



## Winpak Reports First Quarter Earnings

Winnipeg, Manitoba, April 20, 2010 - Winpak Ltd. (WPK) today reports consolidated results in US dollars for the first quarter of 2010, which ended on March 28, 2010.

<u>For The Period Ended</u>	<u>March 28 2010</u>	<u>March 29 2009</u>
<i>(thousands of US dollars, except per share amounts)</i>		
Sales	<u>132,888</u>	<u>119,938</u>
Net earnings	<u>12,256</u>	<u>9,661</u>
Minority interest	319	280
Provision for income taxes	5,659	5,146
Interest (income) expense	(20)	13
Depreciation and amortization	<u>6,766</u>	<u>6,121</u>
EBITDA (1)	<u>24,980</u>	<u>21,221</u>
Basic and fully diluted net earnings per share (cents)	<u>19</u>	<u>15</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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<sup>1</sup> EBITDA is not a recognized measure under Canadian GAAP. Management believes that in addition to net earnings, this measure provides useful supplemental information to investors including an indication of cash available for distribution prior to debt service, capital expenditures and income taxes. Investors should be cautioned, however, that this measure should not be construed as an alternative to net earnings, determined in accordance with GAAP, as an indicator of the Company's performance. The Company's method of calculating this measure may differ from other companies, and, accordingly, the results may not be comparable.



## Management's Discussion and Analysis

(presented in US dollars)

Forward-looking statements: Certain statements made in the following Management's Discussion and Analysis contain forward-looking statements including, but not limited to, statements concerning possible or assumed future results of operations of the Company. Forward-looking statements represent the Company's intentions, plans, expectations and beliefs, and are not guarantees of future performance. Such forward-looking statements represent 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 first quarter of 2010 were \$12.3 million or 19 cents per share compared to \$9.7 million or 15 cents per share in the corresponding period of 2009, an increase of 26.8 percent. This represented the highest quarterly net earnings performance in the Company's history. Impressive volume growth improved net earnings per share by approximately 2.0 cents while improved manufacturing performance strengthened gross profit margins, excluding foreign exchange impacts, to contribute an additional 0.5 cents in net earnings per share. Lower operating expenses in relation to higher sales volumes boosted net earnings by a further 4.0 cents per share while a lower effective tax rate augmented net earnings per share by approximately 0.5 cents. This was offset in part by the unfavorable impact of foreign exchange on net earnings of approximately 3.0 cents per share.

### Sales

Sales in the first quarter of 2010 of \$132.9 million increased by \$13.0 million or 10.8 percent compared to the corresponding quarter in 2009. Volumes were robust, growing by 14.2 percent, with advancements evident across all product lines. A gradually improving economic environment and additions to the customer base helped bolster sales volumes. Lidding volumes, particularly in the coffee and yogurt markets, continued where they left off in the previous quarter, expanding by over 30 percent compared to the first quarter of 2009. Sales of biaxially oriented nylon advanced by over 25 percent, as new customers were added. Solid double-digit growth was evident in both specialty films and modified atmosphere packaging where an improved economy and new business in shrink bags and bacon packaging contributed to the sales upswing. After a setback in 2009, packaging machinery sales rebounded with a rise of nearly 10 percent while rigid container sale volumes increased at a more modest rate. Lower overall selling prices, in response to decreased raw material costs in 2009 and changes in product mix, reduced sales by 6.3 percent. The stronger Canadian dollar in the quarter increased reported sales by 2.9 percent in comparison to 2009.

### Gross profit margins

Gross profit margins declined slightly to 29.2 percent of sales in the first quarter of 2010 from 29.5 percent of sales recorded in the first quarter of 2009. However, once the unfavorable impact of the strengthening Canadian dollar on the gross profit margin for the first quarter of 2010 is removed, the actual margin reflects an improvement of just under 2 percentage points from a year earlier. This favorable result is due almost exclusively to enhanced manufacturing performance as a result of lower waste and higher throughput 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. The index was rebalanced as of December 28, 2009 to reflect the mix of the eight primary raw materials purchased in 2009.

