cash a year earlier. For the first six months of 2008, cash flows from operating activities required funds of $4.7 million compared with $5.6 million in 2007.

The Company's net financing activities generated liquidity of $30.6 million for the second quarter ended June 30, 2008, compared with $3.4 million for the same period a year earlier. Such activities consist of increases in short and long-term bank and other borrowings as well as proceeds from the issuance of common shares under the Company's stock option and employee share purchase plans, less repayments of long-term debt. The variation between the two periods of comparison is attributable to greater long-term borrowings required to finance the BPB transaction. For the six-month period ended June 30, 2008, net financing activities generated liquidity of $45.6 million compared with $26.4 million a year earlier.

Investing activities required $40.3 million in cash during the second quarter of 2008, primarily for the BPB acquisition ($38.0 million) and the purchase of capital assets ($2.3 million), compared with $1.7 million in the second quarter of the 2007. Investing activities required liquidity of $40.9 million in the first half of 2008 compared with $20.9 million in the first half of 2007.

The Company's contractual obligations for future payments are outlined in the table below:

(thousands of dollars)	Payments due by period				
	Less than 1 year	1-3 years	4-5 years	After 5 years	Total
	$	$	$	$	$
Long-term debt obligations	5,239	11,430	19,767	60,545	96,981
Capital lease obligations	79	137	158	-	374
Non-compete agreements	1,275	2,550	2,550	954	7,329
Total contractual obligations	6,593	14,117	22,475	61,499	104,684

Share and stock option information

As at June 30, 2008, the capital stock issued and outstanding consisted of 12,557,177 common shares (12,341,088 as at December 31, 2007).

As at June 30, 2008, the number of outstanding options to acquire common shares issued under the Company's Stock Option Plan was 149,285 (December 31, 2007 – 162,070) of which 63,785 (December 31, 2007 – 76,570) were exercisable.

Effective May 6, 2003, the Company granted to its President and Chief Executive Officer, under a Stock Option Agreement, 300,000 options to acquire an equivalent number of common shares at an exercise price of $2.99 per share. These options became exercisable on May 6, 2008. During the second quarter of 2008, 200,000 options were exercised.

Dividends
On August 13, 2008, the Board of Directors declared a semi-annual dividend of $0.18 per common share. The declaration, amount and date of any future dividends will continue to be considered by the Board of Directors of the Company based upon and subject to the Company's earnings and financial requirements, any covenants in its loan documentation and other conditions prevailing at the time. There can be no assurance as to the amount or timing of such dividends in the future.

Commitments and contingencies
The commitments and contingencies susceptible to affect the Company in the future remain substantially unchanged from those included in the Company's annual MD&A contained in its 2007 Annual Report.

Risks and uncertainties
The risk and uncertainty factors affecting the Company in the future remain substantially unchanged from those included in the Company's annual MD&A contained in its 2007 Annual Report.

Changes in accounting policies
The Canadian Institute of Chartered Accountants ("CICA") issued the following new accounting standards which were adopted by the Company on January 1, 2008:

Handbook Section 3031, "Inventories", replaced Section 3030 "Inventories". The new section prescribes measurement of inventories at the lower of cost and net realized value. It provides guidance on the determination of cost, prohibits use in the future of the last-in, first-out (LIFO) method, and requires reversals of previous write-downs when there is a subsequent increase in the value of inventories. It also requires greater disclosure regarding inventories and cost of sales, including accounting policies, carrying values and the amount of any inventory write- downs.

Handbook Section 3862, "Financial Instruments – Disclosures", describes the required disclosure for the assessment of the significance of financial instruments for the entity's financial position and performance and of the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks. This section and Section 3863, "Financial Instruments – Presentation" will replace Section 3861, "Financial instruments – Disclosure and Presentation".

Handbook Section 3863, "Financial Instruments – Presentation", establishes standards for presentation of the financial instruments and non-financial derivatives. It carries forward the presentation related requirements of Section 3861, "Financial Instruments – Disclosure and Presentation".

Handbook Section 1535, "Capital Disclosures", establishes standards for disclosing information about an entity's capital and how it is managed. It describes the disclosure requirements of the entity's objectives, policies and processes for managing capital, the quantitative data relating to what the entity regards as capital, whether the entity has complied with capital requirements, and, if it has not complied, the consequences of such non-compliance.

Impact of accounting pronouncements not yet implemented
The CICA issued the following accounting standards which will be adopted by the Company effective January 1, 2009:

Handbook Section 3064 “Goodwill and Intangible Assets”, will replace Section 3062 “Goodwill and Other Intangible Assets” and Section 3450, “Research and Development Costs”. Section 1000, “Financial Statements Concepts” was amended accordingly to Section 3064. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented companies. The Company is presently assessing the impact of these new accounting standards on its consolidated financial statements.

Disclosure controls and internal control over financial reporting

In accordance with the Canadian Securities Administrators' Multilateral Instrument 52-109, the Company has filed certificates signed by the President and Chief Executive Officer and the Senior Vice-President and Chief Financial Officer that, among other things, report on the design of disclosure controls and procedures and the design of internal control over financial reporting.

The Company did not make any material changes to the design of internal controls over financial reporting during the three months ended June 30, 2008 that have had a material effect on the Company's internal controls over financial reporting.

Outlook

Stella-Jones' core railway tie and utility pole markets are still experiencing strong fundamentals. The railway tie market, in which Stella-Jones has established itself as the second largest player in North America following its acquisition of BPB, is expected to remain strong, driven by Class-1 railroad capital expenditures and short-line railroad expansion projects. The optimization of the BPB operations, along with expanded capacity at the Bangor, Wisconsin facility should enable the Company to better service its growing customer base in the United States. In utility poles, emerging energy sources, such as wind farms, and an aging infrastructure creating pent-up demand for pole replacement are important demand drivers. Geographical diversification and a complete product offering are key attributes that give Stella-Jones the ability to promptly respond to market opportunities.

The Company will continue to seek organic growth by focusing on its key markets. This will be achieved by capturing more of its existing clients' business and expanding its customer base, as it realizes the full potential of recent acquisitions. While Management is optimistic about future organic growth, the general economic environment is a concern and despite an acknowledged infrastructure deficit, certain projects requiring our products may be delayed.

While strategic acquisitions will remain an integral part of the Company's growth plan, Management's primary focus over the near term will be integrating and optimizing BPB operations. Nonetheless, Management will continue to seek targets in its core markets that meet its stringent investment requirements and provide synergistic opportunities.

Integration of the BPB acquisition will be a pivotal success factor in upcoming periods. Although BPB presently generates lower operating margins, the Company is confident about its ability to gradually increase BPB's margins close to a level comparable to that of the remainder of its operations within a period of 18 months.

August 13, 2008