



NEWS RELEASE

Winpak Reports 2019 First Quarter Results

Winnipeg, Manitoba, April 23, 2019 - Winpak Ltd. (WPK) today reports consolidated results in US dollars for the first quarter of 2019, which ended on March 31, 2019.

	Quarter Ended	
	March 31 2019	April 1 2018 *
<i>(thousands of US dollars, except per share amounts)</i>		
Revenue	224,035	221,665
Net income	29,188	26,867
Income tax expense	10,535	9,135
Net finance (income) expense	(1,137)	51
Depreciation and amortization	10,158	9,879
EBITDA (1)	48,744	45,932
Net income attributable to equity holders of the Company	28,429	26,361
Net income attributable to non-controlling interests	759	506
Net income	29,188	26,867
Basic and diluted earnings per share (cents)	44	41

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 healthcare applications.

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¹ EBITDA is not a recognized measure under International Financial Reporting Standards (IFRS). Management believes that in addition to net income, 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 income, determined in accordance with IFRS, 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.

*The Company has initially applied IFRS 16 "Leases" at December 31, 2018. Under the transition method chosen by the Company, comparative information has not been restated.



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 Wipak'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. Factors that could cause results to differ from those expected include, but are not limited to: the terms, availability and costs of acquiring raw materials and the ability to pass on price increases to customers; ability to negotiate contracts with new customers or renew existing customer contracts with less favorable terms; timely response to changes in customer product needs and market acceptance of our products; the potential loss of business or increased costs due to customer or vendor consolidation; competitive pressures, including new product development; industry capacity, and changes in competitors' pricing; ability to maintain or increase productivity levels; contain or reduce costs; foreign currency exchange rate fluctuations; changes in governmental regulations, including environmental, health and safety; changes in Canadian and foreign income tax rates, income tax laws and regulations. Unless otherwise required by applicable securities law, Wipak disclaims 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.

Financial Performance

Net income attributable to equity holders of the Company for the first quarter of 2019 of \$28.4 million or 44 cents in earnings per share (EPS) advanced by 7.8 percent from the \$26.4 million or 41 cents per share recorded in the corresponding quarter of 2018. Gross profit margins were the catalyst, raising EPS by 3.5 cents while net finance income and foreign exchange contributed a further 1.5 cents and 0.5 cents respectively. Conversely, increased operating expenses lowered EPS by 1.5 cents and a larger proportion of net income attributable to non-controlling interests and higher income taxes both reduced EPS by 0.5 cents.

Operating Segments and Product Groups

The Company provides three distinct types of packaging technologies: a) rigid packaging and flexible lidding, b) flexible packaging and c) packaging machinery. Each of the three are deemed to be a separate operating segment.

The rigid packaging and flexible lidding segment includes the rigid containers and lidding product groups. Rigid containers includes portion control and single-serve containers, as well as plastic sheet, custom and retort trays, which are used for applications such as food, pet food, beverage, dairy, industrial, and healthcare. Lidding products are available in die-cut, daisy chain and rollstock formats and are used for applications such as food, dairy, beverage, industrial and healthcare.

The flexible packaging segment includes the modified atmosphere packaging, specialty films and biaxially oriented nylon product groups. Modified atmosphere packaging extends the shelf life of perishable foods, while at the same time maintains or improves the quality of the product. The packaging is used for a wide range of markets and applications, including fresh and processed meats, poultry, cheese, medical device packaging, high performance pouch applications and high-barrier films for converting applications. Specialty films includes a full line of barrier and non-barrier films which are ideal for converting applications such as printing, laminating, and bag making, including shrink bags. Biaxially oriented nylon film is stretched by length and width to add stability for further conversion using printing, metalizing or laminating processes and are ideal for food packaging applications such as cheese, fluid and viscous liquids, and industrial applications such as book covers and balloons.

Packaging machinery includes a full line of horizontal fill/seal machines for preformed containers and vertical form/fill/seal pouch machines for pumpable liquid and semi-liquid products and certain dry products.

Revenue

Revenue in the first quarter of 2019 was \$224.0 million, \$2.4 million or 1.1 percent greater than the first quarter of 2018. Volumes increased by 0.2 percent. The rigid container and flexible lidding operating segment recorded a 6 percent reduction in volumes. Volumes for the rigid container product group were restrained, influenced by the timing of specialty beverage order fulfillment. Within the lidding product group, the expansion in condiment lidding and rollstock volumes was largely offset by lower specialty beverage lidding. For the flexible packaging operating segment, volumes were strong, progressing by 7 percent. In particular, biaxially oriented nylon volumes accelerated by more than 30 percent due, in part, to weak volumes in the first quarter of 2018. Furthermore, the modified atmosphere packaging product group benefitted from the inroads made at major North American protein processors. The packaging machinery segment also had a solid quarter, exceeding the 2018 first quarter by 6 percent. Selling price and mix changes had a favorable effect on revenues for the quarter of 1.6 percent, while foreign exchange, due to a weaker Canadian dollar, decreased revenues by 0.7 percent in comparison to the first quarter of 2018.



