



NEWS RELEASE

Winpak Reports 2017 Second Quarter Results

Winnipeg, Manitoba, July 27, 2017 - Winpak Ltd. (WPK) today reports consolidated results in US dollars for the second quarter of 2017, which ended on July 2, 2017.

	Quarter Ended (1)		Year-To-Date Ended (1)	
	July 2 2017	June 26 2016	July 2 2017	June 26 2016
<i>(thousands of US dollars, except per share amounts)</i>				
Revenue	217,752	204,129	446,103	402,283
Net income	26,621	26,164	55,870	53,464
Income tax expense	11,466	13,315	25,221	25,625
Net finance expense	470	24	603	5
Depreciation and amortization	9,122	8,391	18,247	16,722
EBITDA (2)	47,679	47,894	99,941	95,816
Net income attributable to equity holders of the Company	25,745	25,166	54,297	51,730
Net income attributable to non-controlling interests	876	998	1,573	1,734
Net income	26,621	26,164	55,870	53,464
Basic and diluted earnings per share (cents)	40	39	84	80

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.

For further information: L.A. Warelis, Vice President and CFO, (204) 831-2254; O.Y. Muggli, Executive Vice President and COO, (204) 831-2214

¹ The 2017 fiscal year comprises 53 weeks and the 2016 fiscal year comprised 52 weeks. Each quarter of 2017 and 2016 comprises 13 weeks with the exception of the first quarter of 2017, which comprised 14 weeks.

² 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.



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, we disclaim any intention or obligation to publicly update or revise this information, whether as a result of new information, future events or otherwise. The Company cautions investors not to place undue reliance upon forward-looking statements.

Financial Performance

Net income attributable to equity holders of the Company for the second quarter of 2017 of \$25.7 million or 40 cents in earnings per share (EPS) compared to \$25.2 million or 39 cents per share in the corresponding quarter of 2016, an increase of 2.3 percent. Continued organic volume growth contributed 3.0 cents in EPS. This, however, was more than offset by a reduction in gross profit margins, negatively impacting EPS by 5.0 cents. Lower income taxes and favorable foreign exchange augmented EPS by 2.5 cents and 1.0 cent respectively. The higher net finance expense had the opposite effect, decreasing EPS by 0.5 cents.

For the six months ended July 2, 2017, net income attributable to equity holders of the Company amounted to \$54.3 million or 84 cents per share which surpassed the 2016 first half result of \$51.7 million or 80 cents per share by 5.0 percent. Greater sales volumes in 2017 enhanced EPS by 9.5 cents and was supplemented by favorable foreign exchange, adding a further 2.5 cents. Reduced income taxes and controlled growth in operating expenses each contributed 1.5 cents to EPS. On the other hand, a compressed gross profit margin lowered EPS by 10.5 cents. The increase in net finance expense reduced EPS by 0.5 cents.

The fiscal year of the Company ends on the last Sunday of the calendar year and is usually 52 weeks in duration. However, the 2017 fiscal year consists of 53 weeks, with the first quarter comprising 14 weeks, one more week than the prior year. The additional week included in the 2017 first quarter was essentially the last week of the 2016 calendar year which contained several statutory holidays. Consequently, it is estimated that this additional week contributed 3 percent to 2017 first half volumes and net income results.

Revenue

Revenue in the second quarter of 2017 reached \$217.8 million versus \$204.1 million in the same quarter of 2016, an increase of 6.7 percent. Volume growth remained on a steady pace at 7.0 percent compared to the second quarter of 2016. Revenue performance varied across product groups. Similar to the experience of the first quarter, rigid container volumes had the greatest influence on the Company's growth, advancing by 11 percent. Sheet and tray sales were particularly brisk. Modified atmosphere packaging volumes continued to progress in the high single-digit range, most notably at major US meat processors. Lidding volumes grew in the mid-single-digit range with gains realized in both die-cut yogurt and condiment lids. Meanwhile, volumes in the specialty films and biaxially oriented nylon product groups were essentially unchanged from the prior year. Packaging machinery continued to progress at a healthy pace, eclipsing the prior year quarter by more than 10 percent. Changes in selling prices and product mix, along with foreign exchange, had a negligible effect on revenue.

