



Winpak Reports Fourth Quarter Earnings

Winnipeg, Manitoba, February 16, 2010 - Winpak Ltd. (WPK) today reports consolidated results in US dollars for the fourth quarter of 2009, which ended on December 27, 2009.

<u>Year Ended</u>	<u>December 27 2009</u>	<u>December 28 2008</u>
<i>(thousands of US dollars, except per share amounts)</i>		
Sales	<u>505,991</u>	<u>512,037</u>
Net earnings	<u>42,891</u>	<u>29,352</u>
Minority interest	1,802	64
Provision for income taxes	21,180	15,725
Interest expense	141	1,131
Depreciation and amortization	<u>25,996</u>	<u>25,407</u>
EBITDA (1)	<u>92,010</u>	<u>71,679</u>
Basic and fully diluted net earnings per share (cents)	<u>66</u>	<u>45</u>
<u>Fourth Quarter Ended</u>	<u>December 27 2009</u>	<u>December 28 2008</u>
<i>(thousands of US dollars, except per share amounts)</i>		
Sales	<u>135,464</u>	<u>129,690</u>
Net earnings	<u>11,445</u>	<u>8,882</u>
Minority interest	416	(107)
Provision for income taxes	5,275	5,568
Interest expense	150	215
Depreciation and amortization	<u>6,824</u>	<u>6,110</u>
EBITDA (1)	<u>24,110</u>	<u>20,668</u>
Basic and fully diluted net earnings per share (cents)	<u>18</u>	<u>14</u>

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

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



Management's Discussion and Analysis

(presented in US dollars)

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

Results of Operations

Net earnings for the fourth quarter of 2009 were \$11.4 million or 18 cents per share compared to \$8.9 million or 14 cents per share in the corresponding period of 2008, an increase of 28.1 percent. Continuing the record-setting trend of the previous three quarters of 2009, this represented the highest fourth quarter net earnings performance in the Company's history. Strengthened gross profit margins, net of foreign exchange impacts, improved net earnings per share by approximately 3 cents, while strong volume growth contributed an additional 2 cents per share. Reductions in operating expenses bolstered net earnings by a further 2 cents per share. This was offset in part by the unfavorable impact of foreign exchange on net earnings of 2 cents per share and an increase in the earnings attributable to the minority shareholder of a subsidiary which decreased net earnings per share by 1 cent.

Net earnings for the year were \$42.9 million or 66 cents per share compared to \$29.4 million or 45 cents per share in 2008, eclipsing the previous year's result by 45.9 percent. This represented the best earnings performance in the Company's history, surpassing the previous record by 31.7 percent, an accomplishment even more impressive by the fact that a gain on property sale inflated the previous record earnings by \$4.3 million. Gross profit margin improvement, primarily as a result of lower raw material costs, was the main reason for the earnings growth, enhancing net earnings per share by approximately 23 cents. Moderate volume growth added a further 2 cents per share in net earnings while reductions in expenses including interest contributed approximately 4 cents in net earnings per share. Increased earnings attributable to the minority shareholder of a subsidiary resulted in an offset of about 3 cents in net earnings per share while the unfavorable impact of foreign exchange reduced net earnings by a further 5 cents per share.

Sales

Fourth quarter sales of \$135.5 million were \$5.8 million or 4.5 percent greater than sales in the corresponding quarter in 2008. Volumes in the fourth quarter were strong, an increase of 12.3 percent overall, with all areas advancing except packaging machinery sales. Although a portion of the increase can be explained by the depressed volumes in the fourth quarter of 2008, the remainder speaks to a very solid performance in the current quarter especially in light of the continued weak economic environment. Biaxially oriented nylon film volumes exhibited the highest percentage increase of over 50 percent due to the addition of a major customer in liquid packaging. Lidding volumes continued their strong performance of recent quarters, expanding by nearly 25 percent compared to the fourth quarter of 2008, with advancements exhibited in coffee and yogurt markets. Modified atmosphere packaging and specialty films experienced growth rates of approximately 9 percent while expansion of rigid container volumes approached 5 percent. Only packaging machinery sales volumes declined, partly in response to the economic recession, but even then the decline was less than 2 percent. Lower overall selling prices, in response to decreased raw material costs and changes in product mix, reduced sales by 10.0 percent. The stronger Canadian dollar in the quarter increased reported sales by 2.2 percent in comparison to 2008.

Sales declined by \$6.0 million in 2009 to \$506.0 million from \$512.0 million in 2008, a decrease of 1.2 percent. Volumes rose by a respectable 4.8 percent despite the headwinds of the global economic recession. In particular, robust growth was achieved in lidding where volumes advanced by more than 15 percent led by die-cut coffee and yogurt lidding. Modest volume increases of just over 4 percent were evident in modified atmosphere packaging whereas demand for the Company's products was virtually flat in rigid containers, specialty films and biaxially oriented nylon. Minimal contraction of less than 3 percent was experienced in packaging machinery due to curtailment of capital spending by customers. Lower selling prices, primarily in response to decreased raw material costs, reduced sales by 4.5 percent versus the prior year. The weaker Canadian dollar in 2009 on average was responsible for a further reduction of 1.5 percent of sales versus 2008.

Gross profit margins

Gross profit margins in absolute percentage terms declined to 29.2 percent of sales in the fourth quarter of 2009, down from the 30.1 percent of sales recorded in the corresponding quarter in 2008. However, once the unfavorable impact of the strengthening Canadian dollar on the gross profit margin for the fourth quarter of 2009 of approximately 5 percentage points is neutralized, the actual margin reflects an improvement of just over 4 percentage points from a year ago. By far, the greatest factor influencing the improvement was a decline in raw material costs and the resultant increased spread between raw material costs and selling prices. This is in contrast to the past several years when raw material costs were escalating and selling prices did not keep pace, putting downward pressure on margins.