Gross Profit Margins

Gross profit margins in the first quarter of 2019 rose to 30.9 percent of revenue compared to the 29.6 percent of revenue in the first quarter of 2018, an improvement of 1.3 percentage points. The fall in raw material costs in relation to those incurred a year prior was the main factor contributing to the margin improvement. Although 72 percent of the Company's revenues are indexed, there is a lag of approximately 90 to 120-days before the effect of raw material cost changes are realized within selling prices. In addition, positive strides were made with respect to production waste and labor utilization rates. The recent capital expansion program that has been undertaken has resulted in an elevated cost structure. In tandem with sales volumes remaining relatively the same in the first quarter of the current year in relation to the prior year's first quarter, gross profit margins were compressed.

The purchase price index declined by 7.7 percent compared to the fourth quarter of 2018. In the last 12 months, the change in the index was even more significant at 9.8 percent. During the first quarter, polypropylene resin had the most substantial decrease of more than 20 percent while polyethylene and polystyrene resins both experienced decreases of approximately 10 percent.

Expenses and Other

Operating expenses in the current quarter, adjusted for foreign exchange, increased by 4.4 percent, exceeding the growth rate in sales volumes from the first quarter of 2018. Nonrecurring personnel costs with respect to the relocation of a select group of employees was the main contributing factor. Foreign exchange augmented EPS by 0.5 cents and was attributed to converting the Company's net Canadian dollar expenses into US dollars at a lower average exchange rate. Additionally, higher interest rates were applied to cash and cash equivalents, raising net finance income and elevating EPS by 1.5 cents. A modest increase in the average income tax rate and a greater proportion of net income attributable to non-controlling interests each lowered EPS by 0.5 cents.

Summary of Quarterly Results

	Thousands of US dollars, except per share amounts (US cents)							
	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017*	Q3 2017	Q2 2017
Revenue	224,035	222,138	220,647	225,191	221,665	222,323	218,348	217,752
Net income attributable to equity holders of the Company	28,429	26,683	27,835	28,042	26,361	39,633	25,368	25,745
EPS	44	41	43	43	41	61	39	40

The Company has initially applied IFRS 16 "Leases" at December 31, 2018 and IFRS 15 "Revenue From Contracts With Customers" and IFRS 9 "Financial Instruments" at January 1, 2018. Under the transition methods chosen by the Company, comparative information has not been restated.

*Includes the one-time income tax recovery of 17 cents per share due to the revaluation of deferred tax asset and liability balances within the US operations as a result of US tax reform enacted in December 2017.

Capital Resources, Cash Flow and Liquidity

The Company's cash and cash equivalents balance ended the first quarter of 2019 at \$362.6 million, an increase of \$18.3 million from the end of the prior year. Winpak continued to generate solid cash flow from operating activities before changes in working capital of \$48.9 million. Cash was consumed by net working capital additions of \$2.7 million. In addition, cash was utilized for plant and equipment additions of \$17.3 million, income tax payments of \$8.3 million, employee defined benefit plan contributions of \$2.0 million, dividend payments of \$1.4 million and other items totaling \$0.1 million while net finance income provided cash of \$1.2 million.

Looking Forward

Business Outlook

The first quarter provided strong earnings performance which should enable Winpak to build on this positive momentum. The year started with sales volumes remaining relatively unchanged with varying results within the Company's product groups. The rigid packaging and flexible lidding segment experienced soft customer demand which is expected to rebound over the course of the year. The flexible packaging segment achieved strong volume gains with a solid customer order pipeline in place. As the Canadian dollar is at a lower level versus its US counterpart from a year ago, this will have a negative effect on revenues, but have a positive effect on current year's earnings as Canadian dollars costs exceed revenues in that currency. The Company continues to reduce production waste and hence lower manufacturing costs and will strive for achieving productivity gains within the manufacturing operations. Raw material costs for three of the Company's main resins experienced significant declines during the quarter which provided an uplift to gross profit margins. The increase in supplier resin inventory levels and new capacity coming on stream for polyethylene has reduced the cost for these resins. Since 72 percent of Winpak's revenues are currently indexed to the price of raw materials, albeit with a 90 to 120-day time lag, selling prices will be trending downwards in the upcoming quarters.



Looking ahead, current expectations are for resin prices to remain relatively flat for the rest of 2019. Oil prices are rising, however the impact should be tempered by new refinery capacity coming online.

Capital expenditures of approximately \$70 - \$80 million are expected for 2019. During the second quarter, new extrusion capacity will be on stream at the rigid container facility in Sauk Village, Illinois and the new Mexican facility will be fully operational, providing new capabilities in printing technology for flexible packaging products. The building expansion and new biaxially oriented polyamide (BOPA) line in Winnipeg, Manitoba is progressing with an expected commercial start-up in the second half of 2020. The Company will continue to invest in organic growth opportunities including new technologies and broadening its product portfolio, including recycle-ready offerings, while remaining diligent and evaluating acquisition candidates that align strategically with the Company's core competencies in sophisticated packaging for food, beverage and health care applications, all being focused on providing long-term shareholder value.

