Dopaco

Combined Financial Statements

December 26, 2010, December 27, 2009 and December 28, 2008

(in thousands of US dollars)

Report of Independent Registered Public Accounting Firm

To the Management of Cascades Inc.

We have audited the accompanying carve-out combined balance sheets of Dopaco as of December 26, 2010 and December 27, 2009, and the related carve-out combined statements of earnings, comprehensive income, invested equity and cash flows for the years ended December 26, 2010, December 27, 2009 and December 28, 2008. These carve-out combined financial statements are the responsibility of Dopaco's management. Our responsibility is to express an opinion on these carve-out combined financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the carve-out combined financial statements referred to above present fairly, in all material respects, the financial position of Dopaco as of December 26, 2010 and December 27, 2009, and the results of its operations and its cash flows for the years ended December 26, 2010, December 27, 2009 and December 28, 2008 in conformity with accounting principles generally accepted in the United States of America.

/s/ PricewaterhouseCoopers LLP[1]

Montreal, Canada
April 20, 2011

[1] Chartered accountant auditor permit No. 19653

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Dopaco

Combined balance sheets
As at December 26, 2010 and December 27, 2009

	Note	2010	2009
		$	$
		(In thousands of US dollars)	
Assets			
Current assets			
Cash		28	33
Receivables	4	33,919	30,508
Inventories	5	60,006	58,567
Prepaid expenses		2,399	2,006
		96,352	91,114
Investment in significantly influenced company	17	2,215	1,840
Property, plant and equipment	6	157,627	167,813
Customer relationships and client lists	7	15,998	16,665
Goodwill	8	20,066	19,921
Deferred income tax asset	11	12,998	9,136
Other long-term assets		2,071	2,448
		307,327	308,937
Liabilities and Invested Equity			
Current liabilities			
Accounts payable and accrued liabilities			
— Third parties	9	35,031	32,253
— Related parties	9, 16	2,089	2,297
Income taxes payable		559	—
		37,679	34,550
Other long-term liabilities	10	13,506	12,202
Deferred income tax liability	11	51,307	53,601
		102,492	100,353
Commitments and contingencies	13		
Invested equity			
Owner's net investment		199,367	206,465
Accumulated other comprehensive income	15	5,468	2,119
		204,835	208,584
		307,327	308,937

The accompanying notes are an integral part of these combined financial statements.

Dopaco

Combined statements of earnings
For the years ended December 26, 2010, December 27, 2009 and December 28, 2008

	Note	2010	2009	2008
		$	$	$
		(In thousands of US dollars)		
Sales		456,211	449,351	437,614
Cost of sales and expenses				
Cost of sales				
— Third parties		349,439	344,215	328,263
— Related parties	16	41,225	44,740	51,946
Selling and administrative expenses				
— Third parties		32,000	32,788	30,748
— Related parties	16	599	627	933
Other operating expenses	13(b)	7,183	759	2,746
		430,446	423,129	414,636
Operating income		25,765	26,222	22,978
Interest income		41	140	149
Foreign exchange gain (loss)		394	982	(1,237)
		435	1,122	(1,088)
Earnings before income taxes		26,200	27,344	21,890
Provision for (recovery of) income taxes	11	659	3,658	(182)
Share of results of significantly influenced company	17	571	207	(87)
Net earnings for the year		26,112	23,893	21,985

The accompanying notes are an integral part of these combined financial statements.

Dopaco

Combined statements of comprehensive income
For the years ended December 26, 2010, December 27, 2009 and December 28, 2008

	Note	2010	2009	2008
		$	$	$
		(In thousands of US dollars)		
Net earnings for the year		26,112	23,893	21,985
Change in foreign currency translation adjustment of foreign operations		3,091	9,943	(11,912)
Actuarial gain (loss) on employee future benefits, net of taxes	12(e)	258	2,991	(4,671)
Other comprehensive income (loss)		3,349	12,934	(16,583)
Comprehensive income for the year		29,461	36,827	5,402

The accompanying notes are an integral part of these combined financial statements.

Dopaco

Combined statements of invested equity
For the years ended December 26, 2010, December 27, 2009 and December 28, 2008

	Owner's net investment	Accumulated other comprehensive income (loss)	Total invested equity
	$	$	$
	(In thousands of US dollars)		
Balance — December 30, 2007	201,326	5,768	207,094
Net earnings for the year	21,985	—	21,985
Net transfer to Owner	(7,402)	—	(7,402)
Other comprehensive loss	—	(16,583)	(16,583)
Balance — December 28, 2008	215,909	(10,815)	205,094
Net earnings for the year	23,893	—	23,893
Net transfer to Owner	(33,337)	—	(33,337)
Other comprehensive income	—	12,934	12,934
Balance — December 27, 2009	206,465	2,119	208,584
Net earnings for the year	26,112	—	26,112
Net transfer to Owner	(33,210)	—	(33,210)
Other comprehensive income	—	3,349	3,349
Balance — December 26, 2010	199,367	5,468	204,835

The accompanying notes are an integral part of these combined financial statements.