In 2009, gross profit margins improved to 30.0 percent of sales from 26.1 percent of sales in 2008, an increase of nearly 4 percentage points. This included a negative impact on margins of 1.5 percentage points due to foreign exchange. A marked reduction in raw material costs and the resultant increased spread between those costs and selling prices was the main driving factor behind the gross profit margin improvement over 2008. This was offset to a small degree by higher manufacturing variances. Capacity constraints in certain manufacturing processes, particularly in the first half of the year, resulted in elevated costs to fulfill demand through higher overtime levels and formulation issues with certain products caused greater processing waste levels.

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

Quarter and Year	4/07	1/08	2/08	3/08	4/08	1/09	2/09	3/09	4/09
Purchase Price Index	161.8	167.9	174.6	190.7	160.3	128.0	124.9	131.2	138.6

The index in the fourth quarter has risen by approximately 11 percent since the low point in the second quarter of this year when the current ascent in raw material costs began. Each of the last two quarters has seen increases of over 5 percent and the trend continues upward going into 2010. However, to put matters into perspective, the purchase price index in the fourth quarter of 2009 was still over 13 percent lower than at the same time in the prior year although the gap continues to narrow.

Expenses and Other

Despite a surge in sales volumes of over 12 percent in the quarter, the Company was able to limit increases in operating expenses to less than 0.5 percent in comparison to the fourth quarter of 2008, after excluding the impact of foreign exchange. This contributed approximately 2 cents in net earnings per share and was the result of lower freight costs in 2009 along with higher incentive accruals in the fourth quarter of 2008. An increase in net earnings attributable to the minority shareholder of a subsidiary offset this in part by reducing net earnings per share by 1 cent.

For 2009, operating expenses decreased in relation to 2008 due in large part to lower freight costs as a result of reduced fuel surcharges and decreased pre-production costs as a result of less complicated production line start-ups in the current year. Combined, these added 3 cents in net earnings per share in 2009. An additional 1 cent in net earnings per share was generated by a reduction in interest expense as all bank debt was retired early in 2009. An increase in net earnings attributable to the minority shareholder of a subsidiary lowered net earnings per share by approximately 3 cents.

Capital Resources, Cash Flow and Liquidity

During the fourth quarter of 2009, the Company continued to generate significant cash flow, increasing the net cash position by \$10.5 million to \$61.2 million at December 27, 2009. Strong cash flow from operating activities before changes in working capital generated \$21.4 million in cash in the fourth quarter whereas an additional \$3.3 million was provided by a reduction in net working capital. During the quarter, cash was utilized for plant and equipment additions of \$10.9 million, defined benefit pension payments of \$2.7 million, and dividends of \$1.8 million. There was also a favorable foreign exchange adjustment on cash and cash equivalents of \$1.2 million.

Year-to-date, Winpak's cash position has improved by \$41.4 million, having started the year at \$19.8 million. Cash flow from operating activities, before changes in working capital and defined benefit plan payments, hit an all-time record at \$76.7 million. A further \$12.5 million in cash flow was generated from working capital reductions, primarily through increases in accounts payable and accrued liabilities. After retirement of all of the Company's long-term debt of \$17.0 million in the first quarter of 2009, cash was utilized to fund capital expenditures of \$21.3 million, dividends of \$6.7 million, defined benefit plan payments of \$5.3 million, and intangible assets of \$0.4 million. There was also a favorable foreign exchange adjustment on cash and cash equivalents of \$2.9 million. The Company remains confident that sufficient financial resources are in place to fund cash requirements for the foreseeable future and with its healthy balance sheet, is poised to take advantage of strategic acquisition opportunities which the Company is actively pursuing.

Summary of Quarterly Results

Thousands of US dollars, except per share amounts (US cents)

	Quarter Ended							
	December 27 2009	September 27 2009	June 28 2009	March 29 2009	December 28 2008	September 28 2008	June 29 2008	March 30 2008
Sales	135,464	125,267	125,322	119,938	129,690	131,419	127,582	123,346
Net earnings:	11,445	9,889	11,896	9,661	8,882	7,288	7,231	5,951
EPS	18	15	18	15	14	11	11	9



Looking Forward

After a record-setting net earnings performance in 2009 and a rise in sales volumes in the fourth quarter, the Company is optimistic going into 2010. Although over 90 percent of the Company's sales are into the food and health care markets and thus resistant to economic downturns, the business is not recession-proof. However, there appear to be signs that the global economic recession is easing and this should result in higher sales volumes from existing customers going forward. On the cost side, the trend in raw material pricing is definitely upward. After bottoming out in the second quarter of 2009, the raw material index has increased by greater than 5 percent in each succeeding quarter. Further raw material price escalations of approximately 3 percent have been implemented by suppliers in the first quarter of 2010 and future price hikes have been announced. However, the increases for the most part have been moderate and if that trend continues, the upswing should be manageable for the Company in terms of regulating selling prices. The overall long-term outlook for the supply and corresponding price of natural gas, from which most of the Company's resins are derived, is still quite favorable from a consumer viewpoint and it has been reported that significant new resin production is ready to come on stream in the near future, which should limit escalations in resin pricing. Gross profit margins are likely to remain above levels reported in recent years but are expected to pull back somewhat from the 30 percent level achieved in 2009. In terms of capital spending, expenditures for 2010 are expected to exceed \$30 million as the Company continues to invest in enhancing and advancing its technological strengths. Additional building and machinery are being added to increase capacity for shrink bags, new equipment is being purchased to gain additional capacity in custom thermoforming, and new extrusion and printing capacity is planned for the modified atmosphere packaging business in order to keep up with customer demand. Other equipment enhancements are being directed at improving efficiencies or extending the life of current equipment and options are being investigated to expand the facilities for custom thermoforming. Winpak is also actively seeking acquisition opportunities that would complement the Company's core competencies in the areas of food and health care packaging. With Winpak's very solid financial position and access to additional financing sources, the Company has the ability to consummate a transaction that would enhance long-term shareholder value and strategically position the organization for the future.