Accounting Changes - Accounting Standards Implemented in 2019

a) Uncertainty over Income Tax Treatments

In June 2017, IFRIC Interpretation 23 "Uncertainty over Income Tax Treatments" was issued and aims to reduce diversity in how companies recognize and measure a tax liability or tax asset when there is uncertainty over income tax treatments. The Interpretation was implemented with retrospective application, effective December 31, 2018, and had no impact on the Company's unaudited interim condensed consolidated financial statements.

b) Employee Benefit Plan Amendment, Curtailment or Settlement

In February 2018, amendments to IAS 19 "Employee Benefits" were issued to specify how an entity determines pension expenses when changes to a defined benefit plan occur. When a change to a plan takes place, including an amendment, curtailment or settlement, IAS 19 requires an entity to remeasure its employee benefit plan liability or asset. The amendments require an entity to use the updated assumptions from this remeasurement to determine current service cost and the net finance cost for the remainder of the reporting period after the change to the plan. The amendments were implemented with prospective application, effective December 31, 2018, and had no impact on the Company's unaudited interim condensed consolidated financial statements.

c) Leases

The Company has adopted IFRS 16 with a date of initial application of December 31, 2018. The new standard introduces a balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases. As a result, most leases are recognized on the balance sheet. Certain exemptions apply for short-term leases and leases for low-value assets. Lessors continue to classify leases as operating and finance leases. IFRS 16 replaces IAS 17 "Leases" and the related interpretations.

As a result of the adoption of IFRS 16, the Company's accounting policies have been updated. See notes 3 and 4 to the unaudited interim condensed consolidated financial statements for the accounting policy changes, the consequential financial impact as well as the new disclosure requirements.

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17. On initial application, the Company has elected to record right-of-use assets based on the corresponding lease liability. Right-of-use assets and lease liabilities of \$568 were recorded as of December 31, 2018, with no net impact on retained earnings. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at December 31, 2018. The weighted-average rate applied was 4.5%. For leases with a lease term ending within 12 months of the date of initial application, the Company has elected to apply the practical expedient to account for them as short-term leases.

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 31, 2019 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 IFRS. 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 2013) 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 31, 2019 to provide reasonable assurance that the financial information being reported is materially accurate. During the first quarter ended March 31, 2019, there have been no changes to 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 Condensed Consolidated Financial Statements
First Quarter Ended: March 31, 2019

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



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

	Note	March 31 2019	December 30 2018*
Assets			
Current assets:			
Cash and cash equivalents		362,639	344,322
Trade and other receivables	13	133,661	131,851
Income taxes receivable		694	1,294
Inventories	8	128,699	132,318
Prepaid expenses		3,974	2,761
Derivative financial instruments		5	-
		<u>629,672</u>	<u>612,546</u>
Non-current assets:			
Property, plant and equipment	9	461,509	453,867
Intangible assets	9	14,215	14,311
Employee benefit plan assets		9,087	7,507
Deferred tax assets		702	707
		<u>485,513</u>	<u>476,392</u>
Total assets		<u>1,115,185</u>	<u>1,088,938</u>
Equity and Liabilities			
Current liabilities:			
Trade payables and other liabilities		62,900	63,687
Contract liabilities		1,073	3,031
Income taxes payable		4,839	3,753
Derivative financial instruments		911	2,697
		<u>69,723</u>	<u>73,168</u>
Non-current liabilities:			
Employee benefit plan liabilities		11,402	11,108
Deferred income		14,598	14,786
Provisions and other long-term liabilities		696	660
Deferred tax liabilities		41,675	41,313
		<u>68,371</u>	<u>67,867</u>
Total liabilities		<u>138,094</u>	<u>141,035</u>
Equity:			
Share capital		29,195	29,195
Reserves		(804)	(2,264)
Retained earnings		920,248	893,279
Total equity attributable to equity holders of the Company		<u>948,639</u>	<u>920,210</u>
Non-controlling interests		<u>28,452</u>	<u>27,693</u>
Total equity		<u>977,091</u>	<u>947,903</u>
Total equity and liabilities		<u>1,115,185</u>	<u>1,088,938</u>

*The Company has initially applied IFRS 16 "Leases" at December 31, 2018. Under the transition method chosen by the Company, comparative information has not been restated. See note 3.

See accompanying notes to condensed consolidated financial statements.



Winpak Ltd.