Dopaco

Combined statements of cash flows
For the years ended December 26, 2010, December 27, 2009 and December 28, 2008

	2010	2009	2008
	$	$	$
	(In thousands of US dollars)		
Operating activities			
Net earnings for the year	26,112	23,893	21,985
Adjustments to reconcile net earnings to cash flows from operations			
Depreciation and amortization	23,613	21,767	21,784
Share of results of significantly influenced company	(571)	(207)	87
Deferred income taxes	(6,043)	524	(873)
Other	1,555	(2,967)	3,250
Changes in current assets and liabilities			
Receivables	(3,264)	694	1,830
Inventories	(1,121)	7,688	(10,788)
Prepaid expenses	(398)	1,655	(735)
Income taxes	558	367	2,601
Accounts payable and accrued liabilities			
— Third parties	2,624	2,066	4,009
— Related parties	(208)	(233)	(292)
Net cash provided by operations	42,857	55,247	42,858
Investing activities			
Additions to property, plant and equipment	(12,252)	(27,556)	(27,896)
Other	596	464	538
Net cash used in investing activities	(11,656)	(27,092)	(27,358)
Financing activities			
Net transfer to Owner	(31,206)	(28,069)	(15,617)
Net cash used in financing activities	(31,206)	(28,069)	(15,617)
Net changes in cash	(5)	86	(117)
Cash — Beginning of year	33	(53)	64
Cash— End of year	28	33	(53)
Supplemental disclosure			
Income tax received	—	388	2,569

The accompanying notes are an integral part of these combined financial statements.

Dopaco

Notes to combined financial statements
December 26, 2010 and December 27, 2009
(in thousands of US dollars)

1 Nature of activities

Description of business

On March 3, 2011, Cascades Inc. ("Cascades"), through its wholly owned subsidiary Cascades USA Inc. ("Cascades USA"), (together, the "Owner") entered into a definitive agreement to sell Dopaco Inc. and Dopaco Canada Inc. (together "Dopaco"). Dopaco manufactures and supplies packaging, including cups and lids, for the quick service restaurant and food service industries in North America. These combined financial statements have been prepared in connection with this sale, and present the carve-out historical combined financial position, results of operations and cash flows of Dopaco as if it operated on a stand-alone basis subject to the Owner's control.

Dopaco is a guarantor of the Owner's external Senior Notes.

Year-end date

Dopaco uses a 52- or 53-week fiscal year with the year-end date being the last Sunday of December of each year. The fiscal years ended December 26, 2010, December 27, 2009 and December 28, 2008 are all 52 weeks and are referred to as 2010, 2009 and 2008, respectively.

Basis of presentation

Dopaco's combined financial statements are presented using accounting principles generally accepted in the United States of America ("U.S. GAAP"). Dopaco has elected to use the U.S. dollar as its reporting currency. Management believes the assumptions underlying the combined financial statements, including the allocations described below, are reasonable. However, the combined financial statements may not necessarily reflect Dopaco's combined results of operations, financial position and cash flows in the future or what its results on operations, financial position and cash flows would have been had Dopaco been a stand-alone entity during the periods presented.

As these combined financial statements represent the combination of two separate legal entities wholly owned by Cascades USA, the net assets of Dopaco have been presented as Owner's net investment. The Owner's net investment in Dopaco is primarily composed of: (i) the initial investment to establish the net assets (and any subsequent adjustments thereto); (ii) the accumulated net earnings; (iii) net transfers to or from the Owner, including those related to cash management functions performed by the Owner; (iv) non-cash changes in financing arrangements, including the conversion of certain related party liabilities into Owner's net investment; (v) corporate cost allocations; and (vi) changes in certain income tax liabilities or assets.

The effects of the initial acquisition of Dopaco by the Owner and the subsequent adjustments to the carve-out basis of accounting applied to Dopaco were recorded in accordance with the United States Securities and Exchange Commission's Staff Accounting Bulletin ("SAB") Topic 5J, "Push Down Basis of Accounting Required in Certain Limited Circumstances", which was codified into ASC Topic 805. Accordingly, in the accompanying December 26, 2010 and December 27, 2009 combined balance sheets, the portion of the total consideration and related costs paid by the Owner in connection with its acquisition of, and attributable to, Dopaco have been pushed down to Dopaco and allocated to the assets acquired and liabilities assumed at the date of acquisition in accordance with Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations".

1 Nature of activities (continued)

Allocations from Owner

In addition to the carve-out of businesses and entities comprising the operations and the net assets of Dopaco, these combined financial statements also include allocations of certain Owner's expenses, with corresponding amounts included in the combined balance sheets within Owner's net investment. Allocated items are described below.

The expenses allocated represent management's best estimates and are not necessarily indicative of the expenses that would have been incurred had Dopaco performed these functions as a stand-alone entity, nor are they indicative of expenses that will be charged or incurred in the future. It is not practicable to estimate the amount of expenses Dopaco would have incurred for the periods presented had it not been an affiliated entity of the Owner in each of those periods.

General corporate expenses

The Owner has allocated certain of its general corporate expenses to Dopaco based on services provided by the Owner which include fees relating to the audit and the preparation of tax returns and insurance. The general corporate expense allocations are included in selling and administrative expenses — Related parties in Dopaco's combined statements of earnings.

Income taxes

Income taxes are calculated as if all of Dopaco's operations had been separate tax-paying legal entities, each filing a separate tax return in its local tax jurisdiction. Dopaco's income tax amounts currently payable or receivable by it are included in Owner's net investment, because the net liabilities (receivables) for the taxes due (refundable) are recorded in the financial statements of the Owner's non-group entities that file the combined tax returns, except for Canadian operations which file a separate tax return. As a result of the aforementioned structure, substantially all of Dopaco's income tax liabilities (refunds) are also paid (collected) by the Owner's various non-group entities. These net changes in income tax amounts currently payable or receivable are included in net cash transfers (to) from Owner in the accompanying combined financial statements. No adjustments have been made in these carve-out financial statements to eliminate a tax structure that was put in place during the period of the historical financial statements, as more fully described in note 11.