Accounting Policy Changes

As more fully described in Note 2 to the Consolidated Financial Statements, the Company adopted the Canadian Institute of Chartered Accountants' (CICA) Handbook Section 3064, Emerging Issues Committee (EIC) Abstract 173, and changes to CICA Handbook Section 3862. The Company adopted CICA Handbook Section 3064 retroactively and comparative figures were restated as required by the revised standard. This new standard had no significant impact on the Company's Consolidated Financial Statements. EIC Abstract 173 and CICA Handbook Section 3862 were adopted prospectively from December 29, 2008 and had no significant impact on the Company's Consolidated Financial Statements.

Future Accounting Standards

International Financial Reporting Standards

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

The Company formally commenced its IFRS conversion project in the second quarter of 2008 and has engaged the services of an external advisor with IFRS expertise to work with management. Regular reporting is provided to the Company's senior management and Audit Committee of the Board of Directors. The Company's conversion project consists of three phases: diagnostic assessment, design and development, and implementation. To date, the diagnostic assessment phase of the project has been completed, the design and development phase is in process, and an implementation plan has been devised. As of December 27, 2009, the project is on schedule in accordance with this plan. To date, the project leaders have received training with respect to IFRS through attendance at seminars and through working with various specialists from the external advisory firm. Winpak will continue to invest in training and external advisor resources throughout the transition to facilitate a timely and successful conversion.

A detailed review of the major differences between Canadian GAAP and current IFRS has been undertaken and at this time, the Company has determined that the areas listed below are expected to have the greatest impact on the Company's Consolidated Financial Statements. The list and comments are intended to highlight only those areas believed to be the most significant and is not intended to be a complete and exhaustive list of all expected changes. In the period leading up to conversion, the International Accounting Standards Board will continue to issue new accounting standards and as a result, the final impact of IFRS on the Company's Consolidated Financial Statements can only be accurately measured once all the IFRS applicable at the conversion date of December 27, 2010 are known. Consequently, the analysis and



policy decisions have been made based upon the Company's expectations regarding the accounting standards that the Company anticipates will be effective upon conversion to IFRS.

First-Time Adoption of International Financial Reporting Standards – IFRS 1, First-Time Adoption of International Financial Reporting Standards, provides guidance for an entity's initial adoption of IFRS and generally requires the retrospective application of all IFRS effective at the end of its first IFRS reporting period. IFRS 1 however does include certain mandatory exceptions and allows certain limited optional exemptions from this general requirement of retrospective application. The Company expects to apply the following significant optional exemptions available under IFRS 1 on the opening transition date of December 28, 2009:

- i. Business combinations – None will be restated prior to the transition date.
- ii. Fair value as deemed cost – The Company will not elect to revalue any property, plant and equipment to fair value.
- iii. Borrowing costs – Capitalization will only be applied prospectively from the transition date.
- iv. Actuarial gains/losses on employee benefits – The Company will recognize all unrecorded actuarial gains/losses in retained earnings upon transition. The estimated amount of the charge to retained earnings is \$11.6 million.
- v. Cumulative translation differences – The Company will elect to reclassify all cumulative translation differences at the transition date from a separate component of equity to retained earnings. The estimated amount of the reclassification is an increase in retained earnings of \$18.3 million.

Functional Currency – IAS 21, The Effects of Changes in Foreign Exchange Rates, requires that the functional currency of each entity in a consolidated group be determined separately based on the currency of the primary economic environment in which the entity operates. A list of primary and secondary indicators are used under IFRS in this determination and these differ in content and emphasis to a certain degree from those factors used under Canadian GAAP. The parent Company and all of its Canadian subsidiaries, with the exception of American Bixis Inc., operated with the Canadian dollar as their functional currency under Canadian GAAP. However, it has been determined that under IFRS, these same entities will change to the US dollar as their functional currency such that all entities within the Winpak group will operate with the US dollar as their functional currency under IFRS. The net result going forward will be decreased earnings volatility due to foreign exchange fluctuations as the magnitude of net Canadian dollar monetary financial instrument exposure is significantly less than the net US dollar monetary financial instrument exposure within these entities. The estimated impact of this change in functional currency, as at December 28, 2009, is a decrease in financial statement items as follows: accumulated other comprehensive income - \$39.6 million; property, plant and equipment - \$28.8 million; deferred credits - \$1.9 million; goodwill - \$1.1 million; and inventory - \$0.6 million. Retained earnings are estimated to increase by \$11.0 million.

Borrowing Costs - International Accounting Standard (IAS) 23, *Borrowing Costs*, requires the capitalization of borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset to be included as part of the cost of that asset. Under Canadian GAAP, the Company's policy was to expense these costs as incurred. This change is not expected to have a significant impact on the Company's future financial results.