Condensed Consolidated Statements of Income

(thousands of US dollars, except per share amounts) (unaudited)

	Note	Quarter Ended	
		March 31 2019	April 1 2018*
Revenue	5	224,035	221,665
Cost of sales		(154,905)	(156,023)
Gross profit		69,130	65,642
Sales, marketing and distribution expenses		(17,689)	(17,645)
General and administrative expenses		(8,634)	(7,973)
Research and technical expenses		(4,077)	(4,072)
Pre-production expenses		-	(115)
Other (expenses) income	7	(144)	216
Income from operations		38,586	36,053
Finance income		2,106	829
Finance expense		(969)	(880)
Income before income taxes		39,723	36,002
Income tax expense		(10,535)	(9,135)
Net income for the period		29,188	26,867
Attributable to:			
Equity holders of the Company		28,429	26,361
Non-controlling interests		759	506
		29,188	26,867
Basic and diluted earnings per share - cents	11	44	41

Condensed Consolidated Statements of Comprehensive Income

(thousands of US dollars) (unaudited)

	Note	Quarter Ended	
		March 31 2019	April 1 2018*
Net income for the period		29,188	26,867
<u>Items that will not be reclassified to the statements of income:</u>			
Cash flow hedge gains recognized		459	101
Cash flow hedge losses (gains) transferred to property, plant and equipment		95	(235)
Income tax effect		-	-
		554	(134)
<u>Items that are or may be reclassified subsequently to the statements of income:</u>			
Cash flow hedge gains (losses) recognized		691	(507)
Cash flow hedge losses (gains) transferred to the statements of income	7	546	(536)
Income tax effect		(331)	279
		906	(764)
Other comprehensive income (loss) for the period - net of income tax		1,460	(898)
Comprehensive income for the period		30,648	25,969
Attributable to:			
Equity holders of the Company		29,889	25,463
Non-controlling interests		759	506
		30,648	25,969

*The Company has initially applied IFRS 16 "Leases" at December 31, 2018. Under the transition method chosen by the Company, comparative information has not been restated. See note 3.

See accompanying notes to condensed consolidated financial statements.



Winpak Ltd.
Condensed Consolidated Statements of Changes in Equity
(thousands of US dollars) (unaudited)

	Attributable to equity holders of the Company						
	Note	Share capital	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at January 1, 2018*		29,195	596	788,636	818,427	25,037	843,464
Comprehensive (loss) income for the period							
Cash flow hedge losses, net of tax		-	(270)	-	(270)	-	(270)
Cash flow hedge gains transferred to the statements of income, net of tax		-	(393)	-	(393)	-	(393)
Cash flow hedge gains transferred to property, plant and equipment		-	(235)	-	(235)	-	(235)
Other comprehensive loss		-	(898)	-	(898)	-	(898)
Net income for the period		-	-	26,361	26,361	506	26,867
Comprehensive (loss) income for the period		-	(898)	26,361	25,463	506	25,969
Dividends	10	-	-	(1,513)	(1,513)	-	(1,513)
Balance at April 1, 2018*		29,195	(302)	813,484	842,377	25,543	867,920
Balance at December 31, 2018		29,195	(2,264)	893,279	920,210	27,693	947,903
Comprehensive income for the period							
Cash flow hedge gains, net of tax		-	965	-	965	-	965
Cash flow hedge losses transferred to the statements of income, net of tax		-	400	-	400	-	400
Cash flow hedge losses transferred to property, plant and equipment		-	95	-	95	-	95
Other comprehensive income		-	1,460	-	1,460	-	1,460
Net income for the period		-	-	28,429	28,429	759	29,188
Comprehensive income for the period		-	1,460	28,429	29,889	759	30,648
Dividends	10	-	-	(1,460)	(1,460)	-	(1,460)
Balance at March 31, 2019		29,195	(804)	920,248	948,639	28,452	977,091

*The Company has initially applied IFRS 16 "Leases" at December 31, 2018. Under the transition method chosen by the Company, comparative information has not been restated. See note 3.

See accompanying notes to condensed consolidated financial statements.



Winpak Ltd.
Condensed Consolidated Statements of Cash Flows
(thousands of US dollars) (unaudited)

	Quarter Ended	
	March 31	April 1
	Note	2018*
Cash provided by (used in):		
Operating activities:		
Net income for the period		29,188
Items not involving cash:		26,867
Depreciation		10,418
Amortization - deferred income		(372)
Amortization - intangible assets		112
Employee defined benefit plan expenses		856
Net finance (income) expense		(1,137)
Income tax expense		10,535
Other		(739)
Cash flow from operating activities before the following		48,861
Change in working capital:		46,450
Trade and other receivables		(1,810)
Inventories		3,619
Prepaid expenses		(1,213)
Trade payables and other liabilities		(1,324)
Contract liabilities		(1,958)
Employee defined benefit plan contributions		(1,984)
Income tax paid		(8,251)
Interest received		2,132
Interest paid		(889)
Net cash from operating activities		37,183
Investing activities:		25,972
Acquisition of property, plant and equipment - net		(17,315)
Acquisition of intangible assets		(18)
		(17,333)
Financing activities:		(12,460)
Payment of lease liabilities		(104)
Dividends paid	10	(1,429)
		(1,533)
Change in cash and cash equivalents		(1,550)
Change in cash and cash equivalents		18,317
Cash and cash equivalents, beginning of period		11,931
Cash and cash equivalents, beginning of period		344,322
Cash and cash equivalents, end of period		291,959
Cash and cash equivalents, end of period		362,639
		303,890

*The Company has initially applied IFRS 16 "Leases" at December 31, 2018. Under the transition method chosen by the Company, comparative information has not been restated. See note 3.

See accompanying notes to condensed consolidated financial statements.

