
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 6-K

**REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934**

For the month of: **November 2007**

Commission File No.: **001-11796**

MASONITE INTERNATIONAL INC.

(Name of registrant)

**1600 Britannia Road East
Mississauga, Ontario
L4W 1J2**

(Address of Principal Executive Offices)

PREMDOR INC.

(Former Name of Registrant)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F

Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

If "Yes" is marked, indicate the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MASONITE INTERNATIONAL INC.

Date: November 27, 2007

By: /s/ Frederick Lynch
Name: Frederick Lynch
Title: President and Chief Executive Officer

EXHIBIT INDEX

Exhibit	Description of Exhibit
99.1	Third Quarter Unaudited Interim Consolidated Financial Statements
99.2	Management's Discussion & Analysis of Financial Results
99.3	Quantitative and Qualitative Disclosures about Mark Risk
99.4	Other Information

Unaudited Interim Consolidated Financial Statements
(Expressed in U.S. dollars)

MASONITE INTERNATIONAL INC.

For the Three and Nine Month Periods Ended September 30, 2007 and September 30, 2006

MASONITE INTERNATIONAL INC.

Unaudited Consolidated Statements of Operations

(In thousands of U.S. dollars)

For the Three and Nine Month Periods Ended September 30, 2007 and September 30, 2006

	Note	Three Month Period Ended		Nine Month Period Ended	
		July 1, 2007 - September 30, 2007	July 1, 2006 - September 30, 2006	January 1, 2007 - September 30, 2007	January 1, 2006 - September 30, 2006
Sales		\$ 529,343	\$ 622,391	\$ 1,687,651	\$ 1,879,510
Cost of sales		408,132	481,352	1,297,600	1,486,904
		<u>121,211</u>	<u>141,039</u>	<u>390,051</u>	<u>392,606</u>
Selling, general and administration expenses	18	50,410	49,567	157,072	159,232
Depreciation		21,478	21,923	68,093	65,329
Amortization of intangible assets		8,898	8,877	26,690	26,660
Interest		44,315	46,382	134,130	137,239
Other expense, net	14	<u>9,235</u>	<u>9,508</u>	<u>21,558</u>	<u>16,613</u>
(Loss) income before income taxes and non-controlling interest		(13,125)	4,782	(17,492)	(12,467)
Income taxes (recovery)	15	(2,387)	4,894	(12,418)	(4,804)
Non-controlling interest		<u>2,073</u>	<u>1,559</u>	<u>5,326</u>	<u>5,557</u>
Net loss		<u>\$ (12,811)</u>	<u>\$ (1,671)</u>	<u>\$ (10,400)</u>	<u>\$ (13,220)</u>

Basis of presentation (note 1)

See accompanying notes to unaudited consolidated financial statements.

MASONITE INTERNATIONAL INC.

Unaudited Consolidated Balance Sheets

(In thousands of U.S. dollars)

As at September 30, 2007 and December 31, 2006

	<u>Note</u>	<u>September 30, 2007</u>	<u>December 31, 2006</u> (Restated-note 1)
Assets			
Current assets:			
Cash and cash equivalents		\$ 59,011	\$ 47,423
Accounts receivable	3	291,169	247,670
Inventories	4	330,506	351,538
Prepaid expenses		19,562	19,131
Assets held for sale	5	7,207	—
Current future income taxes		42,519	38,885
		<u>749,974</u>	<u>704,647</u>
Property, plant and equipment		823,420	873,576
Goodwill		974,841	969,480
Intangible assets		482,357	508,968
Other assets	6	24,083	89,334
Long-term future income taxes		17,884	18,507
		<u>\$ 3,072,559</u>	<u>\$ 3,164,512</u>
Liabilities and Shareholder's Equity			
Current liabilities:			
Bank indebtedness	7	\$ 16,628	\$ 60,393
Accounts payable and accrued expenses	9	378,755	343,682
Income taxes payable		25,848	26,909
Current future income taxes		1,201	1,629
Current portion of long-term debt	8	22,192	32,221
		<u>444,624</u>	<u>464,834</u>
Long-term debt	8	1,851,920	1,923,558
Long-term future income taxes		201,751	214,185
Other long-term liabilities	10	41,351	41,081
		<u>2,539,646</u>	<u>2,643,658</u>
Non-controlling interest		40,608	36,841
Shareholder's equity:			
Share capital	11	567,177	567,177
Common shares, unlimited shares authorized, 113,435,362 shares issued and outstanding at September 30, 2007 and December 31, 2006 Contributed surplus		6,745	4,987
Deficit		(114,534)	(104,134)
Accumulated other comprehensive income		32,917	15,983
		<u>492,305</u>	<u>484,013</u>
		<u>\$ 3,072,559</u>	<u>\$ 3,164,512</u>

Commitments and contingencies (note 13)

Related party transactions (notes 6 and 18)

Basis of presentation (note 1)

Subsequent event (note 20)

See accompanying notes to unaudited consolidated financial statements.

MASONITE INTERNATIONAL INC.

Unaudited Consolidated Statements of Changes in Shareholder's Equity

(In thousands of U.S. dollars)

For the Three and Nine Month Periods Ended September 30, 2007 and September 30, 2006

	Common Shares		Contributed Surplus	Deficit	Accumulated Other Comprehensive Income	Total
	Number	Value				
Balance, July 1, 2007	113,435,362	\$ 567,177	\$ 6,259	\$ (101,723)	\$ 27,735	\$ 499,448
Net loss	—	—	—	(12,811)	—	(12,811)
Other comprehensive income (loss), net of tax:						
Foreign exchange gain on self-sustaining operations	—	—	—	—	16,095	16,095
Change in fair value of cash flow hedges, net of tax of \$1,970	—	—	—	—	(10,913)	(10,913)
Comprehensive loss						(7,629)
Share based awards	—	—	486	—	—	486
Balance, September 30, 2007	<u>113,435,362</u>	<u>\$ 567,177</u>	<u>\$ 6,745</u>	<u>\$ (114,534)</u>	<u>\$ 32,917</u>	<u>\$ 492,305</u>
Balance, July 1, 2006	113,435,362	\$ 567,177	\$ 4,891	\$ (81,349)	\$ (9,059)	\$ 481,660
Net loss	—	—	—	(1,671)	—	(1,671)
Other comprehensive income, net of tax:						
Foreign exchange gain on self-sustaining operations	—	—	—	—	23,989	23,989
Comprehensive income						22,318
Share based awards	—	—	(745)	—	—	(745)
Balance, September 30, 2006	<u>113,435,362</u>	<u>\$ 567,177</u>	<u>\$ 4,146</u>	<u>\$ (83,020)</u>	<u>\$ 14,930</u>	<u>\$ 503,233</u>

	Common Shares		Contributed Surplus	Deficit	Accumulated Other Comprehensive Income (Restated-note 1)	Total (Restated-note 1)
	Number	Value				
Balance, January 1, 2007	113,435,362	\$ 567,177	\$ 4,987	\$ (104,134)	\$ 15,983	\$ 484,013
New accounting standard (note 1), net of tax of \$3,339	—	—	—	—	13,315	13,315
	<u>113,435,362</u>	<u>567,177</u>	<u>4,987</u>	<u>(104,134)</u>	<u>29,298</u>	<u>497,328</u>
Net loss	—	—	—	(10,400)	—	(10,400)
Other comprehensive income (loss), net of tax:						
Foreign exchange gain on self-sustaining operations	—	—	—	—	14,763	14,763
Change in fair value of cash flow hedges, net of tax of \$1,970	—	—	—	—	(11,144)	(11,144)
Comprehensive loss						(6,781)
Share based awards	—	—	1,758	—	—	1,758
Balance, September 30, 2007	<u>113,435,362</u>	<u>\$ 567,177</u>	<u>\$ 6,745</u>	<u>\$ (114,534)</u>	<u>\$ 32,917</u>	<u>\$ 492,305</u>
Balance, January 1, 2006	113,435,362	\$ 567,177	\$ 2,956	\$ (69,800)	\$ (7,984)	\$ 492,349
Net loss	—	—	—	(13,220)	—	(13,220)
Other comprehensive income, net of tax:						
Foreign exchange gain on self-sustaining operations	—	—	—	—	22,914	22,914
Comprehensive income						9,694
Share based awards	—	—	1,190	—	—	1,190
Balance, September 30, 2006	<u>113,435,362</u>	<u>\$ 567,177</u>	<u>\$ 4,146</u>	<u>\$ (83,020)</u>	<u>\$ 14,930</u>	<u>\$ 503,233</u>

Basis of presentation (note 1)

See accompanying notes to unaudited consolidated financial statements.

MASONITE INTERNATIONAL INC.

Unaudited Consolidated Statements of Cash Flows

(In thousands of U.S. dollars)

For the Three and Nine Month Periods Ended September 30, 2007 and September 30, 2006

	Three Month Period Ended		Nine Month Period Ended	
	July 1, 2007 - September 30, 2007	July 1, 2006 - September 30, 2006	January 1, 2007 - September 30, 2007	January 1, 2006 - September 30, 2006
Cash provided by (used in):				
Operating activities:				
Net loss	\$ (12,811)	\$ (1,671)	\$ (10,400)	\$ (13,220)
Items not involving cash:				
Depreciation	21,478	21,923	68,093	65,329
Amortization of intangible assets	8,898	8,877	26,690	26,660
Non-cash interest expense	2,909	1,936	7,949	5,971
Loss on sale of property, plant and equipment	555	3,111	1,505	4,556
Impairment of property, plant and equipment	3,611	—	6,231	—
Share based awards	486	(745)	1,758	1,190
Future income taxes	(1,917)	4,105	(18,374)	(8,413)
Pension and post-retirement expense and funding, net	680	55	1,282	419
Unrealized foreign exchange gains	(3,542)	—	(6,512)	—
Non-controlling interest	2,073	1,559	5,326	5,557
Change in non-cash operating working capital:				
Accounts receivable	1,619	28,750	(30,387)	(24,230)
Inventories	(443)	(11,168)	26,036	6,896
Income taxes payable	(4,348)	88	(3,684)	(3,223)
Prepaid expenses	2,855	1,578	(279)	(1,783)
Accounts payable and accrued expenses	27,176	(1,913)	26,814	43,213
	49,279	56,485	102,048	108,922
Financing activities				
Change in bank indebtedness	(50,566)	(19,308)	(43,765)	(43,646)
Proceeds from issuance of long-term debt	—	45	—	875
Repayment of long-term debt	(9,883)	(13,943)	(18,611)	(32,817)
Change in other long-term liabilities	—	328	—	198
	(60,449)	(32,878)	(62,376)	(75,390)
Investing activities				
Proceeds from sale of property, plant and equipment	601	6,396	792	20,215
Additions to property, plant and equipment	(6,476)	(13,110)	(22,702)	(35,314)
Acquisitions	(3,264)	—	(6,997)	—
Distributions to non-controlling interests	(1,084)	(1,504)	(2,639)	(3,065)
Other investing activities	617	(3,631)	(1,039)	(6,208)
	(9,606)	(11,849)	(32,585)	(24,372)
Net foreign currency translation adjustment	2,701	1,250	4,501	4,680
(Decrease) increase in cash and cash equivalents	(18,075)	13,008	11,588	13,840
Cash and cash equivalents, beginning of period	77,086	48,291	47,423	47,459
Cash and cash equivalents, end of period	\$ 59,011	\$ 61,299	\$ 59,011	\$ 61,299

Basis of presentation (note 1)

Supplemental cash flow information (note 16)

See accompanying notes to unaudited consolidated financial statements.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

*For the Three and Nine Month Periods Ended September 30, 2007 and September 30, 2006
(In thousands of U.S. dollars, except share and option information)*

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These unaudited interim consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). These unaudited interim consolidated financial statements include the accounts of Masonite International Inc. (the "Company" or "Masonite") for the three month and nine month periods ended September 30, 2007 and September 30, 2006.

These unaudited interim consolidated financial statements do not include all of the disclosures required by Canadian GAAP for annual financial statements and should be read in conjunction with the annual audited consolidated financial statements, including the notes thereto, for the year ended December 31, 2006. In the opinion of management, these unaudited interim consolidated financial statements reflect all adjustments which are necessary for a fair presentation of the operating results and financial condition of the Company for such periods and as of such dates. These unaudited interim consolidated financial statements are prepared using the same accounting policies and methods of application as the annual audited consolidated financial statements except as described below in Recently Adopted Accounting Standards. Operating results for the interim periods included herein are not necessarily indicative of the results that may be expected for the year ending December 31, 2007.

The Company's fiscal year is the 52 or 53-week period ending on the Sunday closest to December 31. In a 52 week year, each fiscal quarter consists of 13 weeks. The three month periods ended September 30, 2007 and September 30, 2006 consist of 13 weeks. For presentation purposes, the financial statements and notes refer to September 30 as the Company's quarter-end.

Principles of Consolidation

The unaudited interim financial statements include the accounts of the Company and its subsidiaries, the accounts of any variable interest entities for which the Company is the primary beneficiary and its proportionate share of assets, liabilities, revenues and expenses from joint ventures. Intercompany accounts and transactions have been eliminated on consolidation. The results of subsidiaries acquired during the periods presented are consolidated from their respective dates of acquisition using the purchase method. Joint ventures are proportionately consolidated from the date of formation.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates include the valuation of the allowance for doubtful accounts, the net realizable value of inventories, the determination of the fair value of derivative instruments, the determination of obligations under employee future benefit plans, the determination of share based awards, the valuation of acquired assets, the determination of the fair value of financial instruments, the fair value of goodwill and the useful lives of long-lived assets, as well as determination of impairment thereon, and the recoverability of future income tax assets. Actual results could differ from those estimates.

Recently Adopted Accounting Standards:

On January 1, 2007, the Company adopted the recommendations of the Canadian Institute of Chartered Accountants Handbook (CICA Handbook) Section 1530, "Comprehensive Income" ("CICA 1530"); Section 3855, "Financial Instruments – Recognition and Measurement" ("CICA 3855"); Section 3861, "Financial Instruments – Disclosure and Presentation" ("CICA 3861"); Section 3865, "Hedges" ("CICA 3865"); and Section 3251, "Equity" ("CICA 3251"). These sections became effective on January 1, 2007, and provide standards for recognition, measurement, disclosure and presentation of financial assets, financial liabilities and non-financial derivatives, and describe when and how hedge accounting may be applied. These standards were adopted retroactively without restating prior periods, except for the presentation of translation gains or losses on self-sustaining operations.

CICA 1530 provides standards for the reporting and presentation of comprehensive income, which represents the change in equity, from transactions and other events and circumstances from non-owner sources. Other comprehensive income is defined by revenues, expenses, gains and losses that are recognized in comprehensive income, but excluded from net income, in conformity with the generally accepted accounting principles. As a result of adopting CICA 1530 as of January 1, 2007, the

Company reclassified the balance in the cumulative translation adjustment presented on the consolidated balance sheet of \$15,983 at December 31, 2006 to accumulated other comprehensive income, which is presented as a new category of shareholder's equity on the consolidated balance sheet.

CICA 3855 requires that all financial assets be classified as held for trading, held-to-maturity investments, loans and receivables or available-for-sale categories. Also, all financial liabilities must be classified as held for trading or other financial liabilities upon initial recognition. All financial instruments, other than those that are held-to-maturity, are recorded on the consolidated balance sheet at fair value. After initial recognition, the financial instruments should be measured at their fair values, except for held-to-maturity investments, loans and receivables and other financial liabilities, which should be measured at amortized cost using the effective interest rate method. The effective interest related to financial assets and liabilities and the gain or loss arising from a change in the fair value of a financial asset or financial liability classified as held for trading is included in net income as a component of interest expense for the period in which it arises. If a financial asset is classified as available-for-sale, the gain or loss should be recognized in other comprehensive income until the financial asset is derecognized and all of the cumulative gain or loss is then recognized in net income as a component of interest expense. In addition, it is the Company's policy that transaction costs with respect to instruments not classified as held-for-trading are recognized as an adjustment to the cost of the underlying instrument, and amortized using the effective interest method as a component of interest expense. As a result of adopting CICA 3855 at January 1, 2007, the Company reclassified \$71,282 of unamortized financing costs, which were previously recorded in other assets, to long-term debt. All financial instruments held by the Company are classified as held-to-maturity.