For the first half of 2017, revenue rose by \$43.8 million or 10.9 percent to \$446.1 million from \$402.3 million recorded in the first six months of 2016. Volume growth was substantial at 11.5 percent and even after accounting for the additional week in the first quarter of 2017, volume growth was approximately 8 percent. Demand was strongest in rigid containers where growth of 16 percent was experienced, led by specialty beverage, condiment and tray packaging sales. Modified atmosphere packaging volumes were also heightened, progressing in the high single-digit percentage range. Gains at major US protein processors drove success for this product group. Biaxially oriented nylon shipments expanded in the mid-single-digit range as did lidding sales with die-cut yogurt and condiment lids advancing. Weakened demand for specialty films resulted in volumes receding in the mid-single-digit percentage range. Packaging machinery growth exceeded 20 percent, although this product group represents less than 3 percent of total revenue. Lower overall selling prices and change in product mix resulted in a decrease in revenue of 0.6 percent compared to 2016. Foreign exchange had little impact on revenue in relation to the corresponding prior year period.



Gross profit margins

Gross profit margins for the second quarter of 2017 fell 2.1 percentage points to 31.2 percent of revenue from the 33.3 percent recorded in the same quarter of 2016. Significantly higher raw material costs, compared to those incurred a year earlier, were responsible for the margin erosion and the resulting decrease in EPS of 5.0 cents. The selling price increases with respect to indexed customer accounts typically lag the change in raw material costs by approximately three months, leading to a contraction in margins during the interim period.

For the first six months of 2017, gross profit margins of 31.6 percent of revenue fell short of 2016 year-to-date levels of 33.7 percent by 2.1 percentage points. This translated into a decrease in earnings per share of 10.5 cents. The overriding factor was the narrowing in the spread between selling prices and raw material costs.

For reference, the following presents the weighted indexed purchased cost of Winpak's eight primary raw materials in the reported quarter and each of the preceding eight quarters, where base year 2001 = 100. The index was rebalanced as of December 26, 2016 to reflect the mix of the eight primary raw materials purchased in 2016.

Quarter and Year	2/17	1/17	4/16	3/16	2/16	1/16	4/15	3/15	2/15
Purchase Price Index	154.4	147.8	143.9	140.2	138.1	136.4	139.1	147.7	152.1

The purchase price index advanced by 4.5 percent compared to the first quarter of 2017. While most of the Company's major raw materials experienced increases ranging between mid-single-digit and low double-digit, polypropylene resin prices dropped by over 9 percent in the quarter. The index has increased by 11.8 percent over the past twelve months and is directly related to the rise in the price of oil in the latter half of 2016 and the tightness of resin supply in the market place during this time period.

Expenses and Other

Operating expenses in the second quarter of 2017, after eliminating the impact of foreign exchange, increased by 6.4 percent, virtually the same as the growth in sales volumes of 7.0 percent over the same period. Higher share-based incentive expenses were offset by lower research and technical expenses, reflecting the high level of activity that was undertaken during the second quarter of 2016 in support of new product initiatives. Foreign exchange had a favorable effect on EPS of approximately 1.0 cent. The weaker Canadian dollar in the second quarter of 2017 versus the comparative period in 2016 had a positive impact on earnings as expenses exceeded revenues in that currency. The Company entered into an agreement in January 2017 to sell certain extended term accounts receivable without recourse to a financial institution in exchange for cash. Consequently, net finance expense increased and lowered EPS by 0.5 cents. Due to a larger proportion of earnings being realized in lower income tax rate jurisdictions, a drop in the effective income tax rate was experienced, which increased EPS by 2.5 cents.

On a year-to-date basis, operating expenses, adjusted for foreign exchange, advanced at a rate of 8.9 percent while sales volumes expanded by 11.5 percent. Despite the significant rise in share-based incentive expenses, controlled spending in other expenses more than offset those costs, resulting in additional EPS of 1.5 cents. Furthermore, foreign exchange had a favorable effect on EPS of 2.5 cents in the first six months of 2017 in comparison to the equivalent time-frame in 2016 as the gains realized on the maturing foreign exchange forward contracts in 2017 contrasted with the losses recorded in the prior year. Net finance expense had an unfavorable impact of EPS of 0.5 cents, but was more than offset by the lower effective income tax rate, which increased EPS by 1.5 cents.