1. General

Winpak Ltd. is incorporated under the Canada Business Corporations Act. The Company 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 healthcare applications. The address of the Company's registered office is 100 Saulteaux Crescent, Winnipeg, Manitoba, Canada R3J 3T3.

2. Basis of Presentation

The unaudited interim condensed consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS). The unaudited interim condensed consolidated financial statements are in compliance with IAS 34. Accordingly, certain information and note disclosures normally included in annual consolidated financial statements prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB) have been omitted or condensed. These unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 30, 2018, which are included in the Company's 2018 Annual Report.

This is the first set of the Company's consolidated financial statements where IFRS 16 "Leases" has been applied. The change in accounting policies from those used in the Company's consolidated financial statements for the year ended December 30, 2018 is described in notes 3 and 4.

The fiscal year of the Company ends on the last Sunday of the calendar year. As a result, the Company's fiscal year is usually 52 weeks in duration, but includes a 53rd week every five to six years. The 2019 and 2018 fiscal years are both comprised of 52 weeks and each quarter of 2019 and 2018 are comprised of 13 weeks.

The unaudited interim condensed consolidated financial statements were approved by the Audit Committee on behalf of the Board of Directors on April 23, 2019.

3. Accounting Standards Implemented in 2019

The following accounting standards came into effect commencing in the Company's 2019 fiscal year:

(a) Uncertainty over Income Tax Treatments:

In June 2017, IFRIC Interpretation 23 "Uncertainty over Income Tax Treatments" was issued and aims to reduce diversity in how companies recognize and measure a tax liability or tax asset when there is uncertainty over income tax treatments. The Interpretation was implemented with retrospective application, effective December 31, 2018, and had no impact on the Company's unaudited interim condensed consolidated financial statements.

(b) Employee Benefit Plan Amendment, Curtailment or Settlement:

In February 2018, amendments to IAS 19 "Employee Benefits" were issued to specify how an entity determines pension expenses when changes to a defined benefit plan occur. When a change to a plan takes place, including an amendment, curtailment or settlement, IAS 19 requires an entity to remeasure its employee benefit plan liability or asset. The amendments require an entity to use the updated assumptions from this remeasurement to determine current service cost and the net finance cost for the remainder of the reporting period after the change to the plan. The amendments were implemented with prospective application, effective December 31, 2018, and had no impact on the Company's unaudited interim condensed consolidated financial statements.

(c) Leases:

The Company has adopted IFRS 16 with a date of initial application of December 31, 2018. The new standard introduces a balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases. As a result, most leases are recognized on the balance sheet. Certain exemptions apply for short-term leases and leases for low-value assets. Lessors continue to classify leases as operating and finance leases. IFRS 16 replaces IAS 17 "Leases" and the related interpretations.

As a result of the adoption of IFRS 16, the Company's accounting policies have been updated. See note 4 for these changes in accounting policies, as well as the new disclosure requirements. The changes in accounting policies will also be reflected in the Company's consolidated financial statements as at and for the year ending December 29, 2019.

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17.

Impact on the 2019 Interim Condensed Consolidated Financial Statements

On initial application, the Company has elected to record right-of-use assets based on the corresponding lease liability. Right-of-use assets and lease liabilities of \$568 were recorded as of December 31, 2018, with no net impact on retained earnings. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at December 31, 2018. The weighted-average rate applied was 4.5%.

For leases with a lease term ending within 12 months of the date of initial application, the Company has elected to apply the practical expedient to account for them as short-term leases. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The following table reconciles the Company's operating lease commitments at December 30, 2018, as previously disclosed in the Company's consolidated financial statements, to the lease liabilities recognized on initial application of IFRS 16 at December 31, 2018:

Operating lease commitments at December 30, 2018	(835)
Discounted using the incremental borrowing rate at December 31, 2018	(812)
Recognition exemption for short-term leases and leases of low-value assets	244
Lease liabilities recognized at December 31, 2018	(568)
Of which are:	
Current	(429)
Non-current	(139)
Lease liabilities recognized at December 31, 2018	(568)

The following tables summarize the impact of adopting IFRS 16 on the Company's condensed consolidated balance sheet as at March 31, 2019 and its condensed consolidated statement of income for first quarter of 2019. There was no material impact on the Company's condensed consolidated statement of cash flows for the first quarter of 2019.

Impact on the Company's condensed consolidated balance sheet as at March 31, 2019:

	Amount Without IFRS 16	IFRS 16 Adjustment	As Reported
Property, plant and equipment	461,048	461	461,509
Trade payables and other liabilities	(62,462)	(438)	(62,900)
Provisions and other long-term liabilities	(660)	(36)	(696)
Deferred tax liabilities	(41,678)	3	(41,675)
Retained earnings	(920,258)	10	(920,248)

Impact on the Company's condensed consolidated statement of income for the first quarter of 2019:

	Amount Without IFRS 16	IFRS 16 Adjustment	As Reported
Cost of sales	(154,911)	6	(154,905)
Other (expenses) income	(131)	(13)	(144)
Finance expense	(963)	(6)	(969)
Income tax expense	(10,538)	3	(10,535)
Net income for the period attributable to equity holders of the Company	28,439	(10)	28,429
Basic and diluted earnings per share - cents	44	-	44

4. Leases

The Company has adopted IFRS 16 with an initial application date of December 31, 2018. The updated accounting policies and additional disclosures are detailed as follows.