CICA 3865 replaces Accounting Guideline 13, "Hedging Relationships" ("AcG-13"), and provides new standards for the accounting treatment of qualifying hedging relationships and the related disclosures. The Company's derivative financial instruments, which consist of interest rate swap agreements that have been designated as cash flow hedges, have been reported at fair value as a result of the implementation of CICA 3855 and 3865. The unrealized gains and losses that arise as a result of re-measuring the swap agreements at their fair value at the end of each period are recognized, net of income taxes, in other comprehensive income in the period. As a result of adopting CICA 3855 and 3865 at January 1, 2007, the Company recognized an asset of \$13,315, net of taxes of \$3,339 related to its interest rate swap in accumulated other comprehensive income. For the period ending September 30, 2007, the interest rate swaps designated as cash flow hedges were determined to be effective.

The adoption of CICA 3251 did not have an impact on the Company's unaudited interim consolidated financial statements.

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract, with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. If certain conditions are met, an embedded derivative is separated from the host contract and accounted for as a derivative in the balance sheet, at its fair value. The Company recognizes embedded derivatives on its consolidated balance sheet, if applicable. As a result of adopting CICA 3855, the Company conducted a search for embedded derivatives in all contractual agreements dated subsequent to January 1, 2003 and did not identify any embedded features that required separate presentation from the related host contract.

The following table shows the impact on the December 31, 2006 balances of adopting CICA 1530, 3855, 3865 and 3251 on January 1, 2007:

	Balance - December 31, 2006	Adoption of Financial Instruments	Balance - January 1, 2007
Other assets	\$ 89,334	\$ (54,628)	\$ 34,706
Long-term debt	1,955,779	(71,282)	1,884,497
Long-term future income taxes	214,185	3,339	217,524
Cumulative translation adjustment	15,983	(15,983)	—
Accumulated other comprehensive income	—	29,298	29,298

NOTE 2: ACQUISITIONS

In the third quarter of 2007, the company paid \$3,264 for the remaining 20% of a subsidiary in Eastern Europe. The excess of the purchase price over the fair value of the net assets acquired of \$1,993 was allocated to goodwill.

NOTE 3: ACCOUNTS RECEIVABLE

The Company has an agreement (the "Facilities Agreement") to sell up to \$135,000 of non-interest bearing trade accounts receivable. The charges incurred under the Facilities Agreement are calculated based on the receivables sold and the prevailing LIBOR interest rate plus a spread of 1.25% at September 30, 2007 (December 31, 2006 – 1.25%). Information regarding balances sold and charges incurred, which are included in selling, general and administration expenses, on the Facilities Agreement, is included in the table below.

The Company also had an additional agreement (the "Acquired Facilities Agreement") to sell receivables of a specific customer. The charges incurred under the Acquired Facilities Agreement were calculated based on the receivables sold and the prevailing LIBOR interest rate plus a spread of 1.75%. In March of 2007, further sales under the Acquired Facilities Agreement were terminated and were transitioned to the Facilities Agreement. Information regarding the balances sold and charges incurred, which are included in selling, general and administration expenses, on the Acquired Facilities Agreement is included in the following table:

	<u>September 30, 2007</u>	<u>December 31, 2006</u>
Receivables sold at period end:		
Facilities Agreement	\$ 61,063	\$ 88,063
Acquired Facilities Agreement	—	24,841
	<u>\$ 61,063</u>	<u>\$ 112,904</u>
	<u>July 1, 2007</u>	<u>July 1, 2006</u>
	<u>– September 30, 2007</u>	<u>– September 30, 2006</u>
Charges incurred in the period		
Facilities Agreement	\$ 1,065	\$ 1,451
Acquired Facilities Agreement	—	450
	<u>\$ 1,065</u>	<u>\$ 1,901</u>
	<u>January 1, 2007</u>	<u>January 1, 2006</u>
	<u>– September 30, 2007</u>	<u>– September 30, 2006</u>
Charges incurred in the period		
Facilities Agreement	\$ 4,167	\$ 4,642
Acquired Facilities Agreement	280	1,287
	<u>\$ 4,447</u>	<u>\$ 5,929</u>

NOTE 4: INVENTORIES

	<u>September 30, 2007</u>	<u>December 31, 2006</u>
Raw materials	\$ 211,260	\$ 222,364
Finished goods	119,246	129,174
	<u>\$ 330,506</u>	<u>\$ 351,538</u>

NOTE 5: ASSETS HELD FOR SALE

Due to the closure of a manufacturing facility in Canada, land and buildings related to this facility were held for sale. As a result, land and buildings with a carrying value of \$7,207, have been reclassified from property, plant and equipment to assets held for sale on the unaudited consolidated balance sheet. The carrying value of the assets held for sale are included in the North American segment.

Included in other expense on the unaudited interim consolidated statement of operations in the three month and nine month periods ending September 30, 2007 are \$1,200 and \$2,775 in impairment charges to reduce the carrying value of the land and buildings held for sale to their estimated net cash proceeds. The impairment charge is included in the North American segment (note 17).

NOTE 6: OTHER ASSETS

	<u>September 30, 2007</u>	<u>December 31, 2006</u>
Deferred financing fees, less accumulated amortization of \$NIL-(December 31, 2006 - \$25,043)	\$ —	\$ 71,282
Interest rate swaps	5,510	—
Receivable from parent	16,543	13,408
Long-term receivables and other	2,030	4,644
	<u>\$ 24,083</u>	<u>\$ 89,334</u>

The interest rate swap of \$5,510 is measured at its fair value, based on a mark-to-market valuation received from the counterparty at period end.

Included in long-term receivables and other at September 30, 2007 is \$1,690 (December 31, 2006 - \$3,894) in receivables due over the next five years pursuant to a royalty agreement. The \$16,543 (December 31, 2006 - \$13,408) due from Masonite Holding Corporation (“Holdings”), the Company’s parent, represents share purchase and redemption transactions of the Parent’s shares that were funded by a subsidiary of the Company. The amount receivable from Holdings is non-interest bearing, unsecured, and has no set terms of repayment.

NOTE 7: BANK INDEBTEDNESS

	<u>September 30, 2007</u>	<u>December 31, 2006</u>
Revolving credit facility	\$ —	\$ 43,000
Other borrowings and overdrafts	16,628	17,393
	<u>\$ 16,628</u>	<u>\$ 60,393</u>

The Company has a \$350,000 revolving credit facility as part of its banking arrangements. Interest on the revolving credit facility is subject to a pricing grid ranging from LIBOR plus 1.75% to LIBOR plus 2.50%, and is secured by fixed and floating charges over substantially all of Masonite’s assets. As of September 30, 2007, the revolving credit facility interest rate was LIBOR plus 2.50% (December 31, 2006 – LIBOR plus 2.50%).

The revolving credit facility also provides for payment to the lenders of a commitment fee on the average daily undrawn commitments at a rate ranging from 0.375% to 0.5% per annum, a fronting fee of 0.125%, and a letter of credit fee ranging from 1.75% to 2.5% (less the 0.125% fronting fee).

Interest on the revolving credit facility for the three month period ended September 30, 2007 was \$734 (three month period ended September 30, 2006 - \$1,777). Interest on the revolving credit facility for the nine month period ended September 30, 2007 was \$2,652 (nine month period ended September 30, 2006 - \$5,777).

NOTE 8: LONG-TERM DEBT

	<u>September 30, 2007</u>	<u>December 31, 2006</u>
Senior Secured Credit Facilities, bearing interest at LIBOR plus 2.00% due April 6, 2013, net of deferred financing fees of \$30,728 (2006 - \$nil)	\$ 1,114,897	\$ 1,154,438
Senior Subordinated Notes, bearing interest at 11%, due October 6, 2015, net of deferred financing fees of \$32,946 (2006 - \$nil)	736,910	747,231
Senior Subordinated Term Loan, bearing interest at 11%, due October 6, 2015	—	22,625
Bank term loan bearing interest at LIBOR plus 1.50%, due November 27, 2009	5,000	10,700
Bank term loan bearing interest at LIBOR plus 0.50% (2006 – 0.49%) due January 17, 2009	7,500	7,500
Bank term loan bearing interest at LIBOR plus 0.49% (2006 –0.49%) due January 4, 2008	5,000	7,500
Other loans, at various interest dates and maturities	4,805	5,785
	<u>1,874,112</u>	<u>1,955,779</u>
Less current portion	<u>22,192</u>	<u>32,221</u>
	<u>\$ 1,851,920</u>	<u>\$ 1,923,558</u>

The aggregate amount of principal repayments in the twelve month periods ending September 30 in each of the next five years and thereafter, is as follows:

2008	\$ 22,192
2009	22,248
2010	12,700
2011	12,154
2012	11,750
Thereafter	1,856,742
	<u>\$ 1,937,786</u>

The Company's senior secured credit facilities include an eight year \$1,175,000 term loan that bears interest at LIBOR plus 2.00% and amortizes at 1% per year. This facility requires the Company to meet a minimum interest coverage ratio starting at 1.5 times and increasing over time to 2.2 times adjusted earnings before interest, taxes, depreciation and amortization, as defined in the credit agreement ("Adjusted EBITDA"), and a maximum leverage ratio, which is defined generally as total indebtedness including outstanding letters of credit less cash on hand, starting at 7.9 times, and decreasing over time to 4.75 times, Adjusted EBITDA.

At September 30, 2007, the Company was required to have met a minimum interest coverage ratio of 1.6 times Adjusted EBITDA, and a maximum leverage ratio of 7.3 times Adjusted EBITDA. In addition, the senior secured credit facilities limit, among other things, the incurrence of additional indebtedness, investments, dividends, transactions with affiliates, asset sales, acquisitions, mergers and consolidations, prepayments of other indebtedness, liens and other encumbrances, additional payments based on excess cash flows, and other matters customarily restricted in such agreements. This facility also contains certain customary events of default, subject to grace periods, as appropriate. The senior secured credit facilities are secured by a fixed and floating charge over the assets of the Company and the guarantor subsidiaries, as defined in the credit agreement. At September 30, 2007 and 2006, the Company was in compliance with both of these ratios.

The Company also had a senior subordinated bridge loan agreement for a \$770,000 senior subordinated loan. On October 6, 2006, the \$770,000 senior subordinated bridge loan automatically converted into a \$770,000 senior subordinated term loan, bearing interest at 11%. Upon notice of conversion by the holders of the senior subordinated term loan, all of the senior subordinated loan holders elected to convert their holdings into senior subordinated notes due 2015, which bear interest at

11% and were subject to registration rights. On May 18, 2007, the Company's Registration Statement was declared effective and on June 22, 2007, the Exchange Offer was consummated.

The Company did not consummate a registered exchange offer for the notes by April 4, 2007 and thus pursuant to the Exchange and Registration Rights Agreement relating to the senior subordinated notes due 2015, additional interest began to accrue as of April 5, 2007. Included in interest expense in the three month period ended September 30, 2007 on account of additional interest is \$nil (nine month period ended September 30, 2007 - \$346).

The Company's weighted average interest rate at September 30, 2007 was 8.2% (December 31, 2006 – 8.1%).

Interest on long-term debt for the three month period ended September 30, 2007 was \$40,883 (three month period ended September 30, 2006 - \$41,173). Interest on long-term debt for the nine month period ended September 30, 2007 was \$121,813 (nine month period ended September 30, 2006 - \$120,928).

On April 26, 2005, Masonite entered into interest rate swap agreements to convert \$1,150,000 of floating rate debt into fixed rate debt. These swaps amortize over a five year period and mature in 2010. At September 30, 2007, a total of \$900,000 of floating rate debt remained converted into fixed rate debt, at an interest rate of 4.22% plus a credit spread of 2.00%. At September 30, 2007, the fair value of these agreements represented an asset of \$5,510, and is included in other assets (note 6). Pursuant to CICA 3865, the Company has established a hedging relationship with formal documentation between the interest rate swap and the long-term debt.

NOTE 9: ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	<u>September 30, 2007</u>	<u>December 31, 2006</u>
Trade payables	\$ 164,800	\$ 153,045
Interest	52,323	35,887
Customer incentives	42,498	40,516
Payroll and related remittances	41,028	42,487
Severance payable and restructuring liability	9,294	7,783
Other	68,812	63,964
	<u>\$ 378,755</u>	<u>\$ 343,682</u>

NOTE 10: OTHER LONG-TERM LIABILITIES

	<u>September 30, 2007</u>	<u>December 31, 2006</u>
U.S. defined benefit plan	\$ 13,280	\$ 12,224
Advances from minority interest shareholders	9,530	11,443
United Kingdom defined benefit plan	8,381	8,670
Severances payable and restructuring liability	4,442	3,925
Notes payable issued in a business combination	1,483	1,273
Other post employment benefits	4,235	3,546
	<u>\$ 41,351</u>	<u>\$ 41,081</u>

NOTE 11: SHAREHOLDER'S EQUITY

Masonite is a wholly owned subsidiary of Holdings. As at September 30, 2007, management owns a 5.0% interest in Holdings (December 31, 2006 – 5.8%). Holdings provides a stock option plan to allow management and key employees of Masonite to purchase shares of Holdings. Information with respect to Masonite's participation in Holdings' stock option plan is included below.

Options to acquire shares of Holdings have a ten year term and an exercise price of \$5.00. The vesting period of the options varies with the type of option granted. Time based options ("Time Based") vest equally over a five year period with the passage of time, performance based options ("Performance Based") vest based on pre-established performance criteria set for each period in a five year period, and cumulative performance options ("Cumulative Performance") vest only if specific cumulative performance targets are met at the end of a five year period. Also, included as part of the performance based options are cumulative targets. If the cumulative targets at the end of subsequent period are met, performance based options in that period, as well as previously unvested options in periods where the performance criteria were not met, become vested.

Of the 335,000 total options granted in 2007 (the "2007 Options"), 167,500 were time based and 167,500 were performance based. None of the 2007 Options have been cancelled.

Of the 2,850,000 total options granted in 2006 (the "2006 Options"), 1,275,000 were time based, 1,275,000 were performance based, and 300,000 were options that vested immediately at the grant date. None of the 2006 Options have been cancelled.

Of the 24,505,779 options granted in 2005 (the "2005 Options"), 11,745,390 were time based, 11,745,389 were performance based, and 1,015,000 were cumulative performance options. Since the grant of the 2005 Options, 6,511,640 time based, 6,511,639 performance based and 615,000 cumulative performance based options have been cancelled.

As a result of the reduction in force of salaried personnel in North America in October 2007, it is anticipated that an additional 50,000 time based and 50,000 performance based options will not vest.

July 1, 2007 - September 30, 2007	Time Based Options	Performance Based Options	Cumulative Performance Options	Immediate Vesting
Number of options outstanding, beginning of period	6,554,375	6,554,375	400,000	300,000
Number of options granted	167,500	167,500	—	—
Number of options exercised	—	—	—	—
Number of options cancelled	(45,625)	(45,625)	—	—
Number of options outstanding, end of period	<u>6,676,250</u>	<u>6,676,250</u>	<u>400,000</u>	<u>300,000</u>

July 1, 2006 - September 30, 2006	Time Based Options	Performance Based Options	Cumulative Performance Options	Immediate Vesting
Number of options outstanding, beginning of period	8,287,501	8,287,500	640,000	—
Number of options granted	—	—	—	—
Number of options exercised	—	—	—	—
Number of options cancelled	(1,640,000)	(984,000)	(240,000)	—
Number of options outstanding, end of period	<u>6,647,501</u>	<u>7,303,500</u>	<u>400,000</u>	<u>—</u>

January 1, 2007 - September 30, 2007	Time Based Options	Performance Based Options	Cumulative Performance Options	Immediate Vesting
Number of options outstanding, beginning of period	7,200,625	7,856,625	400,000	300,000
Number of options granted	167,500	167,500	—	—
Number of options exercised	—	—	—	—
Number of options cancelled	(691,875)	(1,347,875)	—	—
Number of options outstanding, end of period	<u>6,676,250</u>	<u>6,676,250</u>	<u>400,000</u>	<u>300,000</u>

January 1, 2006 - September 30, 2006	Time Based Options	Performance Based Options	Cumulative Performance Options	Immediate Vesting
Number of options outstanding, beginning of period	9,114,140	9,114,139	640,000	—
Number of options granted	—	—	—	—
Number of options exercised	—	—	—	—
Number of options cancelled	(2,466,639)	(1,810,639)	(240,000)	—
Number of options outstanding, end of period	<u>6,647,501</u>	<u>7,303,500</u>	<u>400,000</u>	<u>—</u>

January 1, 2007 - September 30, 2007	Total Number of Options	Weighted Average Exercise Price
Options outstanding, beginning of period	15,757,250	\$ 5.00
Options granted	335,000	5.00
Options exercised	—	—
Options cancelled	(2,039,750)	5.00
Options outstanding, end of period	<u>14,052,500</u>	<u>\$ 5.00</u>

January 1, 2006 - September 30, 2006	Total Number of Options	Weighted Average Exercise Price
Options outstanding, beginning of period	18,868,279	\$ 5.00
Options granted	—	—
Options exercised	—	—
Options cancelled	(4,517,278)	5.00
Options outstanding, end of period	<u>14,351,001</u>	<u>\$ 5.00</u>

The weighted average fair value at the grant date for time based, performance based, cumulative performance based (where applicable) and immediate vesting options (where applicable) for the 2007 Options, 2006 Options and 2005 Options was \$2.35, \$2.03 and \$1.09, respectively.