Summary of Quarterly Results

	Thousands of US dollars, except per share amounts (US cents)							
	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
Revenue	217,752	228,351	215,550	204,699	204,129	198,154	205,746	193,726
Net income attributable to equity holders of the Company	25,745	28,552	28,578	24,036	25,166	26,564	27,635	22,305
EPS	40	44	44	37	39	41	43	34

Capital Resources, Cash Flow and Liquidity

The Company's cash and cash equivalents balance ended the second quarter of 2017 at \$250.5 million, an increase of \$18.8 million from the end of the previous quarter. Winpak continued to generate strong cash flows from operating activities before changes in working capital of \$47.6 million. Working capital was virtually unchanged, decreasing by just \$0.7 million. Cash was used for income tax payments of \$16.6 million, plant and equipment additions of \$10.8 million, dividends of \$1.5 million and other items amounting to \$0.6 million.



For the first half of 2017, the cash and cash equivalents balance advanced by \$39.3 million to \$250.5 million as a result of the significant cash flow provided by operating activities before changes in working capital of \$99.0 million. Working capital provided an additional \$2.6 million in cash. Trade payables and other liabilities grew by \$8.9 million due to the level and timing of inventory purchases and the increase in the liability pertaining to the share-based incentive plan. Additionally, trade and other receivables generated \$8.8 million as the Company sold certain accounts receivable to a financial institution for cash. Conversely, inventory expanded by \$13.4 million, reflecting the investment driven by the organic sales volume growth as well as the rise in raw material costs. Other uses of cash included plant and equipment additions of \$29.0 million, income tax payments of \$28.5 million, dividends of \$2.9 million and other items totaling \$1.9 million.

Looking Forward

Continuing on the momentum created in the first half of the year, the Company remains positive regarding sales volume growth and earnings advancement in the second half of 2017. In this regard, Winpak will have to continue to retain sales volumes with existing customers by executing contracts as they come up for renewal and realize new business with customers. From a raw material perspective, the prices of the Company's widely used resins have risen in the first six months of the year due mostly to tightness of supply in the North American market. Price increases announced in the first half of the year, for most resins, will likely keep gross profit margins at levels similar to those realized in the first six months of the year as elevated resin costs make their way into cost of goods sold before they are reflected in higher indexed selling prices in the upcoming quarters. The supply and demand in the North American market for resins is relatively balanced and it appears changes in raw material costs in aggregate should not vary significantly in the third quarter. To enhance gross profit margins, the Company will concentrate on improving manufacturing results where new product offerings and equipment require more knowledge and experience to elevate production competencies and productivity. The building expansions at the Company's specialty films operation in Senoia, Georgia and rigid container facility in Sauk Village, Illinois were completed in the second quarter of 2017. New extrusion capacity at the two aforementioned plants are expected to be in place by the end of 2017. In addition, converting capacity will be coming on stream at the Senoia, Georgia and Vaudreuil, Quebec operations. Capital spending for the first six months has reached \$29 million and is expected to be between \$60 to \$70 million for the current year. The Company remains focused on organic growth through capital investment and will continue to pursue acquisition opportunities in Winpak's core competencies in sophisticated food and healthcare packaging executing a transaction when the proper price and fit are present to add long-term shareholder value.

Future Changes to Accounting Standards

As more fully described in Note 4 to the Condensed Consolidated Financial Statements, three new accounting standards have been issued, IFRS 9 "Financial Instruments", IFRS 15 "Revenue from Contracts with Customers" and IFRS 16 "Leases". IFRS 9 and IFRS 15 are effective for annual periods beginning on or after January 1, 2018 while IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company is currently assessing the impact of these new standards on its consolidated financial statements. IFRS 9 and IFRS 15 will be adopted in 2018 and the Company does not intend to early adopt IFRS 16.