Cash management

Cash in the combined balance sheets comprises the cash of Dopaco's businesses. None of the Owner's cash and cash equivalents has been allocated to Dopaco in the combined financial statements.

2 Significant accounting policies

Basis of combination

The combined financial statements include the accounts of Dopaco and its investment in a joint venture accounted for using the equity method. Under the equity method, the investment is recorded at initial cost and adjusted periodically to recognize Dopaco's proportionate share of the investee's net earnings or losses, additional contributions and advances made and dividends received. Dopaco also identifies variable interest entities in which it has an interest and determines whether it is the primary beneficiary of such entities. If Dopaco is the primary beneficiary of the variable interest entities identified, those entities are combined. A variable interest entity is defined as an entity in which the equity's investment at risk is not sufficient to

2 Significant accounting policies (continued)

permit the entity to finance its activities without external financial support, or the equity investors at risk lack decision-making powers, do not absorb the expected losses, or do not receive the expected residual returns.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements and disclosure of contingencies at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. On a regular basis and with the information available, management reviews its estimates, including those related to environmental costs, employee future benefits, collectibility of receivables, inventory valuations, contingencies, income taxes and related valuation allowance, useful life of long-lived assets and impairment of long-lived assets and goodwill. Actual results could differ from those estimates. When adjustments become necessary, they are reported in earnings in the period in which they are known.

Revenue recognition

Dopaco recognizes its sales, which consist of product sales, when persuasive evidence of an arrangement exists, the goods are shipped, the significant risks and benefits of ownership are transferred, the price is fixed or determinable, and collection of the resulting receivable is reasonably assured.

Shipping costs

Amounts charged to customers related to shipping are included in sales and the related shipping costs are recorded in cost of sales.

Cash

Cash includes cash on hand, bank balances and bank overdraft.

Receivables

Receivables are recorded at cost net of a provision for allowance for doubtful accounts that is based on expected collectability. The allowance for doubtful accounts represents management's best estimate of probable losses inherent in the third party trade receivables balance. Management determines the allowance based on known uncollectible accounts, historical experience and other currently available evidence.

Inventories

Inventories of finished goods and work in process are valued at the lower of the first-in, first-out method and net realizable value. Cost of finished goods and work in process included material, labour and manufacturing overhead costs. Inventories of raw materials and supplies are valued at the lower of cost and net realizable value. Cost of raw materials and supplies is determined using the first-in, first-out method.

Property, plant and equipment and depreciation

Property, plant and equipment are recorded at cost less accumulated depreciation and impairments, including interest incurred during the construction period of certain property, plant and equipment. Depreciation is calculated on a straight-line basis over periods varying from 20 to 25 years for buildings and 5 to 18 years for machinery and equipment, and over periods of 3 years for computer equipment, determined according to the estimated useful life of each class of property, plant and equipment. Planned major maintenance is expensed as incurred.

2 Significant accounting policies (continued)

Leasehold improvements are depreciated on a straight-line basis over the shorter of the life of the respective leased asset or the term of the lease, which varies from 5 to 15 years.

Customer relationships and client lists

Customer relationships and client lists are recorded at cost less accumulated amortization and impairments, and are amortized on a straight-line basis over a period of 30 years.

Impairment of long-lived assets

Long-lived assets are reviewed for impairment upon the occurrence of events or changes in circumstances indicating that the carrying value of the asset may not be recoverable, as measured by comparing their net book value to the estimated undiscounted future cash flows generated by their use. Impaired assets are recorded at fair value, determined principally using discounted future cash flows expected from their use and eventual disposal.

Goodwill

Goodwill is tested for impairment at each year-end, or more frequently if events or circumstances indicate that the asset may be impaired. Dopaco evaluates the recoverability of goodwill using a two-step impairment test approach at the reporting unit level. In the first step, the fair value for the reporting unit is compared to its book value including goodwill. In the event that the fair value of the reporting unit is less than its book value, a second step is performed which compares the fair value of the reporting unit's goodwill to the book value of its goodwill. The fair value of goodwill is determined based on the difference between the fair value of the reporting unit and the net fair value of the identifiable assets and liabilities of such reporting unit. If the fair value of goodwill is less than its book value, the difference is recognized as an impairment.

Employee future benefits

Dopaco offers funded and unfunded defined benefit pension plans, defined contribution pension plans and group registered retirement savings plans that provide retirement benefit payments for most of its employees. Those plans are managed separately from those of the Owner. The defined benefit pension plans are non-contributory and are based on the number of years of service.

The cost of pensions earned by employees is actuarially determined using the projected benefit method pro-rated on years of service and management's best estimate of expected plan investment performance and retirement ages of employees. The accrued benefit obligation is evaluated using the market interest rate at the evaluation date.

For the purpose of calculating the expected return on plan assets, those assets are valued at fair value. Past service costs arising from a plan amendment are amortized on a straight-line basis over the average remaining service period of the group of employees active at the date of amendment. The excess of the net actuarial gain or loss over the greater of (a) 10% of the accrued benefit obligation at the beginning of the year and (b) 10% of the fair value of plan assets at the beginning of the year is amortized over the average remaining service period of active employees, which may vary from 4 to 22 years (weighted average of 12 years) in 2010 depending on the plan (2009 — 5 to 25 years (weighted average of 13 years)).