Information regarding the number of options outstanding by type, the average remaining contractual life, and the number of options exercisable is as follows:

	Options Outstanding		Options Exercisable
	Number Outstanding	Average Remaining Contractual Life (years)	Number Exercisable
September 30, 2007			
Time based	6,676,250	7.83	2,216,250
Performance based	6,676,250	7.83	—
Cumulative performance	400,000	7.52	—
Immediate vesting	300,000	8.10	300,000
	<u>14,052,500</u>		<u>2,516,250</u>

Although 2,216,250 time-based and 300,000 immediate vesting options have vested and are exercisable, the Option Agreement restricts option holders from exercising, selling or transferring their options until December 31, 2009 unless certain conditions occur.

The Company has determined that the total stock-based awards expense for awards granted to employees, using the minimum value method for the 2005 Options and the Black-Scholes method for the 2006 Options and 2007 Options, was \$486 in the three month period ended September 30, 2007 (three month period ended September 30, 2006 - income of \$745) and \$1,758 in the nine month period ended September 30, 2007 (nine month period ended September 30, 2006 - \$1,190). The determination of total stock-based awards was adjusted for options that have been cancelled and or are not expected to vest. The assumptions used in the determination of the fair value of stock options are as follows:

	<u>2007 Options</u>	<u>2006 Options</u>	<u>2005 Options</u>
Risk-free rate	4.3%	4.7%	4.1%
Expected dividend yield	0%	0%	0%
Expected volatility of the market price of the Company's shares	37%	32%	0%
Expected option life (in years)	<u>7</u>	<u>6</u>	<u>6</u>

NOTE 12: EMPLOYEE FUTURE BENEFITS

(a) U.S. defined benefit plan:

The Company had a defined benefit plan covering approximately 2,000 employees in the United States. Benefits under the plan were largely curtailed in 2003, and are a function of compensation levels, benefit formulas and years of service. The Company accrues the expected costs of providing plan benefits during the periods in which the employees render service. The measurement date used for the accounting valuation for the defined benefit plan was December 31, 2006, while the most recent actuarial valuation was updated to January 1, 2006. Information about the defined benefit plan for the three and nine month period ended September 30, 2007 and September 30, 2006 is as follows:

	<u>July 1, 2007</u> <u>- September 30, 2007</u>	<u>July 1, 2006</u> <u>- September 30, 2006</u>
Pension expense		
Current service cost	\$ 288	\$ 320
Interest cost	1,111	1,097
Expected return on plan assets	(1,162)	(1,131)
Net pension expense	<u>\$ 237</u>	<u>\$ 286</u>

	<u>January 1, 2007</u> <u>- September 30, 2007</u>	<u>January 1, 2006</u> <u>- September 30, 2006</u>
Pension expense		
Current service cost	\$ 864	\$ 874
Interest cost	3,333	3,211
Expected return on plan assets	(3,486)	(3,401)
Plan amendment	345	—
Net pension expense	<u>\$ 1,056</u>	<u>\$ 684</u>

(b) United Kingdom defined benefit plan:

The Company also has a defined benefit plan in the United Kingdom, which has been curtailed in prior years. Total pension expense in the three month period ended September 30, 2007 was \$48 (three month period ended September 30, 2006 - \$45). Total pension expense in the nine month period ended September 30, 2007 was \$135 (nine month period ended September 30, 2006 - \$133).

(c) U.S. post-retirement benefit plan:

The Company maintained a contributory retiree medical plan and a limited non-contributory life insurance benefit covering approximately 250 employees in the United States. Total post-retirement expense in the three month period ended September 30, 2007 was \$40 (three month period ended September 30, 2006 - \$28). Total post-retirement expense in the nine month period ended September 30, 2007 was \$121 (nine month period ended September 30, 2006 - \$134).

NOTE 13: COMMITMENTS AND CONTINGENCIES

For lease agreements that provide for escalating rent payments or rent-free occupancy periods, the Company recognizes rent expense on a straight line basis over the non-cancellable lease term and any option renewal period where failure to exercise such option would result in an economic penalty in such amount that renewal appears, at the inception of the lease, to be reasonably assured. The lease term commences on the date when all conditions precedent to the Company's obligation to pay rent are satisfied. The leases generally contain provisions for one to three renewal options of five years each. Future minimum payments, in the twelve month periods ending September 30, under non-cancellable operating leases with initial or remaining terms of one year or more consisted of the following:

2008	\$	24,609
2009		17,028
2010		12,926
2011		9,266
2012		7,278
Thereafter		28,459
	\$	<u>99,566</u>

Masonite has provided standard indemnifications to its landlords under certain property lease agreements for claims by third parties in connection with its use of the premises. The maximum amount of these indemnifications cannot be reasonably estimated due to their nature. Historically, the Company has not made any significant payments relating to such indemnifications.

In addition to the above indemnifications, Masonite has also provided routine indemnifications, whose terms range in duration and often are not explicitly defined. These may include indemnifications against adverse effects to changes in tax laws and patent infringements by third parties. The maximum amounts from these indemnifications cannot be reasonably estimated. In some cases, Masonite has recourse against other parties to mitigate its risk of loss from these indemnifications. Historically, the Company has not made significant payments relating to these types of indemnifications.

Operations in the United States are subject to regulations enacted by the US Environmental Protection Agency ("EPA") related to Maximum Achievable Control Technology ("MACT"). MACT regulations govern the manner in which the company measures and controls the emissions from manufacturing facilities into the air. As a result of a June 2007 decision by the US Court of Appeals, the EPA has eliminated certain compliance options which were based on low health risk determinations in relation to compliance with MACT regulations for wood products. The Company anticipates the cost of complying with the amended rules would require the Company to spend between \$20,000 and \$30,000 in addition to the \$8,500 already spent.

The Company is involved in various claims and legal actions. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's consolidated financial position or liquidity.

NOTE 14: OTHER EXPENSE, NET

	<u>July 1, 2007</u> <u>- September 30, 2007</u>	<u>July 1, 2006</u> <u>- September 30, 2006</u>
Restructuring and severance (a)	\$ 7,813	\$ 6,726
Impairment of property, plant and equipment (b)	3,611	—
Loss on disposal of property, plant and equipment (c)	555	3,111
Other (d)	(2,744)	(329)
	<u>\$ 9,235</u>	<u>\$ 9,508</u>

	<u>January 1, 2007</u> <u>- September 30, 2007</u>	<u>January 1, 2006</u> <u>- September 30, 2006</u>
Restructuring and severance (a)	\$ 19,421	\$ 11,576
Impairment of property, plant and equipment (b)	6,231	—
Loss on disposal of property, plant and equipment (c)	1,505	4,556
Other (d)	(5,599)	481
	<u>\$ 21,558</u>	<u>\$ 16,613</u>

(a) Restructuring and severance expenses:

The restructuring and severance expense for the three month and nine month periods ended September 30, 2007 relates to closures announced by the Company as a result of a customer transferring significant business to a competitor as well as actions taken by management due to the significant downturn in the United States housing market. As a result of this lost business and the significant market downturn, the Company announced the closure of five manufacturing facilities in the United States, significantly curtailed activities at two additional manufacturing facilities in the United States, one of which was subsequently disposed of. In addition, the Company closed an interior door manufacturing facility in Canada and reduced the workforce at manufacturing sites in the United States and Ireland in the nine month period ended September 30, 2007. The closure of these facilities is expected to be completed by the end of the fourth quarter of 2007. Also included are severance benefits for certain former senior executives of the Company.

The following table details the activity in the accrued restructuring liability for the nine month period ended September 30, 2007:

	Provision December 31, 2006	Provision	Payments	Provision September 30, 2007
Reduction in staff levels	\$ 4,899	\$ 71	\$ 3,702	\$ 1,268
Executive and management compensation	6,679	2,530	5,222	3,987
Facility closures and reductions as a result of lost business	—	16,681	8,707	7,974
Capacity rationalization due to housing market slowdown	—	498	34	464
Woodbridge, Ontario plant closure	130	—	87	43
	<u>\$ 11,708</u>	<u>\$ 19,780</u>	<u>\$ 17,752</u>	<u>\$ 13,736</u>

Included in the provision column in the table above is \$359 in charges related to the accretion of previously discounted severance liability. The current portion of the accrued restructuring liability is included in accounts payable and accrued expenses on the balance sheet, with the long-term portion recorded in other long-term liabilities. Of the total provision incurred in the nine month period ended September 30, 2007, \$18,886 relates to the North America segment, and \$894 relates to the Europe and Other segment.

(b) Impairment of property, plant and equipment

As a result of manufacturing facility closures announced in the second and third quarter, the Company reduced the carrying value of property, plant and equipment by \$3,611 in the three month period ended September 30, 2007 to approximate the expected cash proceeds from the sale or future use of this property, plant and equipment (\$6,231 in the nine month period ended September 30, 2007). There were no impairment charges in the three month and nine month periods ended September 30, 2006.

(c) Loss on disposal of property, plant and equipment:

For the three month period ended September 30, 2007, the Company disposed of idle property, plant and equipment, as well as other machinery and equipment for cash consideration of \$601 (three month period ended September 30, 2006 - \$6,396). The disposal of these assets resulted in a net loss of \$555 (three month period ended September 30, 2006 - \$3,111), which is included in other expense, net. For the nine month period ended September 30, 2007, the Company disposed of idle property, plant and equipment, as well as other machinery and equipment for cash consideration of \$792 (nine month period ended September 30, 2006 - \$20,215). The disposal of these assets resulted in a net loss of \$1,505 (nine month period ended September 30, 2006 - \$4,556), which is included in other expense, net.

(d) Other:

These costs are related to foreign exchange translation gains and losses on working capital and long-term liabilities denominated in currencies other than the United States dollar. In addition, insurance proceeds of \$370 are included in the three and nine month periods ended September 30, 2006.

NOTE 15: INCOME TAXES

	July 1, 2007 - September 30, 2007	July 1, 2006 - September 30, 2006
Current	\$ (470)	\$ 790
Future	(1,917)	4,104
	<u>\$ (2,387)</u>	<u>\$ 4,894</u>

	January 1, 2007 - September 30, 2007	January 1, 2006 - September 30, 2006
Current	\$ 5,956	\$ 3,609
Future	(18,374)	(8,413)
	<u>\$ (12,418)</u>	<u>\$ (4,804)</u>

The Company currently has future tax assets in certain jurisdictions resulting from net operating losses and other deductible temporary differences, which will reduce taxable income in these jurisdictions in future periods. The Company has determined that a valuation allowance of \$39,620 is required in respect of its future income tax assets as at September 30, 2007 (December 31, 2006 - \$37,113). The Company has provided valuation allowances for future tax benefits resulting from net operating loss carry forwards and other carry forward attributes arising in Canada, the U.S., and certain countries in South America, Eastern Europe and Asia. The Company expects to record valuation allowances on future tax assets arising in these jurisdictions until a sustained level of taxable income is reached.

NOTE 16: SUPPLEMENTAL CASH FLOW INFORMATION

	July 1, 2007 - September 30, 2007	July 1, 2006 - September 30, 2006
Transactions involving cash:		
Interest paid, net of interest received	\$ 22,305	\$ 41,426
Income taxes paid	3,162	1,279
Income tax refunds	66	1,274
	<u> </u>	<u> </u>

	January 1, 2007 - September 30, 2007	January 1, 2006 - September 30, 2006
Transactions involving cash:		
Interest paid, net of interest received	\$ 110,105	\$ 129,226
Income taxes paid	9,586	9,248
Income tax refunds	2,889	2,232
	<u> </u>	<u> </u>

NOTE 17: SEGMENTED INFORMATION

The Company manages its operations on a geographic basis and determines its operating segments accordingly. The Company's debt facilities contain certain covenants which are calculated using an adjusted earnings measure defined as earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") as defined in the credit agreement. The performance measurement of each of the geographic segment is evaluated and monitored on the basis of sales and Adjusted EBITDA. Defined adjustments (as defined in the Senior Secured Credit Facilities Agreement), as shown on the following table, include (but are not limited to) items such as extraordinary gains or losses and unusual or non-recurring charges, non-cash charges related to stock-based awards, gains or losses on asset sales, disposals or abandonments, restructuring charges, management fees paid to Kohlberg Kravis Roberts & Co. LP ("KKR"), impairment charges on intangible assets, and all taxes upon capital and/or assets that are not in the nature of income taxes.

Intersegment transfers are negotiated as if the transactions were to third parties, at market prices. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Certain information with respect to geographic segments is as follows:

	July 1, 2007 - September 30, 2007	July 1, 2006 - September 30, 2006
Geographic segment data		
Sales:		
North America	\$ 367,003	\$ 480,455
Europe and Other	176,878	167,905
Intersegment	(14,538)	(25,969)
	<u>529,343</u>	<u>622,391</u>
Adjusted EBITDA:		
North America	56,034	69,284
Europe and Other	24,098	24,139
	<u>80,132</u>	<u>93,423</u>
Defined adjustments:		
Receivables transaction charges	1,065	1,901
Sponsor fees	526	509
Franchise and capital taxes	1,176	685
Stock based awards	487	(745)
Pension and post-retirement expense and funding, net	525	170
Foreign exchange gains	(870)	(616)
Inventory write-down	572	—
Recruiting and relocation	1,445	—
Unusual and non-recurring	3,955	—
Other	450	47
	<u>9,331</u>	<u>1,951</u>
Depreciation	21,478	21,923
Amortization of intangible assets	8,898	8,877
Interest	44,315	46,382
Other expense, net	9,235	9,508
Income taxes	(2,387)	4,894
Non-controlling interest	2,073	1,559
	<u>92,943</u>	<u>95,094</u>
Net loss	<u>\$ (12,811)</u>	<u>\$ (1,671)</u>

	<u>January 1, 2007</u> <u>- September 30, 2007</u>	<u>January 1, 2006</u> <u>- September 30, 2006</u>
Geographic segment data		
Sales:		
North America	\$ 1,203,540	\$ 1,463,749
Europe and Other	526,282	485,013
Intersegment	(42,171)	(69,252)
	<u>1,687,651</u>	<u>1,879,510</u>
Adjusted EBITDA:		
North America	176,450	180,629
Europe and Other	72,955	76,124
	<u>249,405</u>	<u>256,753</u>
Defined adjustments:		
Receivables transaction charges	4,447	5,929
Sponsor fees	1,579	1,530
Franchise and capital taxes	2,566	1,889
Stock based awards	1,759	1,190
Pension and post-retirement expense and funding, net	810	534
Foreign exchange (gains) losses	(2,522)	(566)
Inventory write-down	572	9,000
Facility closures and realignments	—	1,889
Recruiting and relocation	1,445	—
Unusual and non-recurring	3,955	—
Other	1,815	1,984
	<u>16,426</u>	<u>23,379</u>
Depreciation	68,093	65,329
Amortization of intangible assets	26,690	26,660
Interest	134,130	137,239
Other expense, net	21,558	16,613
Income taxes	(12,418)	(4,804)
Non-controlling interest	5,326	5,557
	<u>259,805</u>	<u>269,973</u>
Net loss	<u>\$ (10,400)</u>	<u>\$ (13,220)</u>
	<u>September 30, 2007</u>	<u>December 31, 2006</u>
Identifiable assets:		
North America	\$ 2,361,617	\$ 2,428,236
Europe and Other	605,409	571,850
Corporate assets, including cash	105,533	164,426
	<u>\$ 3,072,559</u>	<u>\$ 3,164,512</u>

The Company derives revenue from two major product lines, interior and exterior products as follows:

	July 1, 2007 - September 30, 2007	July 1, 2006 - September 30, 2006
Sales:		
Interior products	\$ 379,410	\$ 405,310
Exterior products	149,933	217,081
	<u>\$ 529,343</u>	<u>\$ 622,391</u>
	January 1, 2007 - September 30, 2007	January 1, 2006 - September 30, 2006
Sales:		
Interior products	\$ 1,184,459	\$ 1,226,585
Exterior products	503,192	652,925
	<u>\$ 1,687,651</u>	<u>\$ 1,879,510</u>

The Company does not review or analyze its two major product lines below net sales.