IFRIC Interpretation 22 "Foreign Currency Transactions and Advance Consideration" was issued in December 2016. The Interpretation is effective for annual periods beginning on or after January 1, 2018. While the Company is currently assessing the impact of this change, management does not expect the Interpretation to have a significant impact on the Company's consolidated financial statements and will adopt the Interpretation in 2018.

IFRIC Interpretation 23 "Uncertainty over Income Tax Treatments" was issued in June 2017. The Interpretation is effective for annual periods beginning on or after January 1, 2019. While the Company is currently assessing the impact of this change, management does not expect the Interpretation to have a significant impact on the Company's consolidated financial statements and does not intend to early adopt the Interpretation.

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 July 2, 2017 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 July 2, 2017 to provide reasonable assurance that the financial information being reported is materially accurate. During the second quarter ended July 2, 2017, 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
Second Quarter Ended: July 2, 2017

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	July 2 2017	December 25 2016
Assets			
Current assets:			
Cash and cash equivalents		250,482	211,225
Trade and other receivables	12	115,392	124,148
Income taxes receivable		3,056	564
Inventories	5	116,928	103,516
Prepaid expenses		4,623	3,024
Derivative financial instruments		988	308
		<u>491,469</u>	<u>442,785</u>
Non-current assets:			
Property, plant and equipment	7	420,336	409,147
Intangible assets	7	14,568	14,501
Employee benefit plan assets		7,162	6,721
Deferred tax assets		940	1,060
		<u>443,006</u>	<u>431,429</u>
Total assets		<u>934,475</u>	<u>874,214</u>
Equity and Liabilities			
Current liabilities:			
Trade payables and other liabilities		80,395	71,448
Income taxes payable		122	6,226
Derivative financial instruments		-	348
		<u>80,517</u>	<u>78,022</u>
Non-current liabilities:			
Employee benefit plan liabilities		10,256	9,253
Deferred income		15,569	15,424
Provisions		760	760
Deferred tax liabilities		46,450	43,486
		<u>73,035</u>	<u>68,923</u>
Total liabilities		<u>153,552</u>	<u>146,945</u>
Equity:			
Share capital		29,195	29,195
Reserves		724	(29)
Retained earnings		727,806	676,478
		<u>757,725</u>	<u>705,644</u>
Total equity attributable to equity holders of the Company		<u>757,725</u>	<u>705,644</u>
Non-controlling interests		<u>23,198</u>	<u>21,625</u>
Total equity		<u>780,923</u>	<u>727,269</u>
Total equity and liabilities		<u>934,475</u>	<u>874,214</u>

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 (Note 2)		Year-To-Date Ended (Note 2)	
		July 2 2017	June 26 2016	July 2 2017	June 26 2016
Revenue		217,752	204,129	446,103	402,283
Cost of sales		(149,878)	(136,178)	(304,951)	(266,565)
Gross profit		67,874	67,951	141,152	135,718
Sales, marketing and distribution expenses		(16,563)	(15,646)	(34,187)	(30,878)
General and administrative expenses		(8,919)	(7,240)	(18,058)	(15,186)
Research and technical expenses		(3,913)	(4,871)	(7,687)	(8,616)
Pre-production expenses		-	(187)	(125)	(356)
Other income (expenses)	6	78	(504)	599	(1,588)
Income from operations		38,557	39,503	81,694	79,094
Finance income		413	124	729	257
Finance expense		(883)	(148)	(1,332)	(262)
Income before income taxes		38,087	39,479	81,091	79,089
Income tax expense		(11,466)	(13,315)	(25,221)	(25,625)
Net income for the period		26,621	26,164	55,870	53,464
Attributable to:					
Equity holders of the Company		25,745	25,166	54,297	51,730
Non-controlling interests		876	998	1,573	1,734
		26,621	26,164	55,870	53,464
Basic and diluted earnings per share - cents	9	40	39	84	80

Condensed Consolidated Statements of Comprehensive Income

(thousands of US dollars) (unaudited)