When restructuring a plan results in a curtailment and a settlement occurring at the same time, the curtailment is accounted for before the settlement.

2 Significant accounting policies (continued)

The measurement date of the employee future benefit plans is April 1 of each year which are extrapolated to December 26, 2010. An actuarial evaluation is performed at least every three years. Based on the pension plan liability balance, all of the plans were evaluated on December 26, 2010.

The net periodic benefit cost includes the following:

- The cost of pension benefits provided in exchange for employees' services rendered during the period;
- The interest cost of pension obligations;
- The expected long-term return on pension fund assets based on a market value of pension fund assets;
- Gains or losses on settlements and curtailments;
- The straight-line amortization of past service costs and plan amendments over the average remaining service period of approximately 12 years of the active employee group covered by the plans; and
- The amortization of cumulative net actuarial gains and losses in excess of 10% of the greater of the accrued benefit obligation or market value of plan assets at the beginning of the year over the average remaining service period of approximately 12 years of the active employee group covered by the plans.

Income taxes

Dopaco uses the asset and liability approach for accounting for income taxes (also refer to Allocations from Owner — Income taxes in note 1). Under this approach, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to temporary assets and liabilities and their respective tax bases. This approach also requires the recognition of deferred differences between the financial statement carrying amounts of existing tax assets for operating loss carryforwards and tax credit carryforwards.

The effect on deferred tax assets and liabilities of a change in tax rates and laws is recognized in earnings in the period that includes the enactment date. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the deferred tax liabilities or assets are expected to be recovered or settled. Dopaco records a valuation allowance on deferred tax assets when it is not more likely than not that the assets will be realized.

Investment tax credits are accounted for as a reduction in income tax expense. Accrued interest and penalties related to unrecognized tax benefits are recognized as part of Dopaco's provision for income taxes.

Environmental and legal claims

Costs associated with environmental and other litigation are accrued when such costs are probable and reasonably estimable. Such accruals are adjusted as further information develops or circumstances change. Costs of future expenditures, if any, are discounted to their present value when the amount and timing of expected cash payments are reliably determinable.

Foreign currency translation

Foreign currency transactions

Transactions denominated in currencies other than Dopaco's measurement currency are recorded at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange prevailing at the balance sheet date. Unrealized gains and losses on translation of other monetary assets and liabilities are reflected in the determination of net earnings for the year.

2 Significant accounting policies (continued)

Foreign operations

The functional currency of Dopaco's foreign operations is generally the local currency. The assets and liabilities of those foreign operations are translated into U.S. dollars at the year-end exchange rates. Revenues and expenses are translated at the average exchange rates for the year. Translations gains and losses are recorded as a component of invested equity, in accumulated other comprehensive income.

3 New accounting standards

Adopted in 2010

In December 2007, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Certification ("ASC") 810-10, "Consolidation". ASC 810-10 established new guidance governing the accounting for and reporting of non-controlling interests ("NCIs") in partially owned consolidated subsidiaries and the loss of control of subsidiaries. Certain provisions of this standard indicate, among other things, that NCIs (previously referred to as minority interests) be treated as a separate component of equity, not as a liability (as was previously the case), that increases and decreases in the parent's ownership interest that leave control intact be treated as equity transactions, rather than as step acquisitions or dilution gains or losses, and that losses of a partially owned consolidated subsidiary be allocated to the NCI even when such allocation might result in a deficit balance. This standard also required changes to certain presentation and disclosure requirements. The adoption of ASC 810-10 did not have an impact on Dopaco's financial position or results of operations.

In June 2009, the FASB issued ASC 810-60, "Accounting for Transfers of Financial Assets — an amendment of FASB Statement No. 140", amending the guidance on transfers of financial assets in order to address practice issues highlighted most recently by events related to the economic downturn. The amendments include:

- eliminating the qualifying special-purpose entity concept;
- a new unit of account definition that must be met for transfers of portions of financial assets to be eligible for sale accounting;
- clarifications and changes to the derecognition criteria for a transfer to be accounted for as a sale;
- a change to the amount of recognized gain or loss on a transfer of financial assets accounted for as a sale when beneficial interests are received by the transferor; and
- extensive new disclosures.

The adoption of those amendments had no impact on Dopaco's combined financial statements.

In June 2009, the FASB issued FASB Statement No. 167, "Amendments to FASB Interpretation No. 46(R)" ("FAS 167"), amending the consolidation guidance for variable interest entities under FIN 46(R). The amendments include:

- the elimination of the exemption for qualifying special-purpose entities;
- a new approach for determining who should consolidate a variable interest entity; and
- changes to when it is necessary to reassess who should consolidate a variable interest entity.

The adoption of those amendments had no impact on Dopaco's combined financial statements.

3 New accounting standards (continued)

Recent accounting pronouncements issued but not yet adopted

In October 2009, the FASB issued ASC 605-25, "Multiple Element Arrangements", for arrangements with multiple deliverables under which a company is required to use its best estimate of selling price for the deliverables in an arrangement when vendor specific objective evidence or third party evidence of the selling price is not available. In addition, the residual method of allocating arrangement consideration will no longer be permitted. Under the new guidance, non-software components of tangible products and certain software components of tangible products have been removed from the scope of existing software revenue recognition guidance. Revenue for those products will be recognized in a manner similar to revenue for other tangible products. The new guidance, including the requirement for expanded qualitative and quantitative disclosures, is effective prospectively for fiscal years beginning on or after June 15, 2010, which for Dopaco is December 27, 2010. Dopaco is assessing the impact of ASC 605-25 on its combined financial statements.