Hedging – Under IAS 39, *Financial Instruments Recognition and Measurement*, the requirements for designating hedges and hedge accounting differ from those under Canadian GAAP. The Company is reviewing whether to continue to apply hedge accounting to its foreign exchange contracts under IFRS. Currently under Canadian GAAP, the changes in the fair value of the foreign exchange contracts are recorded in the Company's comprehensive income until the contract matures at which time the result is then recorded within selling, general and administrative expenses in the income statement. If hedge accounting is not applied under IFRS, the changes in the fair value of the foreign exchange contracts will be recorded directly in the income statement in selling, general and administrative expenses in each period until maturity. The Company believes that this treatment may better reflect economic reality and should not have a significant impact on net earnings going forward due to decreased earnings volatility resulting from adoption of the US dollar as the functional currency company-wide.

Impairment of Assets – IAS 36, *Impairment of Assets*, uses a one-step approach for both testing for and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use, which is based on discounted future cash flows. Canadian GAAP, on the other hand, generally uses a two-step approach to impairment testing of long-lived assets and finite-life intangible assets by first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists. If it is determined that there is impairment under this basis, the impairment is then calculated by comparing asset carrying values with fair values in much the same manner as computed under IFRS. Additionally under IFRS, testing for impairment occurs at the level of cash generating units, which is the lowest level of assets that generate largely independent cash inflows. This lower level of grouping compared to Canadian GAAP along with the one-step approach to testing for impairment may increase the likelihood that the Company will realize an impairment of assets under IFRS. It should also be noted that under IAS 36, previous impairment losses, with the exception of goodwill, can be reversed when there are indications that circumstances have changed whereas Canadian GAAP prohibits reversal of non-financial asset impairment losses.



Employee Benefit Plans – IAS 19, *Employee Benefits*, requires the past service cost element of defined benefit plans to be expensed on an accelerated basis, with vested past service costs being expensed immediately and unvested past service costs being recognized on a straight-line basis until the benefits become vested. This would result in a charge to retained earnings at December 28, 2009 of \$1.3 million. Under Canadian GAAP, past service costs are generally amortized on a straight-line basis over the expected average remaining service period of active employees in the plan. In addition, IAS 19 requires an entity to make an accounting policy choice regarding the treatment of actuarial gains and losses. These choices include: (a) the corridor method which is similar to the method currently used by the Company under Canadian GAAP, (b) recording the actuarial gains and losses directly in income in the year incurred, and (c) recognizing the actuarial gains and losses directly in equity through comprehensive income. The Company is currently evaluating these options.

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

As more fully described in Note 3 to the Consolidated Financial Statements, the CICA has issued three new accounting standards in January 2009: Section 1582 Business Combinations, Section 1601 Consolidated Financial Statements, and Section 1602 Non-Controlling Interests, which apply commencing with the Company's 2011 fiscal year. The Company is in the process of evaluating the requirements of the new standards.

Controls and Procedures

Disclosure Controls

Management is responsible for establishing and maintaining disclosure controls and procedures in order to provide reasonable assurance that material information relating to the Company is made known to them in a timely manner and that information required to be disclosed is reported within time periods prescribed by applicable securities legislation. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based on management's evaluation of the design and effectiveness of the Company's disclosure controls and procedures, the Company's Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures are designed and operating effectively as of December 27, 2009 to provide reasonable assurance that the information being disclosed is recorded, summarized and reported as required.

Internal Controls Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles. Internal control systems, no matter how well designed, have inherent limitations and therefore can only provide reasonable assurance as to the effectiveness of internal controls over financial reporting, including the possibility of human error and the circumvention or overriding of the controls and procedures. Management used the Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) as the control framework in designing its internal controls over financial reporting. Based on management's design and testing of the effectiveness of the Company's internal controls over financial reporting, the Company's Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures are designed and operating effectively as of December 27, 2009 to provide reasonable assurance that the financial information being reported is materially accurate. During the fourth quarter ended December 27, 2009, there have been no changes in the design of the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.



Winpak Ltd.
Interim Consolidated Financial Statements
Fourth Quarter Ended: December 27, 2009

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



Winpak Ltd.
Consolidated Balance Sheets
(thousands of US dollars) (unaudited)

	December 27 2009	December 28 2008
	<u> </u>	<u> </u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 61,164	\$ 19,796
Accounts receivable (note 8)	70,354	64,570
Inventory (note 4)	70,559	68,117
Prepaid expenses	2,211	2,060
Future income taxes	2,310	3,363
	<u>206,598</u>	<u>157,906</u>
Property, plant and equipment (net) (note 2)	239,017	225,473
Other assets	14,401	11,259
Intangible assets (net) (note 2)	5,896	7,690
Goodwill	17,235	16,082
	<u>\$ 483,147</u>	<u>\$ 418,410</u>
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 44,965	\$ 34,693
Income taxes payable	2,931	2,017
	<u>47,896</u>	<u>36,710</u>
Long-term debt	-	17,000
Deferred credits	11,363	10,860
Future income taxes	32,459	28,390
Postretirement benefits	1,673	1,624
	<u>93,391</u>	<u>94,584</u>
Minority interest	15,871	14,069
Shareholders' equity:		
Share capital	29,195	29,195
Retained earnings	285,973	249,990
Accumulated other comprehensive income (note 5)	58,717	30,572
	<u>344,690</u>	<u>280,562</u>
	<u>373,885</u>	<u>309,757</u>
	<u>\$ 483,147</u>	<u>\$ 418,410</u>

See accompanying notes to consolidated financial statements.



Winpak Ltd.