	Note	Quarter Ended (Note 2)		Year-To-Date Ended (Note 2)	
		July 2 2017	June 26 2016	July 2 2017	June 26 2016
Net income for the period		26,621	26,164	55,870	53,464
<u>Items that will not be reclassified to the statements of income:</u>					
Cash flow hedge (losses) gains recognized		-	(12)	-	20
Cash flow hedge losses transferred to property, plant and equipment		-	-	-	52
Income tax effect		-	-	-	-
		-	(12)	-	72
<u>Items that are or may be reclassified subsequently to the statements of income:</u>					
Cash flow hedge gains recognized		999	604	1,437	2,016
Cash flow hedge losses (gains) transferred to the statements of income	6	22	166	(409)	890
Income tax effect		(273)	(206)	(275)	(777)
		748	564	753	2,129
Other comprehensive income for the period - net of income tax		748	552	753	2,201
Comprehensive income for the period		27,369	26,716	56,623	55,665
Attributable to:					
Equity holders of the Company		26,493	25,718	55,050	53,931
Non-controlling interests		876	998	1,573	1,734
		27,369	26,716	56,623	55,665

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 December 28, 2015		29,195	(1,208)	576,359	604,346	19,045	623,391
Comprehensive income for the period							
Cash flow hedge gains, net of tax		-	1,497	-	1,497	-	1,497
Cash flow hedge losses transferred to the statements of income, net of tax		-	652	-	652	-	652
Cash flow hedge losses transferred to property, plant and equipment		-	52	-	52	-	52
Other comprehensive income		-	2,201	-	2,201	-	2,201
Net income for the period		-	-	51,730	51,730	1,734	53,464
Comprehensive income for the period		-	2,201	51,730	53,931	1,734	55,665
Dividends	8	-	-	(2,973)	(2,973)	(1,277)	(4,250)
Balance at June 26, 2016		29,195	993	625,116	655,304	19,502	674,806
Balance at December 26, 2016		29,195	(29)	676,478	705,644	21,625	727,269
Comprehensive income for the period							
Cash flow hedge gains, net of tax		-	1,053	-	1,053	-	1,053
Cash flow hedge gains transferred to the statements of income, net of tax		-	(300)	-	(300)	-	(300)
Other comprehensive income		-	753	-	753	-	753
Net income for the period		-	-	54,297	54,297	1,573	55,870
Comprehensive income for the period		-	753	54,297	55,050	1,573	56,623
Dividends	8	-	-	(2,969)	(2,969)	-	(2,969)
Balance at July 2, 2017		29,195	724	727,806	757,725	23,198	780,923

See accompanying notes to condensed consolidated financial statements.



Winpak Ltd.

Condensed Consolidated Statements of Cash Flows

(thousands of US dollars) (unaudited)

	Note	Quarter Ended (Note 2)		Year-To-Date Ended (Note 2)	
		July 2 2017	June 26 2016	July 2 2017	June 26 2016
Cash provided by (used in):					
Operating activities:					
Net income for the period		26,621	26,164	55,870	53,464
Items not involving cash:					
Depreciation		9,374	8,606	18,757	17,161
Amortization - deferred income		(414)	(380)	(830)	(774)
Amortization - intangible assets		162	165	320	335
Employee defined benefit plan expenses		927	944	1,843	1,822
Net finance expense		470	24	603	5
Income tax expense		11,466	13,315	25,221	25,625
Other		(1,015)	(111)	(2,785)	(1,488)
Cash flow from operating activities before the following		47,591	48,727	98,999	96,150
Change in working capital:					
Trade and other receivables		210	(8,554)	8,756	(9,909)
Inventories		(1,749)	(6,605)	(13,412)	(7,649)
Prepaid expenses		378	(57)	(1,599)	(1,363)
Trade payables and other liabilities		1,816	2,691	8,874	(3,990)
Employee defined benefit plan contributions		(99)	(90)	(1,104)	(1,037)
Income tax paid		(16,595)	(13,389)	(28,459)	(28,574)
Interest received		394	147	673	198
Interest paid		(772)	(58)	(1,149)	(62)
Net cash from operating activities		31,174	22,812	71,579	43,764
Investing activities:					
Acquisition of plant and equipment - net		(10,781)	(13,100)	(29,028)	(28,161)
Acquisition of intangible assets		(136)	(119)	(387)	(129)
		(10,917)	(13,219)	(29,415)	(28,290)
Financing activities:					
Dividends paid	8	(1,466)	(1,473)	(2,907)	(2,881)
Dividend paid to non-controlling interests in subsidiary		-	(1,277)	-	(1,277)
		(1,466)	(2,750)	(2,907)	(4,158)
Change in cash and cash equivalents		18,791	6,843	39,257	11,316
Cash and cash equivalents, beginning of period		231,691	169,500	211,225	165,027
Cash and cash equivalents, end of period		250,482	176,343	250,482	176,343