In January 2010, the FASB issued an update of ASC 820-10, "Fair Value Measurements and Disclosures — Overall", (formerly FAS 157, "Fair Value Measurements") to add two new disclosures:

- transfers in and out of Level 1 and 2 measurements and the reasons for the transfers; and

- a gross presentation of activity within the Level 3 roll-forward.

The updated ASC also includes clarifications to existing disclosure requirements on the level of disaggregation and disclosures regarding inputs and valuation techniques. These modifications are effective for interim and annual periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in the roll-forward activity in Level 3 fair value measurements. Those disclosures are effective for interim and annual periods beginning after December 15, 2010. Dopaco is assessing the impact of ASC 820-10 on its combined financial statements.

4 Receivables

	2010	2009
	$	$
Trade receivables	32,863	30,136
Other accounts receivable	1,056	372
	33,919	30,508

As at December 26, 2010 and December 27, 2009, the provision for allowance for doubtful accounts is nil.

5 Inventories

	2010	2009
	$	$
Raw materials and other supplies	16,906	18,561
Work in process	17,040	16,580
Finished goods	26,060	23,426
	60,006	58,567

6 Property, plant and equipment

	2010		
	Cost	Accumulated depreciation	Net
	$	$	$
Buildings and leasehold improvements	13,465	7,046	6,419
Machinery and equipment	366,097	220,759	145,338
Computer equipment	14,081	12,387	1,694
Assets under construction	4,176	—	4,176
	397,819	240,192	157,627

	2009		
	Cost	Accumulated depreciation	Net
	$	$	$
Buildings and leasehold improvements	12,757	6,197	6,560
Machinery and equipment	354,157	199,226	154,931
Computer equipment	13,329	11,726	1,603
Assets under construction	4,719	—	4,719
	384,962	217,149	167,813

Depreciation of property, plant and equipment amounted to $22,946 for the year ended December 26, 2010 (2009 — $21,100; 2008 — $21,117).

7 Customer relationships and client lists

	Cost	Accumulated amortization	Net
	$	$	$
Balance — December 28, 2008	20,000	2,668	17,332
Amortization	—	667	667
Balance — December 27, 2009	20,000	3,335	16,665
Amortization	—	667	667
Balance — December 26, 2010	20,000	4,002	15,998

Amortization of customer relationships and client lists amounted to $667 for the year ended December 26, 2010 (2009 — $667; 2008 — $667). The estimated aggregate amount of amortization expense for customer relationships and client lists in each of the next five years is $667.

8 Goodwill

	2010	2009
	$	$
Balance — Beginning of year	19,921	19,346
Foreign currency translation	145	575
Balance — End of year	20,066	19,921

9 Accounts payable and accrued liabilities

	Note	2010	2009
		$	$
Third parties		11,622	12,734
Wages and withholdings		1,042	1,123
Management bonus		2,435	5,521
Profit sharing		2,649	2,424
Worker's compensation		3,774	3,676
Vacation		2,652	2,545
Legal claims	13(b)	7,240	—
Other		3,617	4,230
		35,031	32,253
Related parties		2,089	2,297
		37,120	34,550

10 Other long-term liabilities

	Note	2010	2009
		$	$
Employee future benefits	12(b)	13,466	12,264
Other		222	215
		13,688	12,479
Less: Current portion, included in accounts payable and accrued liabilities		182	277
		13,506	12,202

11 Income taxes

a) The components of Dopaco's earnings before income taxes by taxing jurisdiction are as follows:

	2010	2009	2008
	$	$	$
United States	13,315	17,263	8,444
Canada	12,885	10,081	13,446
	26,200	27,344	21,890

11 Income taxes (continued)

b) The provision for (recovery of) income taxes by taxing jurisdiction is as follows:

	2010	2009	2008
	$	$	$
Current			
United States	6,144	3,134	947
Canada	558	—	(256)
	6,702	3,134	691
Deferred			
United States	(4,766)	2,753	1,026
Canada	(1,277)	(2,229)	(1,899)
	(6,043)	524	(873)
	659	3,658	(182)

c) The provision for income taxes based on the effective income tax rate differs from the provision for income taxes based on the combined basic rate for the following reasons:

	2010	2009	2008
	$	$	$
Provision for income taxes based on statutory Federal and State income tax rate in the United States	9,618	10,038	8,228
Reconciling items			
Difference in statutory income tax rate of foreign operations	(1,209)	(1,017)	(1,424)
Non-taxable dividend from the Owner*	(4,166)	(4,922)	(5,721)
Investment tax credit	(2,727)	—	—
Other permanent differences	(765)	(114)	—
Change in valuation allowance	—	—	(1,033)
Other	(92)	(327)	(232)
Provision for (recovery of) income taxes	659	3,658	(182)

* Dopaco Canada Inc. entered into a tax structure with its Owner whereby Dopaco Canada Inc. incurred tax deductible interest expense on a note due from the Owner and received non-taxable dividends on preferred shares issued by the Owner. Both the note payable to the Owner and the investment in preferred shares are included in Owner's net investment. Effective August 5, 2010, the tax structure was dismantled.