Information about geographic areas, exceeding 5% of consolidated net sales, is as follows:

	July 1, 2007 - September 30, 2007	July 1, 2006 - September 30, 2006
Sales to all external customers from facilities in:		
Canada	\$ 96,928	\$ 95,008
United States	261,305	369,884
United Kingdom	56,651	52,284
France	<u>36,997</u>	<u>33,129</u>
	January 1, 2007 - September 30, 2007	January 1, 2006 - September 30, 2006
Sales to all external customers from facilities in:		
Canada	\$ 268,186	\$ 288,476
United States	888,807	1,130,186
United Kingdom	168,479	145,845
France	<u>127,647</u>	<u>112,884</u>

Additional segmented information regarding long-lived assets, exceeding 5% of consolidated property, plant and equipment, and goodwill, is as follows:

	<u>September 30, 2007</u>	<u>December 31, 2006</u>
Property, plant and equipment:		
Canada	\$ 89,721	\$ 108,045
United States	365,102	387,683
Other	11,387	12,467
North America	<u>\$ 466,210</u>	<u>\$ 508,195</u>
Ireland	\$ 130,311	\$ 130,310
United Kingdom	60,499	62,307
Chile	52,871	54,709
Malaysia	43,347	44,736
France	40,120	42,816
Other	30,062	30,503
Europe and Other	<u>357,210</u>	<u>365,381</u>
	<u>\$ 823,420</u>	<u>\$ 873,576</u>
Goodwill:		
Canada	\$ 185,178	\$ 185,178
United States	730,612	730,612
North America	<u>\$ 915,790</u>	<u>\$ 915,790</u>
Europe and Other	59,051	53,690
	<u>\$ 974,841</u>	<u>\$ 969,480</u>

Total sales to one customer within the North American segment for the three month period ending September 30, 2007 was \$81,739 (three month period ended September 30, 2006 - \$154,062). Total sales to this customer within the North American segment for the nine month period ending September 30, 2007 was \$353,064 (nine month period ended September 30, 2006 - \$465,964). Included in accounts receivable are balances owing from this customer of \$20,928 at September 30, 2007 (December 31, 2006 - \$12,576).

NOTE 18: RELATED PARTY TRANSACTIONS

On April 6, 2005, the Company entered into an agreement to pay KKR annual management fees of \$2,000 for services provided, which are payable quarterly in advance and subject to a 5% increase each year. For the three month period ended September 30, 2007, the Company paid KKR fees of \$526 (three month period ended September 30, 2006 - \$509) and for the nine month period ended September 30, 2007, the Company paid KKR fees of \$1,579 (nine month period ended September 30, 2006 - \$1,530) in accordance with the management fee agreement.

In addition, the Company has engaged Capstone Consulting ("Capstone") on a per-diem basis for management consulting services. For the three month period ended September 30, 2007, the Company paid Capstone fees of \$450 (three month period ended September 30, 2006 - \$700) and for the nine month period September 30, 2007, the Company paid Capstone \$1,816 (nine month period ended September 30, 2006 - \$1,942) for management consulting services. Although neither KKR nor any entity affiliated with KKR owns any of the equity of Capstone, KKR has provided financing to Capstone.

These costs are reflected as part of selling, general and administration expense on the unaudited interim consolidated financial statements.

NOTE 19: FINANCIAL INSTRUMENTS

(i) Fair value

The Company utilizes certain financial instruments, principally interest rate swap contracts and forward currency exchange contracts to manage the risk associated with fluctuations in interest rates and currency exchange rates. Interest rate swap contracts are used to reduce the impact of fluctuating interest rates on the Company's long-term debt, and forward currency exchange contracts are used to reduce the impact of fluctuating exchange rates on the Company's purchases of materials and sale of goods in foreign currencies.

Financial instruments with carrying value different from their fair values include the following:

	<u>Carrying Value</u> <u>Asset (Liability)</u>	<u>Fair Value</u> <u>Asset (Liability)</u>
September 30, 2007		
Long-term debt	\$ (1,874,112)	\$ (1,745,872)
December 31, 2006		
Long-term debt	\$ (1,955,779)	\$ (1,870,139)
Interest rate swaps	2,258	18,912
Forward foreign currency contracts	—	(42)
	<u>\$ (1,953,521)</u>	<u>\$ (1,851,269)</u>

The fair value of a financial instrument on initial recognition is normally the transaction price, which is usually the fair value of the consideration given or received. The fair value of the long-term debt was based on the trading rate at the period end closing date. The fair value of interest rate swap at September 30, 2007 and December 31, 2006 was based on the mark-to-market price provided by the counterparty. The fair value of the forward foreign currency contracts were based on the difference between the exchange rate in the contracts entered into, and the forward exchange rate at the valuation date which would be available for a forward contract maturing at the same time.

As at September 30, 2007, the carrying values of cash and cash equivalents, accounts receivable, short-term debt, accounts payable and accrued liabilities approximate fair values due to their immediate or short-terms to maturity.

Due to the use of judgment and uncertainties in the determination of estimated fair values, these values should not be interpreted as being realizable in the immediate term.

(ii) Credit risk

Credit risk arises from the potential default of a customer in meeting its financial obligations to the Company. The Company had credit evaluation, approval and monitoring processes, including credit insurance, intended to mitigate potential credit risk. The Company evaluates the collectibility of accounts receivable and records an allowance for doubtful accounts, which reduces the receivables to the amount management believes will be collected. The allowance for doubtful accounts as at September 30, 2007 was \$4,509 (December 31, 2006 - \$3,999).

There is also credit risk related to the interest rate swap asset of \$5,510 recorded in other assets (note 6). There is a risk that the counterparty to the swaps will not be able to fulfill its side of the agreement. The Company monitors the creditworthiness of the counterparty on a quarterly basis to determine whether or not they will be able to fulfill its obligation. At September 30, 2007, the Company reviewed the creditworthiness of the counterparty, and determined that there was no credit risk on the counterparty fulfilling its obligation under the interest rate swap agreement.

NOTE 20: SUBSEQUENT EVENT

Subsequent to the end of the period, the non-controlling interest in one of the Company's Foreign subsidiaries notified the Company of their intent to exercise their right to put the remaining 25% of the voting shares to the Company. The transaction is expected to close in the first quarter of 2008.

NOTE 21: CONSOLIDATING FINANCIAL INFORMATION

As part of the acquisition of Masonite International Corporation, Masonite (formerly known as Stile Consolidated, "Parent") through its subsidiaries, Masonite International Corporation (formerly known as Stile Acquisition, "Canadian Issuer") and Masonite Corporation (formerly known as Masonite US Corporation, formerly known as Stile US Acquisition, "US Issuer"), entered into a Senior Secured Credit Facility agreement and a Senior Subordinated Loan agreement. The Senior Secured Credit Facility and the Senior Subordinated Loan, which was replaced with the Senior Subordinated Term Loan and subsequently the Senior Subordinated Notes (the "Guaranteed Debt") are fully and unconditionally guaranteed on a joint and several basis by Masonite and certain of its 100% owned subsidiaries ("Guarantor Subsidiaries"). The Guaranteed Debt is not guaranteed by the Company's less than 100% owned subsidiaries and certain other subsidiaries of the Company (collectively, the "Non-Guarantor Subsidiaries").

The consolidating financial information below for the three and nine month periods ended September 30, 2007 and September 30, 2006 is presented consistent with Article 3-10(d) of Regulation S-X.

The consolidating financial information reflects the investments of the Parent Company in the Issuers, and of the Issuer in their respective Guarantor and Non-Guarantor subsidiaries using the equity method.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine month periods ended September 30, 2007 and September 30, 2006

(In thousands of U.S. dollars)

Consolidating Statement of Operations

For the three month period ended September 30, 2007

	Parent	Canadian Issuer	US Issuer	Guarantor Subsidiaries	Guarantor Adjustments	Combined	Non-Guarantor Subsidiaries	Adjustments	Consolidated
Sales	\$ —	\$ 112,760	\$ 260,914	\$ 116,491	\$ (49,248)	\$ 440,917	\$ 113,024	\$ (24,598)	\$ 529,343
Cost of sales	—	87,350	209,176	98,077	(49,248)	345,355	87,375	(24,598)	408,132
	—	25,410	51,738	18,414	—	95,562	25,649	—	121,211
Selling, general and administration expenses	—	6,387	30,057	4,768	—	41,212	9,198	—	50,410
Depreciation and amortization	—	3,515	16,625	4,860	—	25,000	5,219	157	30,376
Interest	—	21,299	29,493	(389)	—	50,403	(6,088)	—	44,315
Loss (income) from equity investments	12,811	(16,322)	(2,746)	—	(6,464)	(12,721)	—	12,721	—
Other expense	—	(1,117)	8,502	1,083	—	8,468	767	—	9,235
Loss (income) before income taxes and non-controlling interest	(12,811)	11,648	(30,193)	8,092	6,464	(16,800)	16,553	(12,878)	(13,125)
Income taxes	—	(839)	(4,782)	1,632	—	(3,989)	1,642	(40)	(2,387)
Non controlling interest	—	—	—	—	—	—	—	2,073	2,073
Net (loss) income	\$ (12,811)	\$ 12,487	\$ (25,411)	\$ 6,460	\$ 6,464	\$ (12,811)	\$ 14,911	\$ (14,911)	\$ (12,811)

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine month periods ended September 30, 2007 and September 30, 2006

(In thousands of U.S. dollars)

Consolidating Statement of Operations

For the three month period ended September 30, 2006

	Parent	Canadian Issuer	US Issuer	Guarantor Subsidiaries	Guarantor Adjustments	Combined	Non-Guarantor Subsidiaries	Adjustments	Consolidated
Sales	\$ —	\$ 130,767	\$ 371,197	\$ 130,600	\$ (87,350)	\$ 545,214	\$ 102,556	\$ (25,379)	\$ 622,391
Cost of sales	—	112,369	294,090	108,951	(87,350)	428,060	78,671	(25,379)	481,352
	—	18,398	77,107	21,649	—	117,154	23,885	—	141,039
Selling, general and administration expenses	—	8,542	28,131	4,721	—	41,394	8,173	—	49,567
Depreciation and amortization	—	3,890	17,250	4,424	—	25,564	5,175	61	30,800
Interest	—	22,606	29,856	(322)	—	52,140	(5,758)	—	46,382
(Loss) income from equity investments	1,671	(19,473)	(1,852)	—	8,535	(11,119)	—	11,119	—
Other expense	—	3,003	6,144	219	—	9,366	142	—	9,508
(Loss) income before income taxes and non-controlling interest	(1,671)	(170)	(2,422)	12,607	(8,535)	(191)	16,153	(11,180)	4,782
Income taxes	—	(2,487)	1,566	2,401	—	1,480	3,430	(16)	4,894
Non controlling interest	—	—	—	—	—	—	—	1,559	1,559
Net (loss) income	\$ (1,671)	\$ 2,317	\$ (3,988)	\$ 10,206	\$ (8,535)	\$ (1,671)	\$ 12,723	\$ (12,723)	\$ (1,671)

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine month periods ended September 30, 2007 and September 30, 2006

(In thousands of U.S. dollars)

Consolidating Statement of Operations

For the nine month period ended September 30, 2007

	Parent	Canadian Issuer	US Issuer	Guarantor Subsidiaries	Guarantor Adjustments	Combined	Non-Guarantor Subsidiaries	Adjustments	Consolidated
Sales	\$ —	\$ 345,040	\$ 903,371	\$ 354,942	\$ (178,943)	\$ 1,424,410	\$ 337,657	\$ (74,416)	\$ 1,687,651
Cost of sales	—	277,317	719,851	295,375	(178,943)	1,113,600	258,416	(74,416)	1,297,600
	—	67,723	183,520	59,567	—	310,810	79,241	—	390,051
Selling, general and administration expenses	—	19,408	92,492	14,384	—	126,284	30,788	—	157,072
Depreciation and amortization	—	10,667	53,386	14,423	—	78,476	15,837	470	94,783
Interest	—	64,330	88,625	(817)	—	152,138	(18,008)	—	134,130
(Loss) income from equity investments	10,400	(52,814)	(7,768)	—	12,685	(37,497)	—	37,497	—
Other expense	—	2,485	16,668	2,037	—	21,190	368	—	21,558
(Loss) income before income taxes and non-controlling interest	(10,400)	23,647	(59,883)	29,540	(12,685)	(29,781)	50,256	(37,967)	(17,492)
Income taxes	—	(9,939)	(15,559)	6,117	—	(19,381)	7,233	(270)	(12,418)
Non controlling interest	—	—	—	—	—	—	—	5,326	5,326
Net (loss) income	\$ (10,400)	\$ 33,586	\$ (44,324)	\$ 23,423	\$ (12,685)	\$ (10,400)	\$ 43,023	\$ (43,023)	\$ (10,400)

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine month periods ended September 30, 2007 and September 30, 2006

(In thousands of U.S. dollars)

Consolidating Statement of Operations

For the nine month period ended September 30, 2006

	Parent	Canadian Issuer	US Issuer	Guarantor Subsidiaries	Guarantor Adjustments	Combined	Non-Guarantor Subsidiaries	Adjustments	Consolidated
Sales	\$ —	\$ 404,514	\$ 1,130,366	\$ 371,512	\$ (257,935)	\$ 1,648,457	\$ 317,656	\$ (86,603)	\$ 1,879,510
Cost of sales	—	354,762	926,621	307,999	(257,935)	1,331,447	242,060	(86,603)	1,486,904
	—	49,752	203,745	63,513	—	317,010	75,596	—	392,606
Selling, general and administration expenses	—	28,523	87,300	13,631	—	129,454	29,778	—	159,232
Depreciation and amortization	—	11,719	51,432	13,005	—	76,156	15,651	182	91,989
Interest	—	65,810	90,044	(710)	—	155,144	(17,905)	—	137,239
Loss (income) from equity investments	13,220	(56,482)	(6,729)	—	16,770	(33,221)	—	33,221	—
Other expense	—	5,204	10,978	289	—	16,471	142	—	16,613
(Loss) income before income taxes and non-controlling interest	(13,220)	(5,022)	(29,280)	37,298	(16,770)	(26,994)	47,930	(33,403)	(12,467)
Income taxes	—	(7,982)	(13,100)	7,308	—	(13,774)	9,016	(46)	(4,804)
Non controlling interest	—	—	—	—	—	—	—	5,557	5,557
Net (loss) income	\$ (13,220)	\$ 2,960	\$ (16,180)	\$ 29,990	\$ (16,770)	\$ (13,220)	\$ 38,914	\$ (38,914)	\$ (13,220)

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine month periods ended September 30, 2007 and September 30, 2006

(In thousands of U.S. dollars)