Accounting Policies

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. Lease payments included in the measurement of the lease liability comprise the following: a) fixed payments, including in-substance fixed payments, b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date, c) amounts expected to be payable under a residual value guarantee and d) the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the statement of income if the carrying amount of the right-of-use asset has been reduced to zero.

In the comparative periods, operating leases were not recognized in the Company's consolidated balance sheet. Payments made were recognized in the statement of income on a straight-line basis over the term of the lease, while any lease incentive received was recognized as a reduction of the total lease expense, over the term of the lease.

The Company presents right-of-use assets in 'Property, plant and equipment'. The current portion of lease liabilities is presented within 'Trade payables and other liabilities'. The non-current portion is presented within 'Provisions and other long-term liabilities'.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The adoption of IFRS 16 did not impact the Company's accounting policies for lessors.

Right-of-use assets

	March 31 2019
Opening balance, December 31, 2018	568
Additions	-
Depreciation	(107)
Closing balance, March 31, 2019	461

Lease liabilities

The Company's leases are for office and manufacturing facilities.

The following tables provide information about the timing of future lease payments:

	March 31 2019
Less than one year	(449)
One to five years	(37)
More than five years	-
Total contractual undiscounted lease liabilities	(486)
	March 31 2019
Current	(438)
Non-current	(36)
Total discounted lease liabilities	(474)

During the first quarter of 2019, the Company recorded finance expense on lease liabilities of \$6. Total cash outflow for leases was \$235, including \$123 for short-term leases. Expenses for leases of low-dollar value items were not material.

Extension Options

Some leases of office and manufacturing facilities contain extension options exercisable by the Company up to one year before the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Company and not by the lessors. The Company assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control. At March 31, 2019, potential future lease payments not included in lease liabilities were not material.

Lease Income

Lease contracts in which the Company acts as a lessor are classified as operating leases because they do not transfer substantially all of the risks and rewards incidental to ownership of the assets. Lease income from these lease contracts during the first quarter of 2019 totalled \$195.

5. Revenue

Operating Segments and Product Groups

The Company provides three distinct types of packaging technologies: a) rigid packaging and flexible lidding, b) flexible packaging and c) packaging machinery. Each of the three are deemed to be a separate operating segment.

The rigid packaging and flexible lidding segment includes the rigid containers and lidding product groups. Rigid containers includes portion control and single-serve containers, as well as plastic sheet, custom and retort trays, which are used for applications such as food, pet food, beverage, dairy, industrial, and healthcare. Lidding products are available in die-cut, daisy chain and rollstock formats and are used for applications such as food, dairy, beverage, industrial and healthcare.

The flexible packaging segment includes the modified atmosphere packaging, specialty films and biaxially oriented nylon product groups. Modified atmosphere packaging extends the shelf life of perishable foods, while at the same time maintains or improves the quality of the product. The packaging is used for a wide range of markets and applications, including fresh and processed meats, poultry, cheese, medical device packaging, high performance pouch applications and high-barrier films for converting applications. Specialty films includes a full line of barrier and non-barrier films which are ideal for converting applications such as printing, laminating, and bag making, including shrink bags. Biaxially oriented nylon film is stretched by length and width to add stability for further conversion using printing, metalizing or laminating processes and are ideal for food packaging applications such as cheese, fluid and viscous liquids, and industrial applications such as book covers and balloons.

Packaging machinery includes a full line of horizontal fill/seal machines for preformed containers and vertical form/fill/seal pouch machines for pumpable liquid and semi-liquid products and certain dry products.

Most of the Company's contracts have a single performance obligation as the promise to transfer the individual goods. Revenue for each of the three operating segments is recognized at a point in time when the customer obtains control of a product, which typically takes place when legal title and physical possession of the product is transferred to the customer. These conditions are usually fulfilled upon shipment, however, in some instances, upon delivery. Invoices are generated when control has transferred and are usually payable within 30 to 60 days.

Disaggregation of Revenue

	Quarter Ended	
	March 31 2019	April 1 2018
Operating segment		
Rigid packaging and flexible lidding	104,297	110,103
Flexible packaging	111,532	103,682
Packaging machinery	8,206	7,880
	224,035	221,665
Geographic segment		
United States	187,877	183,158
Canada	24,983	29,371
Mexico and other	11,175	9,136
	224,035	221,665

The Company's products are primarily used for the packaging of perishable foods and beverages, which accounted for more than 90 percent of sales during both the first quarter of 2019 and 2018. Other markets include medical, pharmaceutical, personal care, industrial, and other consumer goods.