Quarter and Year	1/08	2/08	3/08	4/08	1/09	2/09	3/09	4/09	1/10
Purchase Price Index	167.9	174.6	190.7	160.3	128.0	124.9	131.2	138.6	150.5

The index in the first quarter rose by 8.6 percent since the start of the year and the trend continues upward in the second quarter. However, within the index there has been significant variability, with some material such as polypropylene resin more than doubling from its low point in the past year while increases for other materials have been more moderate. Overall, the purchase price index is now higher than at any time in 2009 but lower than all of 2008. The Company continues to work diligently in managing selling prices with raw material changes.

### Expenses and Other

Excluding the impact of foreign exchange, the Company was able to decrease operating expenses by nearly 4 percent in comparison to the first quarter of 2009, even though sales volumes increased by over 14 percent. Firm cost control along with reductions in selling and credit-related expenses resulted in an additional 4.0 cents in net earnings per share. A lower corporate income tax rate in Canada, effective January 1, 2010, helped boost net earnings per share by a further 0.5 cents in the first quarter of 2010 in comparison to the corresponding quarter in 2009.



Capital Resources, Cash Flow and Liquidity

The Company's cash and cash equivalents during the first quarter of 2010 declined slightly by \$1.4 million to finish at \$59.7 million. Strong cash flow from operating activities before changes in working capital generated \$19.8 million in cash in the quarter. However, \$11.4 million was used to fund increases in working capital, particularly inventory to account for escalations in raw material costs and higher levels necessary to service a heightened sales demand. During the quarter, cash was also utilized for plant and equipment additions of \$6.5 million, defined benefit pension payments of \$2.4 million, and dividends of \$1.9 million. There was also a favorable foreign exchange adjustment on cash and cash equivalents of \$1.0 million. The Company remains debt-free and has unutilized operating lines of \$38 million, with the ability to increase borrowing capacity further should the need arise.

Summary of Quarterly Results

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

	Quarter Ended							
	March 28 2010	December 27 2009	September 27 2009	June 28 2009	March 29 2009	December 28 2008	September 28 2008	June 29 2008
Sales	132,888	135,464	125,267	125,322	119,938	129,690	131,419	127,582
Net earnings	12,256	11,445	9,889	11,896	9,661	8,882	7,288	7,231
EPS	19	18	15	18	15	14	11	11

Looking Forward

Following two quarters of double-digit volume growth and five successive quarters of record net earnings performance, the Company remains optimistic regarding 2010 and beyond. The Company's core business, devoted mainly to the food and health care markets, has performed well throughout the recent economic downturn and amid signs of economic recovery, Winpak's investments in technology and organic growth in recent years should provide the basis for future success. Demand appears solid across all product groups and is expected to continue for the near future. New product initiatives and additions to the customer base are building upon an already solid foundation. An area of some concern, however, is the trend in raw material pricing. For the last three quarters, the raw material index has risen by a total of over 20 percent and further escalations are expected going into the second quarter. For non-indexed accounts, the Company has announced selling price increases for most products in the latter part of the first quarter in an attempt to match raw material hikes, consistent with other competitors in the marketplace. The key going forward will be to minimize margin erosion by matching raw material cost changes with selling price adjustments. Over the long-term, the outlook for the supply of natural gas, from which most of the Company's resins are derived, is still very favorable from a consumer viewpoint, which should bode well for future resin price containment. In the short-term, though, it is likely that gross profit margins will be negatively affected due to the lag effect experienced when raw material costs are rising and selling prices follow. However, gross profit margins should still remain above the average of the last several years. In terms of capital spending, expenditures for 2010 are still expected to range from \$30 million to \$35 million as the Company continues to invest in enhancing and advancing its technological strengths. Winpak remains actively engaged in exploring acquisition opportunities that would complement the Company's core competencies in the areas of food and health care packaging. The Company will seek to enhance long-term shareholder value in this regard by consummating a transaction only when the right combination of organization fit and valuation are present in an acquisition opportunity.