Consolidating Balance Sheet

September 30, 2007

	Parent	Canadian Issuer	US Issuer	Guarantor Subsidiaries	Guarantor Adjustments	Combined	Non-Guarantor Subsidiaries	Adjustments	Consolidated
Assets									
Current assets:									
Cash and cash equivalents	\$ —	\$ 10,689	\$ 8,684	\$ 17,237	\$ —	\$ 36,610	\$ 22,401	\$ —	\$ 59,011
Accounts receivable	—	60,027	66,491	66,934	—	193,452	97,717	—	291,169
Intercompany receivable	—	42,822	8,702	23,797	(65,621)	9,700	25,033	(34,733)	—
Inventories	—	55,680	135,534	68,491	—	259,705	70,801	—	330,506
Prepaid expenses	—	3,981	5,439	5,263	—	14,683	4,879	—	19,562
Assets held for sale	—	7,207	—	—	—	7,207	—	—	7,207
Current future income taxes	—	4,840	25,211	2,296	—	32,347	10,172	—	42,519
	—	185,246	250,061	184,018	(65,621)	553,704	231,003	(34,733)	749,974
Property, plant and equipment	—	47,551	348,467	210,511	—	606,529	216,891	—	823,420
Goodwill	—	174,742	730,979	24,859	—	930,580	24,536	19,725	974,841
Intangible assets	—	224,053	233,885	10,195	—	468,133	9,499	4,725	482,357
Investments and advances	492,305	804,946	127,587	170,027	(893,024)	701,841	221,224	(923,065)	—
Other assets	—	18,668	4,917	258	—	23,843	240	—	24,083
Long-term future income taxes	—	—	—	(54)	—	(54)	17,938	—	17,884
	\$ 492,305	\$ 1,455,206	\$ 1,695,896	\$ 599,814	\$ (958,645)	\$ 3,284,576	\$ 721,331	\$ (933,348)	\$ 3,072,559
Liabilities and Shareholder's Equity									
Current liabilities:									
Bank indebtedness	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 16,628	\$ —	\$ 16,628
Trade payables and accrued expenses	—	84,036	159,768	56,215	—	300,019	78,736	—	378,755
Intercompany payable	—	7,920	63,801	19,716	(65,621)	25,816	8,917	(34,733)	—
Income taxes payable	—	7,197	9,935	3,296	—	20,428	5,420	—	25,848
Current future income taxes	—	—	244	(242)	—	2	1,199	—	1,201
Current portion of long-term debt	—	6,292	5,956	57	—	12,305	9,887	—	22,192
	—	105,445	239,704	79,042	(65,621)	358,570	120,787	(34,733)	444,624
Long-term debt	—	895,023	1,183,185	57,588	—	2,135,796	78,834	(362,710)	1,851,920
Long-term future income taxes	—	47,482	109,422	17,496	—	174,400	26,322	1,029	201,751
Long-term liabilities	—	2,756	18,622	8,381	—	29,759	11,592	—	41,351
	—	1,050,706	1,550,933	162,507	(65,621)	2,698,525	237,535	(396,414)	2,539,646
Non-controlling interest	—	—	—	—	—	—	—	40,608	40,608
Shareholders' equity	492,305	404,500	144,963	437,307	(893,024)	586,051	483,796	(577,542)	492,305
	\$ 492,305	\$ 1,455,206	\$ 1,695,896	\$ 599,814	\$ (958,645)	\$ 3,284,576	\$ 721,331	\$ (933,348)	\$ 3,072,559

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine month periods ended September 30, 2007 and September 30, 2006

(In thousands of U.S. dollars)

Consolidating Balance Sheet

December 31, 2006

	Parent	Canadian Issuer	US Issuer	Guarantor Subsidiaries	Guarantor Adjustments	Combined	Non-Guarantor Subsidiaries	Adjustments	Consolidated
Assets									
Current assets:									
Cash and cash equivalents	\$ —	\$ 18,196	\$ 2,971	\$ 5,361	\$ —	\$ 26,528	\$ 20,895	\$ —	\$ 47,423
Accounts receivable	—	47,522	57,504	64,898	—	169,924	77,746	—	247,670
Intercompany receivable	—	69,958	23,528	15,204	(98,911)	9,779	12,880	(22,659)	—
Inventories	—	62,429	157,908	68,387	—	288,724	62,814	—	351,538
Prepaid expenses	—	1,219	8,640	4,488	—	14,347	4,784	—	19,131
Current future income taxes	—	8,110	25,099	261	—	33,470	5,415	—	38,885
		207,434	275,650	158,599	(98,911)	542,772	184,534	(22,659)	704,647
Property, plant and equipment	—	70,880	373,118	212,885	—	656,883	216,693	—	873,576
Goodwill	—	175,484	730,979	24,701	—	931,164	18,591	19,725	969,480
Intangible assets	—	228,777	253,569	11,197	—	493,543	10,230	5,195	508,968
Investments and advances	485,365	712,219	154,156	179,023	(858,753)	672,010	269,187	(941,197)	—
Other assets	—	46,797	41,683	274	—	88,754	580	—	89,334
Long-term future income taxes	—	—	—	—	—	—	18,507	—	18,507
	\$ 485,365	\$ 1,441,591	\$ 1,829,155	\$ 586,679	\$ (957,664)	\$ 3,385,126	\$ 718,322	\$ (938,936)	\$ 3,164,512
Liabilities and Shareholder's Equity									
Current liabilities:									
Bank indebtedness	\$ —	\$ —	\$ 43,000	\$ —	\$ —	\$ 43,000	\$ 17,393	\$ —	\$ 60,393
Trade payable and accrued expenses	1,352	71,908	157,477	48,890	—	279,627	64,055	—	343,682
Intercompany payable	—	22,118	76,155	14,616	(98,911)	13,978	8,681	(22,659)	—
Income taxes payable	—	10,351	8,927	2,632	—	21,910	4,999	—	26,909
Current future income taxes	—	—	—	405	—	405	1,224	—	1,629
Current portion of long-term debt	—	6,234	5,956	57	—	12,247	19,974	—	32,221
	1,352	110,611	291,515	66,600	(98,911)	371,167	116,326	(22,659)	464,834
Long-term debt	—	929,888	1,221,086	64,493	—	2,215,467	89,690	(381,599)	1,923,558
Long-term future income taxes	—	55,486	122,980	13,155	—	191,621	21,265	1,299	214,185
Long-term liabilities	—	4,635	14,841	8,670	—	28,146	12,935	—	41,081
	1,352	1,100,620	1,650,422	152,918	(98,911)	2,806,401	240,216	(402,959)	2,643,658
Non-controlling interest	—	—	—	—	—	—	—	36,841	36,841
Shareholders' equity	484,013	340,971	178,733	433,761	(858,753)	578,725	478,106	(572,818)	484,013
	\$ 485,365	\$ 1,441,591	\$ 1,829,155	\$ 586,679	\$ (957,664)	\$ 3,385,126	\$ 718,322	\$ (938,936)	\$ 3,164,512

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine month periods ended September 30, 2007 and September 30, 2006

(In thousands of U.S. dollars)

Consolidating Statement of Cash Flows

For the three month period ended September 30, 2007

	Parent	Canadian Issuer	US Issuer	Guarantor Subsidiaries	Guarantor Adjustments	Combined	Non-Guarantor Subsidiaries	Adjustments	Consolidated
Cash provided by (used in):									
Operating activities:									
Net (loss) income	\$ (12,811)	\$ 12,487	\$ (25,411)	\$ 6,460	\$ 6,464	\$ (12,811)	\$ 14,911	\$ (14,911)	\$ (12,811)
Items not involving cash:									
Depreciation and amortization	—	3,515	16,625	4,860	—	25,000	5,219	157	30,376
Non-cash interest expense	—	1,597	1,312	—	—	2,909	—	—	2,909
Impairment of property, plant and equipment	—	964	1,861	786	—	3,611	—	—	3,611
Loss (gain) on sale of property, plant and equipment	—	11	571	(27)	—	555	—	—	555
(Loss) income from equity investments	12,811	(16,322)	(2,746)	—	(6,464)	(12,721)	—	12,721	—
Share based awards	—	15	433	16	—	464	23	—	487
Future income taxes	—	3,341	(4,225)	(895)	—	(1,779)	(98)	(40)	(1,917)
Pension and post retirement expense (income) and funding, net	—	—	271	(48)	—	223	457	—	680
Unrealized foreign exchange (gains) losses	—	(4,523)	—	214	—	(4,309)	767	—	(3,542)
Non-controlling interest	—	—	—	—	—	—	—	2,073	2,073
Change in non-cash operating working capital:									
Accounts receivable	—	1,613	(6,463)	5,427	—	577	1,042	—	1,619
Inventories	—	4,456	(3,725)	(1,285)	—	(554)	111	—	(443)
Income taxes payable	—	(5,143)	(304)	964	—	(4,483)	135	—	(4,348)
Prepaid expenses	—	(165)	1,473	1,206	—	2,514	341	—	2,855
Accounts payable and accrued liabilities	—	6,842	21,127	(851)	—	27,118	57	—	27,175
Intercompany receivable	—	(970)	13,917	(1,898)	(8,348)	2,701	(9,724)	7,023	—
Intercompany payable	—	(13,554)	9,339	5,439	8,348	9,572	(2,549)	(7,023)	—
	—	(5,836)	24,055	20,368	—	38,587	10,692	—	49,279
Financing activities									
Change in bank and other indebtedness	—	—	(54,000)	—	—	(54,000)	3,434	—	(50,566)
Repayment of long-term debt	—	(1,664)	(1,495)	(6,877)	—	(10,036)	(14,635)	14,788	(9,883)
	—	(1,664)	(55,495)	(6,877)	—	(64,036)	(11,201)	14,788	(60,449)
Investing activities									
Proceeds from sale of property, plant and equipment	—	7,305	583	—	(7,300)	588	13	—	601
Additions to property, plant and equipment	—	163	(6,101)	(898)	7,300	464	(6,940)	—	(6,476)
Acquisitions	(3,264)	—	—	—	—	(3,264)	—	—	(3,264)
Distributions to non-controlling interests	—	—	—	—	—	—	(1,103)	19	(1,084)
Investments and advances	(1,110)	(27,603)	45,381	(16,647)	—	21	14,786	(14,807)	—
Other investing activities	4,374	607	(3)	8	—	4,986	(4,369)	—	617
	—	(19,528)	39,860	(17,537)	—	2,795	2,387	(14,788)	(9,606)
Net foreign currency translation adjustment	—	(2,903)	5	4,773	—	1,875	826	—	2,701
(Decrease) increase in cash and cash equivalents	—	(29,931)	8,425	727	—	(20,779)	2,704	—	(18,075)
Cash and cash equivalents, beginning of period	—	40,620	259	16,510	—	57,389	19,697	—	77,086
Cash and cash equivalents, end of period	\$ —	\$ 10,689	\$ 8,684	\$ 17,237	\$ —	\$ 36,610	\$ 22,401	\$ —	\$ 59,011

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine month periods ended September 30, 2007 and September 30, 2006

(In thousands of U.S. dollars)

Consolidating Statement of Cash Flows

For the three month period ended September 30, 2006

	Parent	Canadian Issuer	US Issuer	Guarantor Subsidiaries	Guarantor Adjustments	Combined	Non-Guarantor Subsidiaries	Adjustments	Consolidated
Cash provided by (used in):									
Operating activities:									
Net (loss) income	\$ (1,671)	\$ 2,317	\$ (3,988)	\$ 10,206	\$ (8,535)	\$ (1,671)	\$ 12,723	\$ (12,723)	\$ (1,671)
Items not involving cash:									
Depreciation and amortization	—	3,890	17,250	4,424	—	25,564	5,175	61	30,800
Non-cash interest expense	—	966	970	—	—	1,936	—	—	1,936
Impairment of property, plant and equipment	—	—	—	—	—	—	—	—	—
Loss (gain) on sale of property, plant and equipment	—	63	3,246	171	—	3,480	(369)	—	3,111
(Loss) income from equity investments	1,671	(19,473)	(1,852)	—	8,535	(11,119)	—	11,119	—
Share based awards	—	(526)	(315)	39	—	(802)	57	—	(745)
Future income taxes	—	(1,728)	3,414	866	—	2,552	1,569	(16)	4,105
Pension and post retirement (income) expense and funding, net	—	(723)	255	532	—	64	(9)	—	55
Non-controlling interest	—	—	—	—	—	—	(9)	1,559	1,559
Change in non-cash operating working capital:									
Accounts receivable	—	8,841	19,451	386	—	28,678	72	—	28,750
Inventories	—	(560)	(6,751)	(2,509)	—	(9,820)	(1,348)	—	(11,168)
Income taxes payable	—	(2,033)	(4,233)	4,380	—	(1,886)	1,974	—	88
Prepaid expenses	—	(1,019)	1,236	1,701	—	1,918	(340)	—	1,578
Accounts payable and accrued liabilities	(367)	(2,099)	(7,028)	10,177	—	683	(2,596)	—	(1,913)
Intercompany receivable	—	2,390	320	(5,121)	920	(1,491)	(4,612)	6,103	—
Intercompany payable	—	771	66	4,561	(920)	4,478	1,625	(6,103)	—
	(367)	(8,923)	22,041	29,813	—	42,564	13,921	—	56,485
Financing activities									
Change in bank and other indebtedness	—	3,001	(22,077)	(2)	—	(19,078)	(230)	—	(19,308)
Proceeds from issuance of long-term debt	—	—	—	—	—	—	45	—	45
Repayment of long-term debt	—	(1,506)	(1,489)	—	—	(2,995)	(10,948)	—	(13,943)
Change in other long-term liabilities	—	220	108	—	—	328	—	—	328
	—	1,715	(23,458)	(2)	—	(21,745)	(11,133)	—	(32,878)
Investing activities									
Proceeds from sale of property, plant and equipment	—	(466)	6,396	466	—	6,396	—	—	6,396
Additions to property, plant and equipment	—	(262)	(8,506)	(1,006)	—	(9,774)	(3,336)	—	(13,110)
Distributions to non-controlling interests	—	—	—	—	—	—	(1,504)	—	(1,504)
Investments and advances	367	18,451	5,327	(27,231)	—	(3,086)	3,086	—	—
Other investing activities	—	(2,574)	3,880	(3,774)	—	(2,468)	(1,163)	—	(3,631)
	367	15,149	7,097	(31,545)	—	(8,932)	(2,917)	—	(11,849)
Net foreign currency translation adjustment	—	(624)	57	205	—	(362)	1,612	—	1,250
Increase (decrease) in cash and cash equivalents	—	7,317	5,737	(1,529)	—	11,525	1,483	—	13,008
Cash and cash equivalents, beginning of period	—	10,416	1,908	16,888	—	29,212	19,079	—	48,291
Cash and cash equivalents, end of period	\$ —	\$ 17,733	\$ 7,645	\$ 15,359	\$ —	\$ 40,737	\$ 20,562	\$ —	\$ 61,299

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine month periods ended September 30, 2007 and September 30, 2006

(In thousands of U.S. dollars)