6. Segment Reporting

The Company operates in three operating segments: a) rigid packaging and flexible lidding, b) flexible packaging and c) packaging machinery. Due to similar economic characteristics, including long-term sales volumes growth and long-term average gross profit margins, and having similar products, production processes, types of customers and distribution methods, the rigid packaging and flexible lidding and flexible packaging operating segments have been aggregated as one reportable segment. In addition, the packaging machinery operating segment has been aggregated with these two segments as the segment's revenue and assets represents less than 4 percent of total Company revenues and assets.

The Company operates principally in the United States, Canada and Mexico. See note 5 for a breakdown of revenue by operating and geographic segment. The following summary presents property, plant and equipment and intangible assets information by geographic segment:

	March 31 2019	April 1 2018
United States	223,981	215,365
Canada	233,797	223,234
Mexico	17,946	1,184
	475,724	439,783

7. Other (Expenses) Income

	Quarter Ended	
	March 31 2019	April 1 2018
Amounts shown on a net basis		
Foreign exchange gains (losses)	402	(320)
Cash flow hedge (losses) gains transferred from other comprehensive income	(546)	536
	(144)	216

8. Inventories

	March 31 2019	December 30 2018
Raw materials	38,476	44,179
Work-in-process	21,468	22,365
Finished goods	57,896	55,329
Spare parts	10,859	10,445
	128,699	132,318

During the first quarter of 2019, the Company recorded, within cost of sales, inventory write-downs for slow-moving and obsolete inventory of \$2,472 (2018 - \$2,374) and reversals of previously written-down items of \$1,543 (2018 - \$1,268).

9. Property, Plant and Equipment and Intangible Assets

Property, plant and equipment comprise owned and leased assets.

	March 31 2019
Property, plant and equipment owned	461,048
Right-of-use assets	461
	461,509

At March 31, 2019, the Company has commitments to purchase plant and equipment of \$25,116 (December 30, 2018 - \$31,157). No impairment losses or impairment reversals were recognized in the first quarter of 2019 or 2018.

10. Dividends

During the first quarter of 2019, dividends in Canadian dollars of 3 cents per common share were declared (2018 - 3 cents).

11. Earnings Per Share

	Quarter Ended	
	March 31 2019	April 1 2018
Net income attributable to equity holders of the Company	28,429	26,361
Weighted average shares outstanding (000's)	65,000	65,000
Basic and diluted earnings per share - cents	44	41

12. Financial instruments

The Company measures assets and liabilities under the following fair value hierarchy in accordance with IFRS. The inputs used for fair value measurements, including their classification within the required three levels of the fair value hierarchy that prioritizes the inputs used for fair value measurement, are as follows:

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

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

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

The fair value of cash and cash equivalents, trade and other receivables, including trade and other receivables subject to factoring arrangements and classified as measured at FVOCI, trade payables and other liabilities approximate their carrying value because of the short-term maturity of these instruments. The fair value of foreign currency forward contracts, designated as cash flow hedges, has been determined by valuing those contracts to market against prevailing forward foreign exchange rates as at the reporting date.

The following table presents the classification of financial instruments within the fair value hierarchy:

Financial Assets (Liabilities)	Level 1	Level 2	Level 3	Total
<u>At March 31, 2019</u>				
Foreign currency forward contracts - net	-	(906)	-	(906)
<u>At December 30, 2018</u>				
Foreign currency forward contracts - net	-	(2,697)	-	(2,697)

When the Company has a legally enforceable right to set off supplier rebates receivable against supplier trade payables and intends to settle the amount on a net basis or simultaneously, the balance is presented as an offset within 'Trade payables and other liabilities' on the consolidated balance sheet. At March 31, 2019, the supplier rebate receivable balance that was offset was \$4,710 (December 30, 2018 - \$5,166).

13. 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, liquidity risk, and credit 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.

Financial 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

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 other (expenses) income. As a result of the Company's CDN dollar net asset monetary position as at March 31, 2019, a one-cent change in the period-end foreign exchange rate from 0.7485 to 0.7385 (CDN to US dollars) would have decreased net income by \$187 for the first quarter of 2019. Conversely, a one-cent change in the period-end foreign exchange rate from 0.7485 to 0.7585 (CDN to US dollars) would have increased net income by \$187 for the first quarter of 2019.

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. The Company may also enter into forward foreign currency contracts when equipment purchases and special dividend payments will be settled in foreign currencies. Transactions are only conducted with certain approved Schedule I Canadian financial institutions. All foreign currency contracts are designated as cash flow hedges of the highly probable CDN dollar expenditures. These derivatives meet the hedge effectiveness criteria as a result of the following factors:

- a) An economic relationship exists between the hedged item and the hedging instrument as notional amounts match and both the hedged item and hedging instrument fair values move in response to the same risk - foreign exchange rates. There are no significant reasons or causes for the designated hedged item and hedging instrument to be mismatched since the hedging instrument matures during the same month as the expected hedged expenditures are incurred. The correlation between the foreign exchange rate of the hedged item and the hedging instrument should be highly correlated and closely aligned as the maturity and the notional amount are the same.
- b) The hedge ratio is one to one for this hedging relationship as the hedged item is foreign currency risk that is hedged with a foreign currency hedging instrument.
- c) Credit risk is not material in the fair value of the hedging instrument.