11 Income taxes (continued)

d) Deferred income taxes include the following items:

	2010	2009
	$	$
Deferred income tax assets		
Tax benefit arising from income tax losses	5,231	4,040
Provision	7,101	4,443
Other	666	653
	12,998	9,136
Deferred income tax liabilities		
Property, plant and equipment	39,624	41,778
Customer relationships and client lists	11,407	11,569
Other	276	254
	51,307	53,601
Deferred income taxes		
Deferred income tax asset	12,998	9,136
Deferred income tax liability	51,307	53,601
	38,309	44,465

e) As at December 26, 2010, Dopaco has accumulated losses in Canada for income tax purposes amounting to $19,885, which may be carried forward to reduce income taxes in future years. The tax benefit arising from these losses amounted to $5,231 and has been recognized as a deferred income tax asset. Income tax losses as at December 26, 2010 are detailed as follows:

	$
Years ending December 2028	1,906
2029	2,414
2030	911
	5,231

12 Employee future benefits

a) The expense for the defined benefit pension plans is as follows:

	Note	2010	2009	2008
		$	$	$
Current service cost		2,116	2,964	1,988
Interest cost		1,359	1,251	1,240
Expected return on plan assets		(909)	(713)	(912)
Recognized prior service cost		560	561	531
Recognized actuarial loss		88	483	27
Recognized net transitional obligation		5	5	5
Settlement	12(b*)	—	721	—
Net periodic benefit cost		3,219	5,272	2,879

12 Employee future benefits (continued)

Total cash payments for employee future benefits for 2010, consisting of cash contributed by Dopaco to its defined benefit pension plans, amounted to $1,504 (2009 — $5,779; 2008 — $2,480). Estimated cash payments for the defined benefit pension plans total $2,223 for 2011.

b) The funded status of the defined benefit pension plans as at December 26, 2010 and December 27, 2009 are as follows:

	2010	2009
	$	$
Accrued benefit obligation		
Beginning of year	25,292	27,433
Current service cost	2,116	2,964
Interest cost	1,359	1,251
Actuarial gains (losses)	904	(1,856)
Benefits paid	(608)	(576)
Past service cost	80	—
Settlement*	—	(4,000)
Other	37	76
End of year	29,180	25,292
Plan assets		
Beginning of year	13,051	9,716
Actual return on plan assets	1,732	2,050
Employer's contributions	1,504	5,779
Benefits paid	(608)	(576)
Settlement*	—	(4,000)
Other	35	82
End of year	15,714	13,051
Reconciliation of amounts recognized in combined balance sheets		
Fair value of plan assets	15,714	13,051
Accrued benefit obligation	29,180	25,292
Funded status of plan — Deficit	(13,466)	(12,241)
Employee future benefit asset	—	23
Employee future benefit liability — Current	(182)	(277)
Employee future benefit liability — Long-term	(13,284)	(11,987)
	(13,466)	(12,241)

* In 2009, Dopaco paid an amount of $4,000 to one of its executives as a partial settlement of its unfunded defined benefit pension plan. A net loss of $721 was recognized following this payment.

12 Employee future benefits (continued)

c) The following amounts relate to plans that are not fully funded as at December 26, 2010 and December 27, 2009:

	2010	2009
	$	$
Fair value of plan assets	15,714	12,360
Accrued benefit obligation	29,180	24,624
Funded deficit	(13,466)	(12,264)

d) The following table presents the amounts not yet recognized in net periodic benefit cost and included in accumulated other comprehensive income (loss):

	2010	2009
	$	$
Transition obligation	(28)	(33)
Prior service cost	(2,731)	(3,203)
Accumulated loss	(4,678)	(4,677)
Income taxes	2,835	3,053
Accumulated other comprehensive loss	(4,602)	(4,860)

e) The following table presents the amounts included in other comprehensive income (loss):

	2010	2009	2008
	$	$	$
Prior service cost	(88)	(20)	(1,017)
Recognized prior service cost	560	561	531
Net gain (loss)	(89)	3,183	(7,237)
Recognized net actuarial loss	88	1,204	27
Recognized net transition obligation	5	5	5
Income taxes	(218)	(1,942)	3,020
Net amount recognized in other comprehensive income (loss)	258	2,991	(4,671)

An estimated amount of $453 for pension plans will be amortized from accumulated other comprehensive income into net periodic benefit cost in 2011.

f) The main actuarial assumptions adopted in measuring the accrued benefit obligation and expenses are as follows:

	2010	2009	2008
	%	%	%
Accrued benefit obligation as at December 26, 2010 and December 27, 2009			
Discount rate	5.00	5.50	
Benefit costs for the years ended December			
Discount rate	4.67	4.51	4.57
Expected long-term return on assets	7.00	7.00	7.00

Discount rate for Canadian plans in 2010: 5.25% based on a model using a spot rate yield curve developed from bond yield data for AA corporate bonds provided with an adjustment to the yields to disregard yields provided for 25-year and 30-year maturities.

12 Employee future benefits (continued)

Discount rate for US plans in 2010: 5.50% based on bonds rated AA or better by Moody's, excluding callable bonds, bonds of less than a minimum issue size, and certain other bonds.

Dopaco used 7.0% in 2010 as the expected return on plan assets, which reflects the current view of long-term investment returns. This rate was determined based on historic returns.

g) The plan assets allocation and investment target allocation as at December 26, 2010 and December 27, 2009 are detailed as follows:

	2010 %	2009 %
Plan assets allocation		
Debt securities	37	37
Equity securities	63	63
	100	100

The plan assets do not include shares or debt securities of the Owner. There are no annual benefit annuities pledged by insurance contracts established by Dopaco or the Owner.