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 March 28, 2010, the project is on schedule in accordance with this plan. During the past quarter, efforts have been directed at modifications to the Company's information systems, primarily to accommodate a change in functional currency of the Canadian entities as well as allow for parallel reporting in 2010 under both IFRS and Canadian GAAP. Meetings have also been held with internal accounting personnel as well as the Board of Directors to provide



education with respect to IFRS and its effects on the Company. 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. Readers are cautioned that the disclosed impacts of IFRS on financial reporting are preliminary estimates and may be subject to change.

*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 current estimate of the charge to retained earnings is approximately \$12 million, although the Company is currently awaiting the completion of actuarial valuations of several of the defined benefit plans which may result in a refinement of this amount.
- 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 is 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 - \$18.3 million; future income tax liability - \$5.4 million; goodwill - \$1.1 million; and inventory - \$0.6 million. Retained earnings are estimated to increase by \$25.0 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 2 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.

#### 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 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 as of March 28, 2010 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 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 as of March 28, 2010 to provide reasonable assurance that the financial information being reported is materially accurate. During the first quarter ended March 28, 2010, 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  
First Quarter Ended: March 28, 2010

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)*

	March 28 2010	December 27 2009
	<u>                    </u>	<u>                    </u>
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 59,747	\$ 61,164
Accounts receivable (note 7)	70,724	70,354
Inventory (note 3)	78,726	70,559
Prepaid expenses	2,657	2,211
Future income taxes	2,624	2,310
	<u>214,478</u>	<u>206,598</u>
Property, plant and equipment (net)	241,840	239,017
Other assets	16,177	14,401
Intangible assets (net)	5,417	5,896
Goodwill	17,432	17,235
	<u>\$ 495,344</u>	<u>\$ 483,147</u>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 44,422	\$ 44,965
Income taxes payable	361	2,931
	<u>44,783</u>	<u>47,896</u>
Deferred credits	11,287	11,363
Future income taxes	32,402	32,459
Postretirement benefits	1,678	1,673
	<u>90,150</u>	<u>93,391</u>
Minority interest	16,190	15,871
<b>Shareholders' equity:</b>		
Share capital	29,195	29,195
Retained earnings	296,330	285,973
Accumulated other comprehensive income (note 4)	63,479	58,717
	<u>359,809</u>	<u>344,690</u>
	<u>389,004</u>	<u>373,885</u>
	<u>\$ 495,344</u>	<u>\$ 483,147</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)*

	For The Quarter Ended	
	March 28	March 29
	2010	2009
Sales	\$ 132,888	\$ 119,938
Cost of sales	94,067	84,600
Gross profit	38,821	35,338
Expenses		
Selling, general & administrative (note 5)	17,608	17,437
Research and technical	2,955	2,738
Pre-production	44	63
<b>Earnings from operations</b>	18,214	15,100
Interest (income) expense	(20)	13
Earnings before income taxes and minority interest	18,234	15,087
Provision for income taxes	5,659	5,146
Minority interest	319	280
<b>Net earnings</b>	\$ 12,256	\$ 9,661
Retained earnings, beginning of period	285,973	249,990
Net earnings	12,256	9,661
Dividends declared	(1,899)	(1,576)
<b>Retained earnings, end of period</b>	\$ 296,330	\$ 258,075
Earnings per share		
<b>Basic and fully diluted earnings per share (cents)</b>	19	15
Average number of shares outstanding (000's)	65,000	65,000

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

	For The Quarter Ended	
	March 28	March 29
	2010	2009
<b>Net earnings</b>	\$ 12,256	\$ 9,661
Unrealized gains (losses) on translation of financial statements of operations with CDN dollar functional currency to US dollar reporting currency	5,038	(3,738)
Unrealized gains (losses) on derivatives designated as cash flow hedges, net of income tax (2010 - \$125) (2009 - \$(57))	352	(125)
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 (2010 - \$(269)) (2009 - \$288)	(628)	522
<b>Other comprehensive income (loss) - net of income tax (note 4)</b>	4,762	(3,341)
<b>Comprehensive income</b>	\$ 17,018	\$ 6,320

See accompanying notes to consolidated financial statements.