The Company has identified two sources of potential ineffectiveness: a) the timing of cash flow differences between the expenditure and the related derivative and b) the inclusion of credit risk in the fair value of the derivative not replicated in the hedged item. The Company expects the impact of these sources of hedge ineffectiveness to be minimal. The timing of hedge settlements and incurred expenditures are closely aligned as they are expected to occur within 30 days of each other. Credit risk is not a material component of the fair value of the Company's hedging instruments as all counterparties are Schedule 1 Canadian financial institutions, which are highly rated.

Certain foreign currency contracts matured during the first quarter of 2019 and the Company realized pre-tax foreign exchange losses of \$641. Of these foreign exchange differences, losses of \$546 were recorded in other (expenses) income and losses of \$95 were recorded in property, plant and equipment. During the first quarter of 2018 the Company realized pre-tax foreign exchange gains of \$771. Of these foreign exchange differences, gains of \$536 were recorded in other (expenses) income and gains of \$235 were recorded in property, plant and equipment.

As at March 31, 2019, the Company had US to CDN dollar foreign currency forward contracts outstanding with a notional amount of US \$53.0 million at an average exchange rate of 1.3086 maturing between April 2019 and February 2020. The fair value of these financial instruments was negative \$906 US and the corresponding unrealized loss has been recorded in other comprehensive income. The Company did not recognize any ineffectiveness on the hedging instruments in the first quarter of 2019 or 2018.

Interest Rate Risk

The Company's interest rate risk arises from interest rate fluctuations on the finance income that it earns on its cash invested in money market accounts and short-term deposits. 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 31, 2019 cash and cash equivalents balance of \$362.6 million, a 1.0 percent increase/decrease in interest rate fluctuations would increase/decrease income before income taxes by \$3,626 annually.

Commodity Price Risk

The Company's manufacturing costs are affected by the price of raw materials, namely petroleum-based and natural gas-based plastic resins and aluminum. In order to manage its risk, the Company has entered into selling price-indexing programs with certain customers. Changes in raw material prices for these customers are reflected in selling price adjustments but there is a slight time lag. For the quarter ended March 31, 2019, 72 percent of revenue was generated from 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.

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 \$362.6 million, (b) no outstanding bank loans, (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, payment of lease liabilities and dividend payments in the next twelve months. The Company's trade payables and other liabilities and derivative financial instrument liabilities are all due within twelve months.

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 contracts), as well as credit exposure to customers, including outstanding trade and other 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 31 2019	December 30 2018
Cash and cash equivalents	362,639	344,322
Trade and other receivables	133,661	131,851
Foreign currency forward contracts	5	-
	496,305	476,173

Credit risk on cash and cash equivalents and other 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 rated 'AA' or higher for CDN financial institutions and 'A-1' or higher for US financial institutions by recognized international credit rating agencies or insured 100 percent by the US government or a 'AAA' rated CDN federal or provincial government. The Company manages its counterparty risk on its financial instruments by only dealing with Schedule I Canadian financial institutions.

In the normal course of business, the Company is exposed to credit risk on its trade and other receivables from customers. 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 trade and other receivables against credit losses.

During the first quarter of 2019, the Company incurred costs on the sale of trade receivables of \$1,229 (2018 - \$1,081). Of these costs, \$881 was recorded in finance expense (2018 - \$755) and \$348 was recorded in general and administrative expenses (2018 - \$326).

As at March 31, 2019, the Company believes that the credit risk for trade and other receivables is mitigated due to the following: a) a broad customer base which is dispersed across varying market sectors and geographic locations, b) 99 percent of the gross trade and other receivables balance is within 30 days of the agreed upon payment terms with customers, c) the sale of certain extended term trade receivables without recourse and d) 37 percent of the trade and other receivables balance is insured against credit losses. The Company's exposure to the ten largest customer balances, on aggregate, accounted for 42 percent of the total trade and other receivables balance.

The carrying amount of trade and other receivables is reduced through the use of an allowance for expected credit losses and the amount of the loss is recognized in the statement of income within general and administrative expenses. When a receivable balance is considered uncollectible, it is written off against the allowance for expected credit losses. Subsequent recoveries of amounts previously written off are credited against general and administrative expenses in the statement of income. During the first quarter of 2019, the Company recorded impairment losses on trade and other receivables of \$76 (2018 - \$116).



Notes to Condensed Consolidated Financial Statements
For the periods ended March 31, 2019 and April 1, 2018
(thousands of US dollars, unless otherwise indicated) (Unaudited)

The following table sets out the aging details of the Company's trade and other receivables balances outstanding based on when the receivable was due and payable and related allowance for expected credit losses:

	March 31 2019	December 30 2018
Current (not past due)	119,475	112,953
1 - 30 days past due	13,205	16,636
31 - 60 days past due	1,050	2,022
More than 60 days past due	941	1,196
	<u>134,671</u>	<u>132,807</u>
Less: Allowance for expected credit losses	(1,010)	(956)
Total trade and other receivables, net	<u>133,661</u>	<u>131,851</u>

14. Seasonality

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