	2010 %	2009 %
Investment target allocation		
Debt securities	35	35
Equity securities	65	65
	100	100

Target allocation is established so as to maximize return while considering an acceptable level of risk in order to meet the plan obligations on a long-term basis.

Investment objectives for the plan assets are the following: optimizing return while considering an acceptable level of risk, maintaining an adequate diversification, controlling the risk according to different asset categories, and maintaining a long-term objective of return on investments.

Investment guidance is established for each investment manager. It includes parameters that must be followed by managers and presents criteria for diversification, non-eligible assets and minimum quality of investments as well as for return objectives. Unless indicated otherwise, the managers cannot use any derivative product or invest more than 10% of their assets in one particular security.

h) Fair value measurement

Level 1 — Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that Dopaco has the ability to access.

Level 2 — Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals.

Level 3 — Level 3 inputs are unobservable inputs for the asset or liability which one typically based on an entity's own assumptions, as there is little, if any, related market activity.

12 Employee future benefits (continued)

As at December 26, 2010 and December 27, 2009, the pension investments measured at fair value were as follows:

	2010			
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Assets				
Short-term securities	60	—	—	60
Mutual funds				
Fixed income	5,392	—	—	5,392
Equities	9,314	948	—	10,262
	14,766	948	—	15,714

	2009			
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Assets				
Short-term securities	48	—	—	48
Mutual funds				
Fixed income	4,600	—	—	4,600
Equities	7,711	692	—	8,403
	12,359	692	—	13,051

i) Estimated future benefit payments

Future benefit payments for defined benefit pension plans, taking into consideration future participation, are estimated as follows:

	Funded pension plans	Unfunded pension plans*
	$	$
Years ending December 2011	479	182
2012	540	182
2013	603	182
2014	663	182
2015	736	182
2016 — 2020	4,707	908

* The future benefit payments indicated do not take into consideration the circumstances described in note 19 — Subsequent events.

j) Defined contribution plans

Dopaco has a 401(k) savings and profit-sharing plan and group registered retirement savings plans covering substantially all non-union employees. Contributions to the 401(k) and group registered retirement savings plans are based on Dopaco matching, at a specified percentage, employee contributions which approximated $902, $856 and $903 for the years ended December 26, 2010, December 27, 2009 and December 28, 2008, respectively. Contributions to the profit-sharing portion of the plan are determined at the

12 Employee future benefits (continued)

discretion of Dopaco's Board of Directors and amounted to $2,639 as at December 26, 2010 (December 27, 2009 — $2,381; December 28, 2008 — $2,557).

13 Commitments and contingencies

a) Future minimum payments under non-cancellable operating leases are as follows:

	Buildings	Equipment
	$	$
Years ending December 2011	7,568	1,719
2012	7,260	143
2013	5,848	75
2014	5,843	50
2015	5,344	—
Thereafter	8,877	—

	2010	2009	2008
	$	$	$
Rental expense on operating leases, including rent of buildings	8,526	8,410	8,013

b) At the end of 2010, Dopaco defended a claim in a California state court alleging violations of that State's on-duty meal break laws. Dopaco recognized $7,240 in settlement costs in 2010, representing the amounts due under the preliminary settlement agreement reached in January 2011. The settlement is subject to approval by the California state court of the certification of the matter as a class action claim and final approval of the terms of the settlement. Dopaco does not anticipate that the outcome will differ substantially from the initial estimate or have a material adverse effect on its financial position or long-term results of operations or cash flows.

c) In 2006, Dopaco was notified by the Newark Group, the owner of a site a portion of which was leased by Dopaco between 1981 and 1988 in Stockton, California, that the site was contaminated with toluene, a solvent and constituent of printing ink. The Newark Group filed a Resource Conservation and Recovery Act lawsuit against Dopaco in the United States District Court, Eastern District of California, in November 2008 seeking to order Dopaco to remediate the property and assume all future liability for the contamination. In 2010, the Court ruled on two matters, one denying the Newark Group's Motion for a Partial Summary Judgment against Dopaco and second, allowing for the expansion of the Newark Group's claim against Dopaco to include methane contamination. Dopaco has multiple defenses and intends to vigorously contest the claim. Therefore, no provision has been established on Dopaco's books as at December 26, 2010 and management believes that the outcome will not have a material adverse effect on Dopaco's financial position, results of operations or cash flows.

d) In the normal course of operations, Dopaco is party to various legal actions and contingencies, mostly related to product liability claims. While the final outcomes with respect to legal actions outstanding as at December 26, 2010 cannot be predicted with certainty, it is management's opinion that the outcomes will not have a material adverse effect on Dopaco's financial position, results of operations or cash flows.

14 Financial instruments

Financial risk management

Dopaco's financial instruments are exposed to certain financial risks, including credit risk, foreign currency risk, price risk, interest rate risk, and liquidity risk.

14 Financial instruments (continued)

Credit risk

Dopaco is exposed to credit risk on receivables from its customers. In order to reduce this risk, management reviews new customers' credit histories before granting credit and conducts regular reviews of existing customers' credit performance.

For the years ended December 26, 2010, December 27, 2009 and December 28, 2008, Dopaco had three customers which individually exceeded 10% of the combined sales. The sales for those customers were approximately as follows:

	2010	2009	2008
	$	$	$
Customer A	110,000	92,200	82,200
Customer B	72,000	77,000	77,600
Customer C	68,300	62,400	61,400
	250,300	231,600	221,200

A significant portion of Dopaco's sales is to distributors for the ten largest quick service restaurant chains. As at December 26, 2010 and December 27, 2009, accounts receivable to the two largest distributors accounted for 56% and 50% of total net trade accounts receivable.