Consolidated Statements of Earnings and Retained Earnings
(thousands of US dollars, except per share amounts) (unaudited)

	Fourth Quarter Ended		Year-To-Date Ended	
	December 27	December 28	December 27	December 28
	2009	2008	2009	2008
Sales	\$ 135,464	\$ 129,690	\$ 505,991	\$ 512,037
Cost of sales	95,851	90,609	354,068	378,527
Gross profit	39,613	39,081	151,923	133,510
Expenses				
Selling, general and administrative (note 6)	18,834	21,127	73,479	74,152
Research and technical	3,445	3,362	12,319	12,263
Pre-production	48	34	111	823
Earnings from operations	17,286	14,558	66,014	46,272
Interest expense	150	215	141	1,131
Earnings before income taxes and minority interest	17,136	14,343	65,873	45,141
Provision for income taxes	5,275	5,568	21,180	15,725
Minority interest	416	(107)	1,802	64
Net earnings	\$ 11,445	\$ 8,882	\$ 42,891	\$ 29,352
Retained earnings, beginning of period	276,385	242,721	249,990	227,978
Net earnings	11,445	8,882	42,891	29,352
Dividends declared	(1,857)	(1,613)	(6,908)	(7,340)
Retained earnings, end of period	\$ 285,973	\$ 249,990	\$ 285,973	\$ 249,990
Earnings per share				
Basic and fully diluted earnings per share (cents)	18	14	66	45
Average number of shares outstanding (000's)	65,000	65,000	65,000	65,000

Consolidated Statements of Comprehensive Income
(thousands of US dollars) (unaudited)

	Fourth Quarter Ended		Year-To-Date Ended	
	December 27	December 28	December 27	December 28
	2009	2008	2009	2008
Net earnings	\$ 11,445	\$ 8,882	\$ 42,891	\$ 29,352
Unrealized gains (losses) on translation of financial statements of operations with CDN dollar functional currency to US dollar reporting currency	8,060	(24,430)	26,713	(33,663)
Unrealized gains (losses) on derivatives designated as cash flow hedges, net of income tax (2009 - \$211 and \$703) (2008 - \$(558) and \$(615))	353	(1,037)	1,422	(1,140)
Realized (gains) losses on derivatives designated as cash flow hedges in prior periods transferred to net earnings in the current period, net of income tax (2009 - \$(224) and \$4) (2008 - \$228 and \$238)	(381)	423	10	442
Other comprehensive income (loss) - net of income tax (note 5)	8,032	(25,044)	28,145	(34,361)
Comprehensive income	\$ 19,477	\$ (16,162)	\$ 71,036	\$ (5,009)

See accompanying notes to consolidated financial statements.



Winpak Ltd.

Consolidated Statements of Cash Flows

(thousands of US dollars) (unaudited)

	Fourth Quarter Ended		Year-To-Date Ended	
	December 27	December 28	December 27	December 28
	2009	2008	2009	2008
Cash provided by (used in):				
Operating activities:				
Net earnings for the period	\$ 11,445	\$ 8,882	\$ 42,891	\$ 29,352
Items not involving cash:				
Depreciation (note 2)	6,217	5,489	23,598	22,931
Amortization - intangible assets (note 2)	607	621	2,398	2,476
Defined benefit plan costs	788	784	3,382	2,693
Future income taxes	1,511	2,376	1,963	3,411
Foreign exchange loss on long-term debt	-	3,104	559	4,015
Minority interest	416	(107)	1,802	64
Other	461	(327)	142	(495)
Cash flow from operating activities before the following	21,445	20,822	76,735	64,447
Change in working capital:				
Accounts receivable	(3,572)	(3,457)	(1,492)	(12,561)
Income taxes receivable	-	1,557	-	6,050
Inventory	3,515	8,404	2,594	(3,031)
Prepaid expenses	287	151	95	(410)
Accounts payable and accrued liabilities	4,518	(2,938)	10,630	(3,076)
Income taxes payable	(1,446)	1,669	642	1,669
Defined benefit plan payments	(2,691)	(1,666)	(5,310)	(5,815)
	22,056	24,542	83,894	47,273
Investing activities:				
Acquisition of plant and equipment	(10,869)	(3,216)	(21,354)	(14,746)
Acquisition of intangible assets	(148)	(267)	(444)	(1,081)
	(11,017)	(3,483)	(21,798)	(15,827)
Financing activities:				
Repayments of long-term debt	-	-	(17,000)	(5,000)
Dividends paid	(1,786)	(1,888)	(6,664)	(7,716)
Investment by minority shareholder in subsidiary	-	-	-	2,940
	(1,786)	(1,888)	(23,664)	(9,776)
Foreign exchange translation adjustment-cash and cash equivalents	1,241	2,733	2,936	3,163
Change in cash and cash equivalents	10,494	21,904	41,368	24,833
Cash and cash equivalents (bank indebtedness), beginning of period	50,670	(2,108)	19,796	(5,037)
Cash and cash equivalents, end of period	\$ 61,164	\$ 19,796	\$ 61,164	\$ 19,796

Supplemental disclosure of cash flow information:

Cash paid during the period for:

Interest expense	\$ 3	\$ 292	\$ 70	\$ 1,651
Income tax expense	4,175	143	16,271	3,895

See accompanying notes to consolidated financial statements.

1. Basis of Presentation

The unaudited interim consolidated financial statements have been prepared by the Company in accordance with Canadian Generally Accepted Accounting Principles (GAAP) and have been prepared on a basis consistent with the same accounting policies and methods of application as disclosed in the Company's audited consolidated financial statements for the year ended December 28, 2008 except as described in Note 2.

These unaudited interim consolidated financial statements do not include all of the information and notes to the financial statements required by GAAP for annual financial statements and therefore should be read in conjunction with the audited consolidated financial statements and notes included in the Company's Annual Report for the year ended December 28, 2008.