Consolidating Statement of Cash Flows

For the nine month period ended September 30, 2007

	Parent	Canadian Issuer	US Issuer	Guarantor Subsidiaries	Guarantor Adjustments	Combined	Non-Guarantor Subsidiaries	Adjustments	Consolidated
Cash provided by (used in):									
Operating activities:									
Net (loss) income	\$ (10,400)	\$ 33,586	\$ (44,324)	\$ 23,423	\$ (12,685)	\$ (10,400)	\$ 43,023	\$ (43,023)	\$ (10,400)
Items not involving cash:									
Depreciation and amortization	—	10,667	53,386	14,423	—	78,476	15,837	470	94,783
Non-cash interest expense	—	4,046	3,903	—	—	7,949	—	—	7,949
Impairment of property, plant and equipment	—	2,539	2,906	786	—	6,231	—	—	6,231
Loss (gain) on sale of property, plant and equipment	—	126	1,387	—	—	1,513	(8)	—	1,505
(Loss) income from equity investments	10,400	(52,814)	(7,768)	—	12,685	(37,497)	—	37,497	—
Share based awards	—	57	1,559	58	—	1,674	85	—	1,759
Future income taxes	—	(6,091)	(13,430)	(51)	—	(19,572)	1,468	(270)	(18,374)
Pension and post retirement expense (income) and funding, net	—	—	1,170	(345)	—	825	457	—	1,282
Unrealized foreign exchange (gains) losses	—	(7,158)	—	271	—	(6,887)	375	—	(6,512)
Non-controlling interest	—	—	—	—	—	—	—	5,326	5,326
Change in non-cash operating working capital:									
Accounts receivable	—	(5,851)	(8,330)	(1,086)	—	(15,267)	(15,120)	—	(30,387)
Inventories	—	7,842	22,374	613	—	30,829	(4,793)	—	26,036
Income taxes payable	—	(6,337)	(92)	2,948	—	(3,481)	(203)	—	(3,684)
Prepaid expenses	—	(2,730)	3,200	(851)	—	(381)	102	—	(279)
Accounts payable and accrued liabilities	—	3,944	4,894	6,738	—	15,576	11,237	—	26,813
Intercompany receivable	—	24,149	14,826	(8,593)	(30,491)	(109)	(12,153)	12,262	—
Intercompany payable	—	(11,211)	(12,352)	5,098	30,491	12,026	236	(12,262)	—
	—	(5,236)	23,309	43,432	—	61,505	40,543	—	102,048
Financing activities									
Change in bank and other indebtedness	—	—	(43,000)	—	—	(43,000)	(765)	—	(43,765)
Repayment of long-term debt	—	(4,707)	(4,486)	(6,905)	—	(16,098)	(21,402)	18,889	(18,611)
	—	(4,707)	(47,486)	(6,905)	—	(59,098)	(22,167)	18,889	(62,376)
Investing activities									
Proceeds from sale of property, plant and equipment	—	7,378	685	—	(7,300)	763	29	—	792
Additions to property, plant and equipment	—	(1,102)	(14,028)	(3,915)	7,300	(11,745)	(10,957)	—	(22,702)
Acquisitions	(6,997)	—	—	—	—	(6,997)	—	—	(6,997)
Distributions to non-controlling interests	—	—	—	—	—	—	(2,452)	(187)	(2,639)
Investments and advances	2,623	(299)	41,682	(26,518)	—	17,488	1,214	(18,702)	—
Other investing activities	4,374	(3,062)	1,546	26	—	2,884	(3,923)	—	(1,039)
	—	2,915	29,885	(30,407)	—	2,393	(16,089)	(18,889)	(32,585)
Net foreign currency translation adjustment	—	(479)	5	5,756	—	5,282	(781)	—	4,501
(Decrease) increase in cash and cash equivalents	—	(7,507)	5,713	11,876	—	10,082	1,506	—	11,588
Cash and cash equivalents, beginning of period	—	18,196	2,971	5,361	—	26,528	20,895	—	47,423
Cash and cash equivalents, end of period	\$ —	\$ 10,689	\$ 8,684	\$ 17,237	\$ —	\$ 36,610	\$ 22,401	\$ —	\$ 59,011

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine month periods ended September 30, 2007 and September 30, 2006

(In thousands of U.S. dollars)

Consolidating Statement of Cash Flows

For the nine month period ended September 30, 2006

	Parent	Canadian Issuer	US Issuer	Guarantor Subsidiaries	Guarantor Adjustments	Combined	Non-Guarantor Subsidiaries	Adjustments	Consolidated
Cash provided by (used in):									
Operating activities:									
Net (loss) income	\$ (13,220)	\$ 2,960	\$ (16,180)	\$ 29,990	\$ (16,770)	\$ (13,220)	\$ 38,914	\$ (38,914)	\$ (13,220)
Items not involving cash:									
Depreciation and amortization	—	11,719	51,432	13,005	—	76,156	15,651	182	91,989
Non-cash interest expense	—	2,958	3,013	—	—	5,971	—	—	5,971
Impairment of property, plant and equipment	—	—	—	—	—	—	—	—	—
(Gain) loss on sale of property, plant and equipment	—	(640)	5,324	241	—	4,925	(369)	—	4,556
(Loss) income from equity investments	13,220	(56,482)	(6,729)	—	16,770	(33,221)	—	33,221	—
Share based awards	—	(165)	1,069	116	—	1,020	170	—	1,190
Future income taxes	—	(6,307)	(9,341)	2,613	—	(13,035)	4,668	(46)	(8,413)
Pension and post retirement (income) expense and funding, net	—	(723)	707	435	—	419	—	—	419
Non-controlling interest	—	—	—	—	—	—	—	5,557	5,557
Change in non-cash operating working capital:									
Accounts receivable	—	(1,594)	(7,687)	(3,585)	—	(12,866)	(11,364)	—	(24,230)
Inventories	—	3,520	12,386	(4,641)	—	11,265	(4,369)	—	6,896
Income taxes payable	—	(1,423)	(830)	315	—	(1,938)	(1,285)	—	(3,223)
Prepaid expenses	—	(5,003)	2,643	(1,039)	—	(3,399)	1,616	—	(1,783)
Accounts payable and accrued liabilities	(367)	19,597	2,425	14,902	—	36,557	6,656	—	43,213
Intercompany receivable	—	(5,261)	8,341	(18,846)	178	(15,588)	(1,606)	17,194	—
Intercompany payable	—	(8,649)	13,910	(4,273)	(178)	810	16,384	(17,194)	—
	(367)	(45,493)	60,483	29,233	—	43,856	65,066	—	108,922
Financing activities									
Change in bank and other indebtedness	—	(16,999)	(26,003)	(2)	—	(43,004)	(642)	—	(43,646)
Proceeds from issuance of long-term debt	—	—	—	—	—	—	875	—	875
Repayment of long-term debt	—	(5,127)	(4,420)	—	—	(9,547)	(23,270)	—	(32,817)
Change in other long-term liabilities	—	(367)	565	—	—	198	—	—	198
	—	(22,493)	(29,858)	(2)	—	(52,353)	(23,037)	—	(75,390)
Investing activities									
Proceeds from sale of property, plant and equipment	—	8,239	7,879	3,850	—	19,968	247	—	20,215
Additions to property, plant and equipment	—	(2,273)	(19,805)	(2,686)	—	(24,764)	(10,550)	—	(35,314)
Distributions to non-controlling interests	—	—	—	—	—	—	(3,065)	—	(3,065)
Investments and advances	367	69,958	(16,335)	(27,857)	—	26,133	(26,133)	—	—
Other investing activities	—	(6,402)	1,370	20	—	(5,012)	(1,196)	—	(6,208)
	367	69,522	(26,891)	(26,673)	—	16,325	(40,697)	—	(24,372)
Net foreign currency translation adjustment	—	4,702	(277)	4,077	—	8,502	(3,822)	—	4,680
Increase (decrease) in cash and cash equivalents	—	6,238	3,457	6,635	—	16,330	(2,490)	—	13,840
Cash and cash equivalents, beginning of period	—	11,495	4,188	8,724	—	24,407	23,052	—	47,459
Cash and cash equivalents, end of period	\$ —	\$ 17,733	\$ 7,645	\$ 15,359	\$ —	\$ 40,737	\$ 20,562	\$ —	\$ 61,299

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS**

The following Management Discussion and Analysis ("MD&A") is a review of Masonite International Inc.'s financial condition and results of operations, is based upon Canadian Generally Accepted Accounting Principles ("GAAP") and covers the three and nine month periods ended September 30, 2007 and September 30, 2006. In this MD&A, the "Company", "we", "us" and "our" refer to Masonite International Inc. and our subsidiaries. All amounts are in millions of United States dollars unless specified otherwise.

This discussion should be read in conjunction with the 2006 annual audited consolidated financial statements and the 2007 unaudited interim financial statements. The following discussion also contains forward-looking statements that involve numerous risks and uncertainties. Our actual results could differ materially from those discussed in the forward-looking statements as a result of these risks and uncertainties.

Recent Developments

In the first quarter of 2007, we were notified by our largest customer that they would be moving substantially all of their business with us in certain geographic regions to a competitor later in 2007. This decision was the result of price increases we put in place during 2006. Sales to this customer in the regions affected were approximately \$250 - \$300 million on an annualized basis. Subsequent to this notification, we announced the permanent closure of five facilities and the significant curtailment of production at an additional facility dedicated to serving this customer. As a result of this lost business and the continuing deterioration in the North American housing market, we further announced the permanent closure of an interior door manufacturing facility located in Mississauga, Ontario and the consolidation of our interior door manufacturing operations in Florida, resulting in the permanent closure of our Tampa, Florida facility. The shut down of the first six facilities being permanently closed was completed in the third quarter of 2007. The closure of the Tampa, Florida facility will be completed in the fourth quarter of 2007.

Results of Operations for the three month period ended September 30, 2007 compared to the three month period ended September 30, 2006.

A summary of the third quarter results is as follows:

	<u>July 1, 2007 - September 30, 2007</u>	<u>July 1, 2006 - September 30, 2006</u>
Sales	\$ 529.3	\$ 622.4
Cost of sales	408.1	481.4
Gross margin	121.3	141.0
Selling, general and administration expenses	50.4	49.6
Depreciation	21.5	21.9
Amortization of intangible assets	8.9	8.9
Interest	44.3	46.4
Other expense, net	9.2	9.5
Income (loss) before income taxes and non-controlling interest	(13.1)	4.8
Income taxes (recovery)	(2.4)	4.9
Non-controlling interest	2.0	1.6
Net income (loss)	\$ (12.8)	\$ (1.7)

Consolidated Sales

For the three month period ended September 30

	2007	2006	\$ Change	% Change
Sales	\$ 529.3	\$ 622.4	\$ (93.1)	(15.0)%

Consolidated sales for the three month period ended September 30, 2007 were \$529.3 million compared to \$622.4 million in the prior year period. Sales in the 2007 period were negatively impacted by lower North American sales due to continued soft demand from customers servicing both the wholesale and retail channels and the loss of business from our largest customer earlier this year. The sales in the regions that were lost accounted for approximately \$66 million of the decline. Excluding these lost regions, consolidated sales were down 4.4%. Sales in the third quarter of 2007 benefited by \$13.9 million or 2.2% due to stronger foreign currency rates as compared to the prior year period.

Sales and Percentage of Sales by Principal Geographic Region

For the three month period ended September 30

	2007	2006
North America	\$ 367.0 69%	\$ 480.4 77%
Europe and Other	\$ 176.9 33%	\$ 167.9 27%
Intersegment	\$ (14.5) (3%)	\$ (25.9) (4)%

Sales in our principal segment, North America, declined \$113.3 million or 23.6% to \$367.0 million for the three month period ended September 30, 2007 as compared to the prior year period. Sales in North America were negatively impacted by the lost business and continued soft demand from customers servicing both the wholesale and retail channels. Sales in the North American segment declined to 69% of consolidated sales as compared to 77% in the prior year.

Sales to external customers from facilities outside of North America grew \$20.4 million or 14.3% to \$162.3 million in 2007 as compared to the prior year period. European sales were positively impacted by the appreciation of European currencies versus the U.S. dollar and organic growth. Excluding the impact of the weakening US dollar, sales outside North America increased 7.6%.

Intersegment sales, primarily the movement of door components from the Europe and Other segment into the North America segment, declined by 44.0% to \$14.5 million due to continuing soft market conditions in North America during the third quarter of 2007.

Sales and Percentage of Sales by Product Line

For the three month period ended September 30

	2007	2006
Interior	\$ 379.4 72%	\$ 405.3 65%
Exterior	\$ 149.9 28%	\$ 217.1 35%

The proportion of revenues from interior and exterior products was approximately 72% and 28%, respectively, for the three month period ended September 30, 2007, compared to 65% and 35%, respectively, in the prior year period. Sales of exterior doors in 2007 declined as a percent of sales because this business is more heavily concentrated in North America where markets have been weakening. In addition, exterior doors are a smaller component of our European business which has been growing. We also believe that weakening housing market conditions in North America affect exterior product sales earlier than the sales of interior product sales. The lost business was also more heavily weighted to exterior product than our overall North American business.

Cost of Sales

For the three month period ended September 30

	<u>2007</u>	<u>Percentage of Sales</u>	<u>2006</u>	<u>Percentage of Sales</u>
Cost of sales	\$ 408.1	77.1%	\$ 481.4	77.3%

The significant components of cost of sales are materials, direct labor, factory overheads and distribution costs. Cost of sales, expressed as a percentage of sales, was 77.1% for the 2007 period versus 77.3% for the 2006 period. Our global supply chain and logistics initiatives and facility rationalizations contributed to our ability to improve cost of sales and margins in a significantly declining market.

Selling, General and Administration Expenses

For the three month period ended September 30

	<u>2007</u>	<u>Percentage of Sales</u>	<u>2006</u>	<u>Percentage of Sales</u>
Selling, general and administration expenses	\$ 50.4	9.5%	\$ 49.6	8.0%

SG&A primarily includes personnel costs, marketing and advertising costs, sales commissions, information technology costs, receivables sales program costs, professional fees and management travel. During the third quarter of 2007 our SG&A was relatively consistent with the prior year period. Volume variable expenses such as sales commissions and accounts receivable sale program charges did in fact decline in line with volume. As well, the prior year benefited from a reversal of stock option expense as we adjusted our estimate of the number of stock options expected to vest, due to the departure of individuals from the company. In the current year as we added new capabilities and talent our spending on recruiting and relocation as well as other employee transition charges increased the SG&A in the current quarter. The third quarter of 2007 also included a charge of \$1.4 million in connection with a non-cash write down on a barter arrangement from prior years. Finally, the SG&A in the current year is higher due to foreign exchange as our expenditure on SG&A in foreign sites translates into higher US dollar equivalent.

Depreciation

For the three month period ended September 30

	<u>2007</u>	<u>2006</u>	<u>\$ Change</u>	<u>% Change</u>
Depreciation	\$ 21.5	\$ 21.9	\$ (0.4)	(1.8)%

Depreciation expense decreased to \$21.5 million in the third quarter of 2007 as compared to \$21.9 million in the third quarter of 2006. The bulk of this decrease is a result of the closures announced in the first quarter of 2007, depreciation was accelerated on leasehold improvements at the facilities that were closing. Impairments recorded in the prior year and earlier in 2007 also reduced the depreciation as did the lower level of capital expenditure in the last two years.

Amortization of Intangible Assets

For the three month period ended September 30

	<u>2007</u>	<u>2006</u>	<u>\$ Change</u>	<u>% Change</u>
Amortization of intangible assets	\$ 8.9	\$ 8.9	—	—

Amortization of intangible assets for the 2007 period was unchanged for the 2006 period and represents the amortization of the fair value of assets acquired and liabilities assumed as of April 6, 2005, the date of the acquisition by Kohlberg Kravis Roberts & Co. L.P. ("KKR").

Other Expense

For the three month period ended September 30

	<u>2007</u>	<u>2006</u>
Restructuring and severance expense	\$ 7.8	\$ 6.7
Loss on disposal of property, plant and Equipment	0.6	3.1
Impairment of property, plant and equipment	3.6	—
Foreign exchange (gain) loss on long-term liabilities	(2.8)	(0.3)
Other expense	<u>\$ 9.2</u>	<u>\$ 9.5</u>

Other expense was \$9.2 million in the 2007 period including restructuring and severance costs of \$7.8 million related to the closure of manufacturing facilities in North America and related restructuring actions. The majority of this charge relates to liabilities established for future lease obligations on the sites that have been closed, net of anticipated sublease revenue. We also recorded a \$3.6 million charge related to an impairment charge on property, plant and equipment relating to land and building that will be sold in the fourth quarter and redundant machinery resulting from the closure of facilities.

Included in other expense in the 2006 period are approximately \$6.7 million in severance costs related to the approximately 8% reduction in staffing levels announced in the third quarter of 2006, as well as the termination of certain former senior executives of the Company.

Interest Expense

For the three month period ended September 30

	<u>2007</u>	<u>2006</u>	<u>\$ Change</u>	<u>% Change</u>
Interest	\$ 44.3	\$ 46.4	\$ (2.1)	(4.5)%

Interest expense of \$44.3 million for the 2007 period declined slightly from the 2006 period. Lower interest costs of \$2.8 million due to lower debt levels in the 2007 period were partially offset by higher amortization of deferred financing fees in the amount of \$0.7 million. These additional deferred financing fees were incurred in the fourth quarter of 2006 and related to the conversion of the senior subordinated term loan into senior subordinated notes due 2015. Information about the debt facilities is provided in greater detail in the "Liquidity and Capital Resources" section below.

Income Tax Rates

For the three month period ended September 30

	<u>2007</u>	<u>2006</u>
Combined effective rate	18.0%	Not meaningful

Our effective income tax rate is primarily the weighted average of federal, state and provincial rates in various countries in which we have operations, including the United States, Canada, France, the United Kingdom and Ireland.