Foreign currency risk

Dopaco's manufacturing operations are located in the United States and Canada but approximately 22% (2009 — 21%; 2008 — 23%) of its sales are made to customers in Canadian dollars. As a result, it is exposed to movements in the foreign exchange rate in Canada and its earnings are affected by increases or decreases in the value of the Canadian dollar relative to the U.S. dollar.

Price risk

Dopaco is exposed to commodity price risk relating to purchases of raw materials. As a result, prices may increase too high for Dopaco to make an operating profit.

Interest rate risk

Dopaco is exposed to interest rate risk arising from fluctuations in interest rates on its cash.

Liquidity risk and capital risk management

Liquidity risk is the risk that Dopaco will not be able to meet its financial obligations as they become due. Dopaco manages its liquidity risk by monitoring its forecasted cash flows, as well as expected investing and financing activities. All of Dopaco's financial liabilities are due within 90 days. Dopaco does not have long-term financial liabilities.

Dopaco has historically operated as a wholly owned unit of the Owner. As such it does not have any shareholder's equity but rather maintains a branch account with its parent. The Owner funds all aspects of Dopaco's capital expenditures. All activities pertaining to cash fundings and borrowings are centralized within the Owner's treasury department. Direct external funding at the entity level is generally not permitted, and exceptions must be approved by the Owner. Capital and liquidity requirements within Dopaco are funded by the Owner in the form of cash transfers, cash pooling agreements and/or loans. Capital structures of entities

14 Financial instruments (continued)

within Dopaco are determined in consideration of tax and corporate finance objectives in order to ensure an optimal cost-efficient financial structure for the Owner.

The following are the contractual maturities of financial liabilities:

	As at December 26, 2010					
	Carrying amount	Contractual cash flows	Less than one year	Between one and two years	Between two and five years	More than five years
	$	$	$	$	$	$
Accounts payable and accrued liabilities	37,120	37,120	37,120	—	—	—
Income taxes payable	561	561	561	—	—	—
	37,681	37,681	37,681	—	—	—

	As at December 27, 2009					
	Carrying amount	Contractual cash flows	Less than one year	Between one and two years	Between two and five years	More than five years
	$	$	$	$	$	$
Accounts payable and accrued liabilities	34,550	34,550	34,550	—	—	—

15 Accumulated other comprehensive income

	Note	2010	2009
		$	$
Foreign currency translation adjustment		10,070	6,979
Actuarial losses on employee future benefits, net of taxes	12(d)	(4,602)	(4,860)
		5,468	2,119

16 Related party transactions

All of Dopaco's related party transactions with subsidiaries, divisions and entities of the Owner (herein individually and collectively referred to as the Owner) were agreed to by Dopaco and the Owner.

The following table describes the nature and amounts of related party transactions with the Owner and its joint venture included in Dopaco's combined financial statements. These translations were concluded in the normal course of business.

	2010	2009	2008
	$	$	$
Transactions with the Owner			
Purchases	41,225	44,740	51,946
Allocation of corporate expenses	599	627	933
Transactions with joint venture			
Sales	42	353	3,105
Purchases	—	429	574
Balances with the Owner			
Accounts payable and accrued liabilities	2,089	2,297	

17 Investment in significantly influenced company

The following summarizes financial information about Dopaco's share of assets, liabilities, sales and net earnings (loss) of its joint venture accounted for under the equity method:

	2010	2009	2008
	$	$	$
Current assets	1,341	1,280	
Long-term assets	1,496	1,464	
Current liabilities	360	482	
Long-term liabilities	262	422	
Sales	4,923	5,517	17,049
Cost of sales	3,159	3,910	14,476
Net earnings (loss)	571	207	(87)

In 2008, Dopaco had an investment of 49% in Best Diamond which was accounted for under the equity method. Best Diamond was sold in 2008 to a subsidiary of the Owner at its carrying amount.

18 Information by operating segment

Dopaco operates in one operating segment.

	2010	2009	2008
	$	$	$
Sales			
Canada	102,642	103,292	80,724
United States	353,569	346,059	356,890
	456,211	449,351	437,614

	2010	2009
	$	$
Long-lived assets		
Canada	15,087	15,043
United States	158,538	169,435
	173,625	184,478

	2010	2009
	$	$
Goodwill		
Canada	4,235	4,090
United States	15,831	15,831
	20,066	19,921

19 Subsequent events

Dopaco evaluates subsequent events through the date that its combined financial statements are issued, which is April 20, 2011.

19 Subsequent events (continued)

On February 1, 2011, Dopaco amended the Supplemental Executive Retirement Plan ("SERP") of one of its executives. The amendment fixes the benefit payable under the SERP. The additional liability which will be recognized at the date of the execution of the amendment will be approximately \$2,488 compared to the liability recorded under this plan as at December 26, 2010. The impact on the results of the quarter ended March 28, 2011 will be an additional expense of approximately \$2,784 from which an amount of approximately \$296 will be reclassified from accumulated other comprehensive income. In addition to the amendment described above, on February 1, 2011, Dopaco also entered into an agreement to provide a post-retirement health benefits plan to one of its executives. The liability under this plan is approximately \$663 as at the date of execution of the agreement.