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

Certain comparative figures have been reclassified to conform with the presentation in the current year.

2. Accounting Policy Changes

In 2009, the Company adopted the following new Canadian Institute of Chartered Accountants (CICA) accounting standards.

(a) Section 3064 – Goodwill and Intangible Assets:

This section replaces Section 3062 Goodwill and Other Intangible Assets and Section 3450 Research and Development Costs. The new Section establishes standards on the recognition, measurement, presentation and disclosure for goodwill and intangible assets subsequent to their initial recognition. The standard requires retroactive application to prior period financial statements.

As a result of adopting the standard, certain computer software costs previously recorded as property, plant and equipment are now recorded as intangible assets. Accordingly, \$1,707 of net book value at December 28, 2008 was reclassified from property, plant and equipment to intangible assets. The related amortization expense is being recorded in selling, general and administrative expenses, consistent with the presentation of this item prior to adoption of Section 3064. On the consolidated statement of cash flows, amortization – intangible assets increased by \$164 for the fourth quarter of 2008, with a corresponding decrease to depreciation (2008 year-to-date - \$754).

(b) Emerging Issues Committee (EIC) Abstract 173 – Credit Risk and the Fair Value of Financial Assets and Financial Liabilities:

In January 2009, the CICA issued EIC 173, which establishes that an entity's own credit accounting risk and credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. EIC 173 should be applied retrospectively without restatement of prior years, to all financial assets and financial liabilities measured at fair value in interim and annual financial statements for periods ending on or after January 20, 2009. The Company has reviewed the guidance and determined that there was no impact on the consolidated financial statements.

(c) Section 3862 – Financial Instrument Disclosures:

In June 2009, the CICA issued amendments to Section 3862 in an effort to make the Section consistent with International Financial Reporting Standards – IFRS 7 Financial Instruments: Disclosure. The amendments included additional disclosure requirements about fair value measurements of financial instruments and to enhance liquidity risk disclosures. The additional disclosure requirements about fair value measurements are intended to provide users of the financial statements with the ability to assess the reliability of an entity's fair value measurements. An entity must classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making these measurements. The three levels of the fair value hierarchy are:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – inputs that are not based on observable market data.

The amendments to Section 3862 apply to annual financial statements relating to fiscal years ending after September 30, 2009. The Company has reviewed the amendments and determined there was no impact on the consolidated financial statements of the Company other than additional disclosures (see note 7).

3. Future Accounting Standards

In January 2009, the CICA issued three new accounting standards which all apply commencing with the Company's 2011 fiscal year.

(a) Business Combinations:

Section 1582 replaces Section 1581 Business Combinations and provides clarification as to what an acquirer must measure when it controls a business, the basis of valuation and the date at which the valuation should be determined. Section 1582 provides the CDN GAAP equivalent to IFRS - 3 Business Combinations. This section outlines a variety of changes, including, but not limited to: an expanded definition of a business, measuring all business combinations and non-controlling interest at fair value, recognizing future income tax assets and liabilities and recording all acquisition related costs as expenses of the period except for costs incurred to issue debt or share capital. This new standard is applicable for acquisitions completed on or after November 1, 2011 although early adoption is permitted in 2010 to facilitate the transition to IFRS in 2011.



Notes to Consolidated Financial Statements

For the periods ended December 27, 2009 and December 28, 2008

(thousands of US dollars) (Unaudited)

(b) Consolidations and Non-controlling Interests:

Sections 1601 and 1602 replace former Section 1600 – Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements after the acquisition date. Section 1602, which converges with the requirements of International Accounting Standard 27 (IAS 27) – Consolidated and Separate Financial Statements, establishes standards for the accounting and presentation of non-controlling interest in a subsidiary subsequent to a business combination.

The Company is currently evaluating the effects of adopting the aforementioned accounting standards.

(c) International Financial Reporting Standards:

The CICA Accounting Standards Board (ASB) has confirmed that the accounting standards for Publicly Accountable Enterprises will be required to converge with International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011 with comparable figures presented for 2010.

4. Inventory

	December 27 2009	December 28 2008
Raw materials	23,759	23,935
Work-in-process	9,697	12,390
Finished goods	33,492	28,806
Spare parts	3,611	2,986
	<u>70,559</u>	<u>68,117</u>

During the fourth quarter of 2009, the Company recorded inventory write-downs for slow-moving and obsolete inventory of \$631 (2008- \$1,393) and reversals of previously written-down items that were sold to customers of \$196 (2008- \$413). During 2009, the Company recorded inventory write-downs for slow-moving and obsolete inventory of \$4,937 (2008- \$5,277) and reversals of previously written-down items that were sold to customers of \$811 (2008- \$922).

5. Accumulated Other Comprehensive Income

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

	Fourth Quarter Ended		Year-To-Date Ended	
	December 27 2009	December 28 2008	December 27 2009	December 28 2008
Balance, beginning of period	50,685	55,616	30,572	64,933
Other comprehensive income (loss)	8,032	(25,044)	28,145	(34,361)
Balance, end of period	<u>58,717</u>	<u>30,572</u>	<u>58,717</u>	<u>30,572</u>

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

Unrealized gains on translation of financial statements of operations with CDN dollar functional currency to US dollar reporting currency	57,907	31,194
Unrealized gains (losses) on derivatives designated as cash flow hedges	810	(622)
Balance, end of period	<u>58,717</u>	<u>30,572</u>



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6. Selling, General and Administrative

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

	Fourth Quarter Ended		Year-To-Date Ended	
	December 27	December 28	December 27	December 28
	2009	2008	2009	2008
Foreign exchange translation losses	1,179	4,345	4,599	5,254
Defined benefit plan costs	788	784	3,382	2,693

Foreign exchange translation losses represent the realized and unrealized foreign exchange differences recognized upon translation of monetary assets and liabilities, including long-term debt. The amounts include realized foreign exchange losses (gains) on cash flow hedges arising from transfers of these amounts from other comprehensive income to net earnings.