Winpak Ltd.

**Consolidated Statements of Cash Flows**

*(thousands of US dollars) (unaudited)*

	For The Quarter Ended	
	March 28	March 29
	2010	2009
<b>Cash provided by (used in):</b>		
<b>Operating activities:</b>		
Net earnings for the period	\$ 12,256	\$ 9,661
Items not involving cash:		
Depreciation	6,209	5,532
Amortization - intangible assets	557	589
Defined benefit plan costs	1,006	788
Future income taxes	(646)	331
Foreign exchange loss on long-term debt	-	559
Minority interest	319	280
Other	74	(385)
Cash flow from operating activities before the following	19,775	17,355
Change in working capital:		
Accounts receivable	(221)	1,555
Inventory	(7,244)	3,275
Prepaid expenses	(413)	(254)
Accounts payable and accrued liabilities	(891)	748
Income taxes payable	(2,586)	(10)
Defined benefit plan payments	(2,422)	(2,205)
	5,998	20,464
<b>Investing activities:</b>		
Acquisition of plant and equipment	(6,457)	(2,037)
Acquisition of intangible assets	(55)	(104)
	(6,512)	(2,141)
<b>Financing activities:</b>		
Repayments of long-term debt	-	(17,000)
Dividends paid	(1,857)	(1,613)
	(1,857)	(18,613)
Foreign exchange translation adjustment-cash and cash equivalents	954	(263)
<b>Change in cash and cash equivalents</b>	<b>(1,417)</b>	<b>(553)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>61,164</b>	<b>19,796</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 59,747</b>	<b>\$ 19,243</b>

Supplemental disclosure of cash flow information:

Cash paid during the period for:

Interest expense	\$ 1	\$ 37
Income tax expense	8,191	4,176

See accompanying notes to consolidated financial statements.



**Notes to Consolidated Financial Statements**  
For the periods ended March 28, 2010 and March 29, 2009  
*(thousands of US dollars) (Unaudited)*

**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 27, 2009.

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 27, 2009.

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

**2. 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.

**(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.

**(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.

**3. Inventory**

	March 28 2010	December 27 2009
Raw materials	24,866	23,759
Work-in-process	13,492	9,697
Finished goods	36,655	33,492
Spare parts	3,713	3,611
	<u>78,726</u>	<u>70,559</u>

During the first quarter of 2010, the Company recorded inventory write-downs for slow-moving and obsolete inventory of \$1,669 (2009- \$1,502) and reversals of previously written-down items that were sold to customers of \$860 (2009- \$374).



**Notes to Consolidated Financial Statements**  
For the periods ended March 28, 2010 and March 29, 2009  
*(thousands of US dollars) (Unaudited)*

**4. 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.

	March 28 2010	March 29 2009
Balance, beginning of period	58,717	30,572
Other comprehensive income (loss)	4,762	(3,341)
Balance, end of period	63,479	27,231

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

Unrealized gains on translation of financial statements of operations with Canadian dollar functional currency to US dollar reporting currency	62,945	27,456
Unrealized gains (losses) on derivatives designated as cash flow hedges	534	(225)
Balance, end of period	63,479	27,231

**5. Selling, General and Administrative**

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

	For The Quarter Ended	
	March 28 2010	March 29 2009
Foreign exchange translation losses	425	381
Defined benefit plan costs	1,006	788

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.

**6. Financial Instruments**

The following sets out the classification and the carrying value and fair value of financial instruments and non-financial derivatives as at March 28, 2010:

Assets (Liabilities)	Classification	Carrying / Fair Value	Fair Value
Cash and cash equivalents	Held for trading	59,747	
Accounts receivable	Loans and receivables	69,962	
Accounts payable and accrued liabilities	Other financial liabilities	(44,422)	
Cash flow hedging derivative	Derivatives designated as effective hedges		762

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 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.