Our income tax rate is also affected by estimates of realizability of tax assets, changes in tax laws and the timing of the expected reversal of temporary differences. We have established a valuation allowance on a portion of tax losses and other carryforward attributes in the United States and other jurisdictions until the realization of these tax assets becomes more likely than not during the carryforward period.

Net Income (Loss)

For the three month period ended September 30

	<u>2007</u>	<u>2006</u>	<u>\$ Change</u>	<u>% Change</u>
Net income (loss)	\$ (12.8)	\$ (1.7)	\$ (11.1)	(658.8)%

Our net loss of \$12.8 million in the third quarter of 2007 increased by \$11.1 million from the prior year period. This result reflects the factors discussed above, including the significantly weaker North American market partially offset by aggressive global cost controls, lower interest costs, lower restructuring activity and higher tax recoveries.

Segment Information

For the three month period ended September 30

	2007	Percentage of Sales	2006	Percentage of Sales
Adjusted EBITDA - North America	\$ 56.0	15.3%	\$ 69.3	14.4%
Adjusted EBITDA - Europe and Other	\$ 24.1	13.6%	\$ 24.1	14.4%

The performance measurement of each of our geographic segments is based on Adjusted EBITDA. See “—Liquidity and Capital Resources.”

Set forth below is a reconciliation of Adjusted EBITDA, by segment, from net income (loss) as reported in the consolidated statement of operations

	North America 2007	North America 2006	Europe and Other 2007	Europe and Other 2006
Net (loss) income	\$ (25.7)	\$ (14.0)	\$ 12.9	\$ 12.3
Non-controlling interest	1.6	1.4	0.5	0.2
Income taxes	(4.1)	1.5	1.7	3.4
Other expense	8.5	8.8	0.7	0.7
Interest	44.2	45.8	0.1	0.6
Depreciation and amortization of intangible assets	22.2	22.7	8.2	8.1
Inventory write-down	0.6	—	—	—
Equity compensation	0.5	(0.7)	—	—
Sponsor fees	0.5	0.5	—	—
Capital and franchise tax	0.8	0.7	0.4	—
Sale of receivables	1.0	1.9	—	—
Pension and post-retirement expense (income) and funding, net	0.3	0.2	0.2	—
Recruiting and relocation	1.4	—	—	—
Unusual and non-recurring	4.0	—	—	—
Other	0.4	0.6	(0.6)	(1.2)
Adjusted EBITDA	\$ 56.0	\$ 69.3	\$ 24.1	\$ 24.1
Percentage of Sales	15.3%	14.4%	13.6%	14.4%

Adjusted EBITDA margins by segment are impacted by a variety of external and internal factors including the level and profitability of our sales to external customers and intersegment movements of goods within our global supply chain. In addition, North American Adjusted EBITDA margins benefited from facility rationalizations, global supply chain and logistics efforts as previously discussed.

Results of Operations for the nine month period ended September 30, 2007 compared to the nine month period ended September 30, 2006.

A summary of the fiscal year-to-date results, is as follows:

	January 1, 2007 - September 30, 2007	January 1, 2006 - September 30, 2006
Sales	\$ 1,687.7	\$ 1,879.5
Cost of sales	1,297.6	1,486.9
Gross margin	390.1	392.6
Selling, general and administration expenses	157.1	159.2
Depreciation	68.1	65.3
Amortization of intangible assets	26.7	26.7
Interest	134.1	137.2
Other expense, net	21.6	16.6
Loss before income taxes and non-controlling interest	(17.5)	(12.5)
Income taxes (recovery)	(12.4)	(4.8)
Non-controlling interest	5.3	5.6
Net income (loss)	\$ (10.4)	\$ (13.2)

Consolidated Sales

For the nine month period ended September 30

	2007	2006	\$ Change	% Change
Sales	\$ 1,687.7	\$ 1,879.5	\$ (191.8)	(10.2)%

Consolidated sales for the nine month period ended September 30, 2007 were \$1,687.7 million compared to \$1,879.5 million in the prior year period. Sales in the 2007 period were negatively impacted by lower North American sales due to soft demand from customers servicing both the wholesale and retail channels and the business lost from our largest customer. Sales in the first nine months of 2007 benefited by \$36.0 million or 1.9% due to stronger foreign currency rates as compared to the prior year period, as well as by favorable year over year price comparisons.

Sales and Percentage of Sales by Principal Geographic Region

For the nine month period ended September 30

	2007	2006
North America	\$ 1,203.5	\$ 1,463.7
	71%	78%
Europe and Other	\$ 526.3	\$ 485.0
	31%	26%
Intersegment	\$ (42.2)	\$ (69.3)
	(2%)	(4)%

Sales in our principal segment, North America, declined 17.8% to \$1,203.5 million for the nine month period ended September 30, 2007 as compared to the prior year period. Sales in North America were negatively impacted by continued soft demand from customers servicing both the wholesale and retail channels, partially offset by favorable foreign currency movements. Sales in the North American segment declined to 71% of consolidated sales as compared to 78% in the prior year.

Sales to external customers from facilities outside of North America grew 16.4% to \$484.1 million in 2007 as compared to the prior year period. European sales were positively impacted by the appreciation of European currencies versus the U.S. dollar and organic growth. Excluding the impact of foreign exchange, sales increased 9.1%. Good economic fundamentals throughout the region combined with the continued expansion of our business accounted for this increase in sales.

Intersegment sales, primarily the movement of door components from the Europe and Other segment into the North America segment, declined by 39.1% to \$42.2 million due to softening market conditions in North America during fiscal 2007.

Sales and Percentage of Sales by Product Line

For the nine month period ended September 30

	<u>2007</u>	<u>2006</u>
Interior	\$ 1,184.5	\$ 1,226.6
	70%	65%
Exterior	\$ 503.2	\$ 652.9
	30%	35%

The proportion of revenues from interior and exterior products was approximately 70% and 30%, respectively, for the nine month period ended September 30, 2007, compared to 65% and 35%, respectively, in the prior year period. Sales of exterior doors in 2007 declined as a percent of sales because this business is more heavily concentrated in North America where markets have been weakening. In addition, exterior doors are a smaller component of our European business which has been growing. We also believe that weakening housing market conditions in North America affect exterior product sales earlier than the sales of interior product sales. Furthermore, the business lost from our largest customer was more heavily weighted to exterior products than our overall Company average.

Cost of Sales

For the nine month period ended September 30

	<u>2007</u>	<u>Percentage of Sales</u>	<u>2006</u>	<u>Percentage of Sales</u>
Cost of sales	\$ 1,297.6	76.9%	\$ 1,486.9	79.1%

The significant components of cost of sales are materials, direct labor, factory overheads and distribution costs. Cost of sales, expressed as a percentage of sales, was 76.9% for the 2007 period versus 79.1% for the 2006 period. Our global supply chain and logistics initiatives, facility rationalizations, rigorous cost management and product pricing adjustments contributed to this improvement in our cost of sales percentage in the 2007 period as did favorable foreign currency movements. Results in the 2006 period include a \$9 million non-cash write down of inventories as well as a recovery of \$0.7 million on damages incurred as a result of hurricanes in the third quarter of 2005. Excluding the impact of this write down and hurricane recovery, cost of sales would have been \$1,478.6, or 78.7% of sales.

Selling, General and Administration Expenses

For the nine month period ended September 30

	<u>2007</u>	<u>Percentage of Sales</u>	<u>2006</u>	<u>Percentage of Sales</u>
Selling, general and administration expenses	\$ 157.1	9.3%	\$ 159.2	8.5%

SG&A primarily includes personnel costs, marketing and advertising costs, sales commissions, information technology costs, receivables sales program costs, professional fees and management travel. SG&A costs declined \$2.1 million as compared to the prior year period. Lower commissions of \$3.1 million, lower receivables sales program costs of \$1.5 million and reduced travel and entertainment costs of \$0.8 million were partially offset by higher recruiting and relocation expenses and professional fees. The current year SG&A is also higher due to foreign exchange as our expenditure on SG&A in foreign sites translates into higher US dollar equivalent.

Depreciation

For the nine month period ended September 30

	<u>2007</u>	<u>2006</u>	<u>\$ Change</u>	<u>% Change</u>
Depreciation	\$ 68.1	\$ 65.3	\$ 2.8	4.3%

Depreciation expense increased to \$68.1 million in the first nine months of 2007 as compared to \$65.3 million in the first nine months of 2006, primarily due to depreciation expense on leasehold improvements at facilities that were closed in 2007.

Amortization of Intangible Assets

For the nine month period ended September 30

	<u>2007</u>	<u>2006</u>	<u>\$ Change</u>	<u>% Change</u>
Amortization of intangible assets	\$ 26.7	\$ 26.7	—	—

Amortization of intangible assets for the 2007 period was unchanged for the 2006 period and represents the amortization of the fair value of assets acquired and liabilities assumed as of April 6, 2005, the date of acquisition by KKR.

Other Expense

For the nine month period ended September 30

	<u>2007</u>	<u>2006</u>
Restructuring and severance expense	\$ 19.4	\$ 11.1
Loss on disposal of property, plant and equipment	1.5	4.6
Impairment of property, plant and equipment	6.2	—
Foreign exchange (gain) loss on long-term liabilities	(5.6)	0.9
Other expense	\$ 21.6	\$ 16.6

Other expense was \$21.6 million in the 2007 period including restructuring and severance costs of \$19.4 million related to the closure of seven manufacturing facilities in North America. A loss on disposal of idle property, plant and equipment also added \$1.5 million to other expense in the 2007 period, as well as a \$6.2 million impairment charge on property, plant and equipment at facilities that are closing.

Included in other expense in the 2006 period are severance costs related to the termination of certain former senior executives of the Company the closure of four manufacturing sites, and costs related to the 8% reduction in staffing levels that occurred in September 2006.

Interest Expense

For the nine month period ended September 30

	<u>2007</u>	<u>2006</u>	<u>\$ Change</u>	<u>% Change</u>
Interest	\$ 134.1	\$ 137.2	\$ (3.1)	(2.3)%

Interest expense of \$134.1 million for the 2007 period declined by \$3.1 million compared to the 2006 period. Lower interest costs of \$4.1 million due to lower debt levels in the 2007 period were offset by additional interest of \$0.4 million on the senior subordinated notes and higher amortization of deferred financing fees in the amount of \$1.6 million. These additional deferred financing fees were incurred in the fourth quarter of 2006 and related to the conversion of the senior subordinated term loan into senior subordinated notes due 2015. Information about the debt facilities is provided in greater detail in the "Liquidity and Capital Resources" section below.

Income Tax Rates

For the nine month period ended September 30

	<u>2007</u>	<u>2006</u>
Combined effective rate	71.0%	38.5%

Our effective income tax rate is primarily the weighted average of federal, state and provincial rates in various countries in which we have operations, including the United States, Canada, France, the United Kingdom and Ireland.

Our income tax rate is also affected by estimates of realizability of tax assets, changes in tax laws and the timing of the expected reversal of temporary differences. We have established a valuation allowance on a portion of tax losses and other carryforward attributes in the United States and other jurisdictions until the realization of these tax assets becomes more likely than not during the carryforward period.

Net Income (Loss)

For the nine month period ended September 30

	<u>2007</u>	<u>2006</u>	<u>\$ Change</u>	<u>% Change</u>
Net income (loss)	\$ (10.4)	\$ (13.2)	\$ 2.8	21.2%

Our net loss of \$10.4 million in the first nine months of 2007 decreased by \$2.8 million from the prior year period. This result reflects the factors discussed above, including the significantly weaker North American market offset by aggressive global cost controls, lower SG&A, additional restructuring activities and higher income tax recovery.

Segment Information

For the nine month period ended September 30

	<u>2007</u>	<u>Percentage of Sales</u>	<u>2006</u>	<u>Percentage of Sales</u>
Adjusted EBITDA - North America	\$ 176.4	14.7%	\$ 180.6	12.3%
Adjusted EBITDA - Europe and Other	\$ 73.0	13.9%	\$ 76.1	15.7%

The performance measurement of each of our geographic segments is based on Adjusted EBITDA. See “—Liquidity and Capital Resources.”

Set forth below is a reconciliation of Adjusted EBITDA, by segment, from net income (loss) as reported in the consolidated statement of operations

	North America 2007	North America 2006	Europe and Other 2007	Europe and Other 2006
Net (loss) income	\$ (48.2)	\$ (51.1)	\$ 37.8	\$ 37.9
Non-controlling interest	4.2	4.9	1.2	0.7
Income taxes	(19.9)	(14.5)	7.5	9.6
Other expense	20.4	15.7	1.1	0.9
Interest	132.0	134.8	2.1	2.7
Depreciation and amortization of intangible assets	70.1	68.0	24.7	24.1
Inventory write-down	0.6	7.5	—	1.5
Facility closure / rationalization	—	1.8	—	—
Equity compensation	1.7	1.1	0.1	0.1
Sponsor fees	1.6	1.5	—	—
Capital and franchise tax	2.2	1.9	0.4	—
Sale of receivables	4.4	5.9	—	—
Pension and post-retirement expense (income) and funding, net	0.8	0.4	—	0.1
Recruiting and relocation	1.4	—	—	—
Unusual and non-recurring	4.0	—	—	—
Other	1.2	2.7	(2.0)	(1.5)
Adjusted EBITDA	\$ 176.4	\$ 180.6	\$ 73.0	\$ 76.1
Percentage of Sales	14.7%	12.3%	13.9%	15.7%

Adjusted EBITDA margins by segment are impacted by a variety of external and internal factors including the level and profitability of our sales to external customers, and intersegment movements of goods within our global supply chain. North American Adjusted EBITDA margins benefited from facility rationalizations, reductions in staffing levels and favorable year over year pricing comparisons as previously discussed.

Liquidity and Capital Resources

Net Debt

(Principal amount)

	As at September 30, 2007	As at December 31, 2006
Revolving credit facility outstanding	\$ —	\$ 43.0
Other bank loans outstanding	16.6	17.4
Senior secured credit facility term loan outstanding	1,145.6	1,154.4
Senior subordinated notes outstanding	769.9	747.2
Senior subordinated term loan outstanding	—	22.6
Other subsidiary long-term debt outstanding	22.2	31.6
Less: Cash on hand	59.0	47.4
Net debt outstanding	\$ 1,895.4	\$ 1,968.8
Notes payable and letters of credit outstanding	14.3	12.4
Net debt outstanding as defined in the credit agreement	\$ 1,909.7	\$ 1,981.2

As at September 30, 2007, net debt as defined in the credit agreement was \$1,909.7, \$71.5 million lower than at December 31, 2006 due primarily to the repayment of indebtedness from cash flow generated by operating activities. At September 30, 2007, the Company's \$350 million revolver was undrawn. The balance outstanding on the senior secured credit facility was reduced by the normal quarterly amortization of 0.25% of the original principal amount of \$1,175 million. Subsidiary debt was reduced by \$9.4 million through cash flow from operations. Cash on hand increased by \$11.6 million largely as a result of cash held at less than wholly owned subsidiaries.

Debt Facilities

(Principal amount)

	As at September 30, 2007	As at December 31, 2006
Revolving credit facility capacity	\$ 350.0	\$ 350.0
Revolving credit facility outstanding	—	43.0
Subsidiaries' bank loan capacity	14.0	14.0
Subsidiaries' bank loan and overdrafts outstanding	16.6	17.4
Other subsidiary long-term debt outstanding	22.2	31.6
Senior secured credit facility term loan outstanding	1,145.6	1,154.4
Senior subordinated notes outstanding	769.9	747.2
Senior subordinated term loan outstanding	—	22.6

The aggregate amount of long-term debt repayments required during the next five years ending September 30, 2012 is approximately \$81 million, down from \$90 million at December 31, 2006. Future principal debt payments are expected to be paid out of cash flows from operations, borrowings on our revolving credit facility and future refinancing of our debt.

To mitigate interest risk, in April 2005, we entered into a five year interest rate swap agreement converting a notional \$1.15 billion of floating-rate debt into fixed rate debt that currently bears interest at 4.22% plus an applicable credit spread of 2.00%. On April 26, 2007, \$150 million of the interest rate swaps amortized, leaving \$900 million at a fixed rate as of September 30, 2007. After giving effect to the interest rate swap at September 30, 2007 approximately 85.4% of outstanding interest-bearing debt carries a fixed interest rate and the remainder carries a floating rate. The three month LIBOR rate at September 30, 2007 was 5.25%.