7. Financial Instruments

The following sets out the classification and the carrying value and fair value of financial instruments and non-financial derivatives as at December 27, 2009:

Assets (Liabilities)	Classification	Carrying / Fair Value	Fair Value Value
Cash and cash equivalents	Held for trading	61,164	
Accounts receivable	Loans and receivables	69,172	
Accounts payable and accrued liabilities	Other financial liabilities	(44,965)	
Cash flow hedging derivative	Derivatives designated as effective hedges		1,182

The fair value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their carrying value because of the short-term maturity of these instruments. The fair value of foreign currency forward and expandable option contracts, designated as a cash flow hedge, have been determined by valuing those contracts to market against prevailing forward foreign exchange rates as at the year-end reporting date. The inputs used for fair value measurements, including their classification within the required three levels of the fair value hierarchy that prioritizes the inputs used for fair value measurement are as follows:

- Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – inputs that are not based on observable market data.

The following table presents the classification of financial instruments within the fair value hierarchy as at December 27, 2009:

Financial Assets	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	61,164	-	-	61,164
Foreign currency forward and expandable option contracts	-	1,182	-	1,182
Total	<u>61,164</u>	<u>1,182</u>	<u>-</u>	<u>62,346</u>

8. Financial Risk Management

In the normal course of business, the Company has risk exposures consisting primarily of foreign exchange risk, interest rate risk, commodity price risk, credit risk and liquidity risk. The Company manages its risks and risk exposures through a combination of derivative financial instruments, insurance, a system of internal and disclosure controls and sound business practices. The Company does not purchase any derivative financial instruments for speculative purposes.

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



8. Financial Risk Management – continued

Foreign Exchange Risk

The Company operates primarily in Canada and the United States. The functional currency of the parent company is CDN dollars and the reporting currency is US dollars. All operations in the United States and American Bixis Inc. operate with the US dollar as the functional currency, while all Canadian operations, excluding American Bixis Inc., operate with the CDN dollar as the functional currency. Most of the Company's business is conducted in US dollars. However, approximately 17 percent of sales are invoiced in CDN dollars and approximately 27 percent of costs are incurred in the same currency, resulting in a net outflow of costs in CDN dollars. Consequently, the Company records foreign currency differences on transactions.

In addition, translation differences arise when foreign currency monetary assets and liabilities are translated at foreign exchange rates that change over time. These foreign exchange gains and losses are recorded in selling, general & administrative expenses. As a result of the Company's US dollar net asset monetary position within the CDN dollar functional currency operations as at December 27, 2009, a one-cent change in the period end foreign exchange rate from 1.0499 to 1.0399 (US to CDN dollars) would have decreased net earnings by \$324 for 2009. Conversely, a one-cent change in the period end foreign exchange rate from 1.0499 to 1.0599 (US to CDN dollars) would have increased net earnings by \$324 for 2009.

The Company's Foreign Exchange Policy requires that between 50 and 80 percent of the Company's net requirement of CDN dollars for the ensuing 9 to 15 months will be hedged at all times with a combination of cash and cash equivalents and forward or zero-cost option foreign currency contracts. Transactions are only conducted with certain approved Schedule I Canadian financial institutions. All foreign currency contracts are designated as cash flow hedges. Certain foreign currency contracts matured during the fourth quarter of 2009 and the Company realized pre-tax foreign exchange gains of \$605 (year-to-date – realized pre-tax foreign exchange losses of \$14). These foreign exchange gains and losses were recorded in selling, general & administrative expenses.

As at December 27, 2009, the Company had foreign currency forward contracts outstanding with a notional amount of \$14.0 million US at an average exchange rate of 1.1365 (US to CDN dollars), maturing between January and December 2010 and the fair value of these financial instruments was \$1.140 million US. In addition, the Company had foreign currency expandable option contracts outstanding with a notional amount of \$3.0 million US at an average exchange rate of 1.0567 (US to CDN dollars) which may be expanded to \$4.5 million US if foreign exchange rates on their respective maturity date exceeds, on average, 1.1238 (US to CDN dollars) maturing between May and December 2010. The fair value of these financial instruments was an unrealized gain of \$0.042 million. The aforementioned unrealized gains have been recorded in other comprehensive income.

An unrealized foreign exchange gain during the quarter of \$564 (pre-tax) (year-to-date – \$2,125 (pre-tax)) was recorded in other comprehensive income.

Interest Rate Risk

The Company's interest rate risk arises from interest rate fluctuations on the interest income that it earns on its cash invested in money market accounts and short-term deposits. In 2009, the Company developed and implemented an investment policy, which was approved by the Company's Board of Directors, with the primary objective to preserve capital, minimize risk and provide liquidity. Regarding the December 27, 2009 cash and cash equivalents balance of \$61.2 million, a 1.0% increase/decrease in interest rate fluctuations would increase/decrease earnings before tax by \$612 annually.