**Notes to Consolidated Financial Statements**  
For the periods ended March 28, 2010 and March 29, 2009  
*(thousands of US dollars) (Unaudited)*

**6. Financial Instruments - continued**

The following table presents the classification of financial instruments within the fair value hierarchy as at March 28, 2010:

Financial Assets	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	59,747	-	-	59,747
Foreign currency forward and expandable option contracts	-	762	-	762
Total	<u>59,747</u>	<u>762</u>	<u>-</u>	<u>60,509</u>

**7. 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.

***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 16 percent of sales are invoiced in CDN dollars and approximately 28 percent of costs are incurred in the same currency, resulting in a net outflow of costs in CDN dollars. Consequently, the Company records foreign currency differences on transactions.

In addition, translation differences arise when foreign currency monetary assets and liabilities are translated at foreign exchange rates that change over time. These foreign exchange gains and losses are recorded in selling, general & administrative expenses. As a result of the Company's US dollar net asset monetary position within the CDN dollar functional currency operations as at March 28, 2010, a one-cent change in the period end foreign exchange rate from 1.0267 to 1.0167 (US to CDN dollars) would have decreased net earnings by \$358 for the first quarter of 2010. Conversely, a one-cent change in the period end foreign exchange rate from 1.0267 to 1.0367 (US to CDN dollars) would have increased net earnings by \$358 for the first quarter of 2010.

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 first quarter of 2010 and the Company realized pre-tax foreign exchange gains of \$897. These foreign exchange gains were recorded in selling, general & administrative expenses.

As at March 28, 2010, the Company had foreign currency forward contracts outstanding with a notional amount of \$14.0 million US at an average exchange rate of 1.0751 (US to CDN dollars), maturing between April 2010 and February 2011 and the fair value of these financial instruments was \$0.632 million US. In addition, the Company had foreign currency expandable option contracts outstanding with a notional amount of \$4.0 million US at an average exchange rate of 1.0550 (US to CDN dollars) which may be expanded to \$6.0 million US if foreign exchange rates on their respective maturity date exceeds, on average, 1.1219 (US to CDN dollars) maturing between May and December 2010. The fair value of these financial instruments was an unrealized gain of \$0.130 million. The aforementioned unrealized gains have been recorded in other comprehensive income.

An unrealized foreign exchange gain during the quarter of \$477 (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 March 28, 2010 cash and cash equivalents balance of \$59.7 million, a 1.0% increase/decrease in interest rate fluctuations would increase/decrease earnings before tax by \$597 annually.



**Notes to Consolidated Financial Statements**  
For the periods ended March 28, 2010 and March 29, 2009  
*(thousands of US dollars) (Unaudited)*

**7. Financial Risk Management – continued**

***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 three months ended March 28, 2010, 53% 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.

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

	March 28 2010	December 27 2009
Cash and cash equivalents	59,747	61,164
Accounts receivable	69,962	69,172
Foreign currency forward and expandable option contracts	762	1,182
	<u>130,471</u>	<u>131,518</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 March 28, 2010, 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, c) 14% 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% 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:

	March 28 2010	December 27 2009
Current - neither impaired nor past due	55,852	53,224
<u>Not impaired but past the due date:</u>		
Within 30 days	13,930	16,725
31 - 60 days	1,239	1,271
Over 60 days	1,107	895
	<u>72,128</u>	<u>72,115</u>
Less: Allowance for doubtful accounts	(1,404)	(1,761)
Total accounts receivable, net	<u>70,724</u>	<u>70,354</u>



**7. Financial Risk Management – continued**

***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 \$59.7 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.

**8. 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 March 28, 2010, 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 March 28, 2010, the ratio was 9.98:1.

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

**9. 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.