Our ability to make scheduled payments of principal, or to pay interest or additional amounts if any, or to refinance indebtedness, or to fund planned capital expenditures or payments required pursuant to our shareholder agreements relating to our less than wholly-owned subsidiaries, will depend on future performance, which, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. We believe that cash flow from operations and available cash, together with borrowings available under our senior secured credit facility, will be adequate to meet our future liquidity needs throughout the term of the loans. There can be no assurance that we will generate sufficient cash flow from operations, that anticipated revenue growth and operating improvements will be realized or that future borrowings will be available under the senior secured credit facility in an amount sufficient to enable us to service our indebtedness or to fund other liquidity needs. In addition, there can be no assurance that we will be able to affect any future refinancing of our debt on commercially reasonable terms or at all.

We expect our current cash balance plus cash flows from operations and availability under our revolving credit facility to be sufficient to fund near-term working capital and other investment needs.

Senior Secured Credit Facility

On April 6, 2005, we entered into senior secured credit facilities which included an eight year \$1.175 billion term loan due April 6, 2013 with an original interest rate of LIBOR plus 2.00% that amortizes at 1% per year. The proceeds from the senior secured credit facilities were used to fund the Transaction.

We also entered into a \$350 million revolving credit facility which is available for general corporate purposes. The revolving credit facility interest rate is subject to a pricing grid ranging from LIBOR plus 1.75% to LIBOR plus 2.50%. As of September 30, 2007, the revolving credit facility carried an interest rate of LIBOR plus 2.50%. In addition to the senior secured credit facilities noted above, we have funded operations through cash generated from operations.

The senior secured credit facilities provide for the payment to the lenders of a commitment fee on the average daily undrawn commitments under the revolving credit facility at a range from 0.375% to 0.50% per annum, a fronting fee on letters of credit of 0.125%, and a letter of credit fee ranging from 1.75% to 2.50% (less the 0.125% fronting fee).

Our senior secured credit facilities require us to meet a minimum interest coverage ratio of 1.6 times Adjusted EBITDA and a maximum leverage ratio of 7.3 times Adjusted EBITDA as of September 30, 2007, as defined in the credit agreements (see discussion on non-GAAP measures below). These ratios will be adjusted over the passage of time, ultimately reaching a minimum interest coverage ratio of 2.2 times Adjusted EBITDA, and a maximum leverage ratio of 4.75 times Adjusted EBITDA. In addition, the senior secured credit facilities contain certain restrictive covenants which, among other things, limit the incurrence of additional indebtedness, investments, dividends, transactions with affiliates, asset sales, acquisitions, mergers and consolidations, prepayments of other indebtedness, liens and encumbrances and other matters customarily restricted in such agreements. They also contain certain customary events of default, subject to grace periods, as appropriate.

We are permitted to incur up to an additional \$300 million of senior secured term debt under the senior secured credit facilities so long as no default or event of default under the new senior secured credit facilities has occurred or would occur after giving effect to such incurrence, and certain other conditions are satisfied.

The net debt to Adjusted EBITDA calculation measures the debt we have on our balance sheet against our Adjusted EBITDA over the last twelve months. This ratio improved from 5.95:1.0 at December 31, 2006 to 5.87:1.0 at September 30, 2007.

Our cash interest coverage ratio measures our Adjusted EBITDA as a multiple of our cash interest expense over the last twelve months. This ratio improved from 1.91:1.0 at December 31, 2006 to 1.92:1.0 at September 30, 2007.

Senior Subordinated Notes due 2015

The indentures relating to our senior subordinated notes due 2015 limit our ability to:

- incur additional indebtedness or issue certain preferred shares;
- pay dividends on or make other distributions or repurchase our capital stock or make other restricted payments;
- make certain investments;
- sell certain assets;
- create liens on certain assets to secure debt; consolidate, merge, sell or otherwise dispose of all or substantially all of their assets;
- enter into certain transactions with affiliates; and
- designate subsidiaries as unrestricted subsidiaries.

Subject to certain exceptions, the indentures relating to our senior subordinated notes due 2015 permit us and our restricted subsidiaries to incur additional indebtedness, including secured indebtedness.

Senior Subordinated Loan

On April 6, 2005, we entered into a senior subordinated loan agreement for a \$770 million senior subordinated loan, the proceeds of which were also used to fund the Transaction. The senior subordinated loan initially carried an interest rate of LIBOR plus 6.00% and increased over time to a maximum interest rate of 11% per annum, which was reached in the second quarter of 2006. On October 6, 2006, the senior subordinated loan was repaid in full by the automatic issuance of a new debt obligation comprising a Senior Subordinated Term Loan. On and after October 6, 2006 the majority of the lenders elected to convert their holdings of the Senior Subordinated Term Loan to Senior Subordinated Notes due 2015, which bear interest 11%, and are subject to registration rights.

Non-GAAP measures

Under the indentures governing our senior subordinated notes, our ability to engage in certain activities such as incurring certain additional indebtedness, making certain investments and paying certain dividends is tied to ratios based on Adjusted EBITDA.

Adjusted EBITDA is defined as net income (loss) plus interest, income taxes, depreciation and amortization, other expense (income), net, (gain) loss on refinancing, net and non-controlling interest further adjusted to give effect to adjustments required in calculating covenant ratios and compliance under the indentures governing the notes and our senior secured credit facilities. Adjusted EBITDA is not a presentation made in accordance with GAAP, is not a measure of financial condition or profitability, and should not be considered as an alternative to (1) net income (loss) determined in accordance with GAAP or (2) operating cash flows determined in accordance with GAAP. Additionally, Adjusted EBITDA is not intended to be a measure of free cash flow for management's discretionary use, as it does not include certain cash requirements such as interest payments, tax payments and debt service requirements. We believe that the inclusion of Adjusted EBITDA herein is appropriate to provide additional information about the calculation of certain financial covenants in the indentures governing the notes and our senior secured credit facilities. Adjusted EBITDA is a material component of these covenants. For instance, both the indentures governing the notes and the senior secured credit facilities contain financial ratios that are calculated by reference to Adjusted EBITDA. Non-compliance with the financial ratio maintenance covenants contained in our senior secured credit facilities could result in the requirement to immediately repay all amounts outstanding under such facilities, while non-compliance with the debt incurrence ratio contained in the indentures governing the notes would prohibit us from being able to incur additional indebtedness other than pursuant to specified exceptions. Because not all companies use identical calculations, this presentation of Adjusted EBITDA may not be comparable to other similarly titled measures of other companies. We believe that the disclosure of the calculation of Adjusted EBITDA provides information that is useful to an investor's understanding of our liquidity and financial flexibility.

The following is a reconciliation of net loss, which is a GAAP measure of our operating results, to Adjusted EBITDA as defined in our indentures and credit agreement (which we refer to as our "debt agreements"), and the calculation of the fixed charge coverage ratio, net debt and net debt to Adjusted EBITDA ratio under our debt agreements. The terms and related calculations are defined in our debt agreements, copies of which are publicly available.

	Last Twelve Months ended <u>December 31, 2006</u>	Three Months ended <u>December 31, 2006</u>	Nine Months ended <u>September 30, 2007</u>	Last Twelve Months Ended <u>September 30, 2007</u>
Net (loss) income	\$ (34.3)	\$ (21.1)	\$ (10.4)	\$ (31.5)
Interest	182.6	45.4	134.1	179.5
Income taxes	(15.7)	(10.9)	(12.4)	(23.3)
Depreciation and amortization	124.6	32.6	94.8	127.4
Other expense	39.0	22.4	21.6	44.0
Non-controlling interest	6.2	0.6	5.3	5.9
Receivables transaction charges(a)	7.9	2.0	4.4	6.4
Facility closures and realignments(b)	1.9	—	—	—
Hurricanes impact(c)	(0.7)	—	—	—
Inventory losses(d)	11.5	2.5	0.6	3.1
Stock-based awards (e)	2.0	0.8	1.8	2.6
Franchise and capital taxes	2.2	0.3	2.6	2.9
Foreign exchange gains	(1.1)	(0.5)	(2.5)	(3.0)
Recruiting and relocation	—	—	1.4	1.4
Unusual and non-recurring	—	—	4.0	4.0
Other(f)	6.3	1.6	4.1	5.7
Adjusted EBITDA	<u>\$ 332.6</u>	<u>\$ 75.8</u>	<u>\$ 249.4</u>	<u>\$ 325.2</u>

(a) Represents transaction charges related to the sale of receivables.

(b) During the first quarter of 2006, we rationalized and relocated certain facilities to better align capacity with demand. Total costs associated with these activities were \$1.9 million.

- (c) During the third quarter of 2006, we received \$0.7 million of insurance proceeds relating to 2005 hurricanes.
- (d) During the second quarter of 2006, we wrote down \$9.0 million of obsolete inventory at various facilities within the organization. Other non-cash write downs of \$2.5 million were also recorded.
- (e) Represents non-cash equity compensation expense.
- (f) Adjusted EBITDA also excludes certain other costs, including employee future benefits, severance, litigation, and sponsor fees.

Net Debt	\$	1,909.7
Last Twelve Months Adjusted EBITDA	\$	325.2
Ratio of Net Debt to Adjusted EBITDA		5.87
Last Twelve Months Adjusted EBITDA	\$	325.2
Total Interest Expense	\$	169.0
Ratio of Adjusted EBITDA to Interest Expense		1.92

Cash flows from Operating Activities

For the three month period ended September 30

	<u>2007</u>	<u>2006</u>
Cash generated from operating activities	\$ 49.3	\$ 56.5

In the third quarter of 2007, \$49.3 million was generated through operations compared to \$56.5 million the prior year. Of the total, approximately \$26.9 million was generated through working capital compared to \$17.4 million generated through working capital in the prior year period. Approximately \$20.5 million of the difference relates to the frequency of interest payments on the Senior Subordinated Notes. Interest on the Senior Subordinated Notes is due semi annually on April 15 and October 15, while interest on the Senior Subordinated Term Loan (outstanding in the first half of 2006 and replaced by the Senior Subordinated Notes on October 6, 2006) was payable quarterly in January, April, July and October. Cash flow from reductions in receivables was \$28.8 million in the prior year as compared to \$1.6 million in the current year. The third quarter of the prior year experienced a significant slowdown in sales from the peak of the second quarter of 2006. Conversely in the current year, the sales pace was more consistent between the second and third quarter. The majority of the difference of the change in cash flow from payables is due to the frequency of the interest payments as described above.

Cash flow from operations before changes in working capital in the third quarter of 2007 was \$22.4 million compared to \$39.2 million in the prior year period. The reduction of \$18 million is attributable to lower earnings in the quarter as a result of volume declines and large provisions recorded in the current year for the closures of the facilities.

Cash flows from Financing Activities

For the three month period ended September 30

	<u>2007</u>	<u>2006</u>
Cash provided by (used in) financing activities	\$ (60.4)	\$ (32.9)

Cash used in financing activities in the third quarter of 2007 was \$60.4 million, comprised of \$50.6 million repayment of short term borrowings and repayment of \$9.9 million of long-term debt. In the prior year period, we reduced borrowings on our revolving credit facility and repaid additional long-term debt with cash flow from operations.

Cash flows from Investing Activities

For the three month period ended September 30

	<u>2007</u>	<u>2006</u>
Cash used in investing activities	\$ (9.6)	\$ (11.8)

Cash flows used in investing activities in the third quarter of 2007 was \$9.6 million, comprised principally of \$6.5 million of capital expenditures, and a \$3.3 million payment made to acquire the remaining 20% of a facility in Eastern Europe. In the prior year period, investing activities used \$11.8 million comprised principally of capital expenditures of \$13.1 million, offset by proceeds of \$6.4 million on the sale of surplus real estate and other property plant and equipment.

We believe that our current cash balance plus cash flows from operations and the availability under our revolving credit facility will be sufficient to fund near-term working capital and other investment needs.

Cash flows from Operating Activities

For the nine month period ended September 30

	<u>2007</u>	<u>2006</u>
Cash generated from operating activities	\$ 102.0	\$ 108.9

In the first nine months of 2007, \$102.0 million was generated through operations compared to \$108.9 million in the prior year period. Approximately \$18.5 million was generated through working capital compared to \$20.9 million in the prior year period. Continuing measures in the first nine months of 2007 to reduce inventory also positively contributed to working capital. In addition, payables in 2006 were favorably impacted by efforts to rationalize vendor terms as part of our supply chain efforts and in 2007 by the frequency of interest payments on the senior subordinated notes. During the current period of 2007 we have also disbursed approximately \$8.7 million of cash related to restructuring charges for actions taken in 2006 and \$9.1 million of cash for restructuring charges related to 2007 closures and consolidations. This compares to only \$6.1 million paid out during the first nine months of 2006.

Cash flow from operations before changes in working capital in the first nine months of 2007 was \$83.5 million compared to \$88.1 million in the prior year period.

Cash flows from Financing Activities

For the nine month period ended September 30

	<u>2007</u>	<u>2006</u>
Cash used in financing activities	\$ (62.4)	\$ (75.4)

Cash used in financing activities in the first nine months of 2007 was \$62.4 million, comprised of \$43.8 million used for repayment of long-term debt and \$18.6 million repayment of short-term borrowings. In the prior year period, we reduced borrowings on our revolving credit facility and repaid additional long-term debt with cash flow from operations.

Cash flows from Investing Activities

For the nine month period ended September 30

	<u>2007</u>	<u>2006</u>
Cash used in investing activities	\$ (32.6)	\$ (24.4)

Cash used in investing activities in the first nine months of 2007 was \$32.6 million, comprised of \$22.7 million of capital expenditure and \$7.0 million for payments due on prior acquisitions including the purchase of the remaining 20% of the facility in Eastern Europe. In the prior year period, investing activities were \$24.4 million comprised of capital expenditures of \$35.3 million, offset by disposal proceeds of \$20.2 million on the sale of surplus real estate and other property plant and equipment.

We believe that our current cash balance plus cash flows from operations and the availability under our revolving credit facility will be sufficient to fund near-term working capital and other investment needs.

Off-Balance Sheet Arrangements

Our off-balance sheet arrangements include a "Facilities Agreement" to sell up to \$135 million of non-interest bearing trade accounts receivable, and an "Acquired Facilities Agreement" whereby we can sell receivables of specific customers.

We do not have any material off-balance sheet arrangements other than those described above, which are more fully discussed in note 3 of the unaudited interim consolidated financial statements.

Environmental Matters

Our operations in the United States are subject to regulations enacted by the US Environmental Protection Agency (EPA) related to Maximum Achievable Control Technology ("MACT"). MACT regulations govern the manner in which we measure and control the emissions from our manufacturing facilities into the air. As a result of a June 2007 decision by the US Court of Appeals, the EPA has eliminated certain compliance options which were based on low health risk determinations in relation to compliance with MACT regulations for wood products. We anticipate the cost of complying with the amended rules would require us to spend between \$20 million and \$30 million in addition to the \$8.5 million already spent.

Related Party Transactions

We have entered into an agreement to pay KKR annual management fees of \$2 million for services provided, payable quarterly in advance, with the amount increasing by 5% per year. For the three month period ended September 30, 2007 we paid KKR \$0.5 million (September 30, 2006 - \$0.5 million) for services rendered.

In addition, we paid fees of \$0.5 million for the three month period ended September 30, 2007 (September 30, 2006 - \$0.7 million) to Capstone for services provided on a per-diem basis for management consulting services. Although neither KKR nor any entity affiliated with KKR owns any of the equity of Capstone, KKR has provided financing to Capstone.

EXHIBIT 99.3

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There have been no material changes in the Company's market risk since December 31, 2006. For information regarding the Company's market risk, refer to "*Management's Discussion and Analysis*" in Amendment No. 2 to the Company's Form F-4 filed on May 17, 2007.

EXHIBIT 99.4

Other Information

Item 1. Legal Proceedings

The Company is involved in various suits and claims in the normal course of business all of which constitute ordinary, routine litigation incidental to the business.

Item 1A. Risk Factors

There were no material changes from risk factors previously disclosed in Amendment No. 2 to the Company's Form F-4 filed on May 17, 2007.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

None.

Item 6. Exhibits

None.