Commodity Price Risk

The Company's manufacturing costs are affected by the price of raw materials, namely petroleum-based and natural gas-based plastic resins and aluminum. In order to manage its risk, the Company has entered into selling price-indexing programs with certain customers. Changes in raw material prices for these customers are reflected in selling price adjustments but there is a slight time lag. For the twelve months ended December 27, 2009, 46% of sales were to customers with selling price-indexing programs. For all other customers, the Company's preferred practice is to match raw material cost changes with selling price adjustments, albeit with a slight time lag. This matching is not always possible as customers react to selling price pressures related to raw material cost fluctuations according to conditions pertaining to their markets.

Credit Risk

The Company is exposed to credit risk from its cash and cash equivalents held with banks and financial institutions, derivative financial instruments (foreign currency forward and expandable option contracts), as well as credit exposure to customers with outstanding accounts receivable balances.



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8. Financial Risk Management – continued

The following table details the maximum exposure to the Company's counterparty credit risk which represents the carrying value of the financial asset:

	December 27 2009	December 28 2008
Cash and cash equivalents	61,164	19,796
Accounts receivable	69,172	64,570
Foreign currency forward and expandable option contracts	1,182	-
	<u>131,518</u>	<u>84,366</u>

Credit risk on cash and cash equivalents and financial instruments arises in the event of non-performance by the counterparties when the Company is entitled to receive payment from the counterparty who fails to perform. The Company has established an investment policy to manage its cash. The policy requires that the Company manage its risk by investing its excess cash on hand on a short-term basis, up to a maximum of six months, with several financial institutions and/or governmental bodies that must be 'AA' rated or higher by a recognized international credit rating agency or insured 100% by a 'AAA' rated CDN or US government. The Company manages its counterparty risk on its financial instruments by only dealing with CDN Schedule I financial institutions.

In the normal course of business, the Company is exposed to credit risk on its accounts receivable from customers. The Company's current credit exposure is higher in the weakened North American economic environment. To mitigate such risk, the Company performs ongoing customer credit evaluations and assesses their credit quality by taking into account their financial position, past experience and other pertinent factors. Management regularly monitors customer credit limits, performs credit reviews and, in certain cases insures account receivable against credit losses.

As at December 27, 2009, the Company believes that the credit risk for accounts receivable is mitigated due to the following: a) a broad customer base which is dispersed across varying market sectors and geographic locations, b) 97% of gross accounts receivable balances are outstanding for less than 60 days (2008 – 95%), c) 12% of the accounts receivable balance are insured against credit losses, and d) the Company's exposure to individual customers is limited and the ten largest customers, on aggregate, accounted for 28% (2008 – 26%) of the total accounts receivable balance.

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

The following table sets out the aging details of the Company's accounts receivable balances outstanding based on the status of the receivable in relation to when the receivable was due and payable and related allowance for doubtful accounts:

	December 27 2009	December 28 2008
Current - neither impaired nor past due	53,224	46,424
<u>Not impaired but past the due date:</u>		
Within 30 days	16,725	16,329
31 - 60 days	1,271	2,359
Over 60 days	895	1,121
	<u>72,115</u>	<u>66,233</u>
Less: Allowance for doubtful accounts	(1,761)	(1,663)
Total accounts receivable, net	<u>70,354</u>	<u>64,570</u>



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8. Financial Risk Management – continued

The following table details the continuity of the allowance for doubtful accounts:

	December 27 2009	December 28 2008
Balance, beginning of year	(1,663)	(1,538)
Provisions for the period, net of recoveries	(215)	(425)
Uncollectible amounts written off	180	209
Foreign exchange impact	(63)	91
Balance, end of year	<u>(1,761)</u>	<u>(1,663)</u>

Liquidity Risk

Liquidity risk is the risk that the Company would not be able to meet its financial obligations as they come due. Management believes that the liquidity risk is low due to the strong financial condition of the Company. This risk assessment is based on the following: a) cash and cash equivalents amounts of \$61.2 million, b) no outstanding long-term debt, c) unused credit facilities comprised of unsecured operating lines of \$38 million, d) the ability to obtain term-loan financing to fund an acquisition, if needed, e) an informal investment grade credit rating, and f) the Company's ability to generate positive cash flows from ongoing operations. Management believes that the Company's cash flows are more than sufficient to cover its operating costs, working capital requirements, capital expenditures and dividend payments in 2010. The Company's accounts payable and accrued liabilities are all due within 6 months.

Commitments and Contractual Obligations

The Company enters into commitments and contractual obligations in the normal course of business operations. The Company has commitments of \$13,004 (2008 - \$1,314) with respect to plant and equipment purchases. The Company rents premises and equipment under operating leases that expire at various dates until April 30, 2015. The aggregate minimum rentals payable for these leases are as follows:

Year	2010	2011	2012	2013	2014	Thereafter	Total
Amount	1,840	1,005	783	708	664	208	5,208

9. Capital Management

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

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

The Company has externally imposed capital requirements as governed through its bank operating line credit facilities. The Company monitors capital on the basis of funded debt to EBITDA (earnings before interest, income taxes, depreciation and amortization) and debt service coverage. Funded debt is defined as the sum of long-term debt and bank indebtedness less cash and cash equivalents. The funded debt to EBITDA is calculated as funded debt, as at the financial reporting date, over the twelve-month rolling EBITDA. This ratio is to be maintained under 3.00:1. As at December 27, 2009, the ratio was 0.00:1. Debt service coverage is calculated as a twelve-month rolling earnings from operations over debt service. Debt service is calculated as the sum of one-sixth long-term debt outstanding plus annualized interest expense and dividends. This ratio is to be maintained over 1.50:1. As at December 27, 2009, the ratio was 9.46:1.

There were no changes in the Company's approach to capital management during 2009.

10. Seasonality

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