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), using the same accounting policies as those used in the Company's consolidated financial statements for the year ended December 25, 2016, except as disclosed in note 3. The unaudited interim condensed consolidated financial statements are in compliance with IAS 34. Accordingly, certain information and note disclosure 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 25, 2016, which are included in the Company's 2016 Annual Report.

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 2017 fiscal year comprises 53 weeks and the 2016 fiscal year comprised 52 weeks. Each quarter of 2017 and 2016 comprises 13 weeks with the exception of the first quarter of 2017, which comprised 14 weeks.

The unaudited interim condensed consolidated financial statements were approved by the Audit Committee on behalf of the Board of Directors on July 27, 2017.

3. Accounting Standards and Policies Implemented in 2017

(a) Statements of Cash Flows:

The amendments to IAS 7 "Statement of Cash Flows" were issued to improve information provided to users of financial statements about an entity's changes in liabilities arising from financing activities. These amendments were implemented in the first quarter of 2017 with prospective application and had no impact on the Company's unaudited interim condensed consolidated financial statements.

(b) Customer Financing and Trade Receivables:

The Company has an ongoing agreement in place with a financial institution whereby certain extended term trade receivables are sold without recourse in exchange for cash. When the trade receivable is sold, the Company removes them from the balance sheet, recognizes the amount received as the consideration for the transfer and records the corresponding costs within finance expense and general and administrative expenses. The Company assumes the risk on trade receivables not sold, and accordingly, the amounts are included within Trade and Other Receivables.

4. Future Accounting Standards

(a) Financial Instruments:

IFRS 9 "Financial Instruments" was issued in November 2009, introducing new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition. IFRS 9, which has yet to be adopted, retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity's business model and the contractual cash flow of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument. With regard to the measurement of financial liabilities designated as fair value through profit or loss, IFRS 9 requires that the amount of the change in the fair value of the financial liability, that is attributable to changes in the credit risk of that liability, is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in the statement of income. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to the statement of income. Previously, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in the statement of income. In November 2013, a new general hedge accounting standard was issued, forming part of IFRS 9. It will more closely align with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. Another revised version of IFRS 9 was issued in July 2014 mainly to include i) impairment requirements for financial assets and ii) limited amendments to the classification and measurement requirements by introducing a fair value through other comprehensive income measurement category for certain simple debt instruments.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company is currently assessing the impact this new standard will have on its consolidated financial statements. The new standard will be adopted by the Company in 2018.

(b) Revenue From Contracts With Customers:

IFRS 15 "Revenue From Contracts With Customers" was issued in May 2014, specifying the steps and timing for recognizing revenue. The new standard also requires more informative, relevant disclosures. IFRS 15 supersedes IAS 11 "Construction Contracts" and IAS 18 "Revenue", as well as various IFRIC and SIC interpretations regarding revenue. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively. Early adoption is permitted. The Company is currently assessing the impact this new standard will have on its consolidated financial statements. The new standard will be adopted by the Company in 2018.

(c) Leases:

IFRS 16 "Leases" was issued in January 2016, providing a single model for leases. 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 will be recognized on the statement of financial position. Certain exemptions will apply for short-term leases and leases for low-value assets. Lessors will continue to classify leases as operating and finance leases. IFRS 16 replaces IAS 17 "Leases" and the related interpretations. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 and is to be applied retrospectively. Early adoption is permitted under certain conditions. The Company is currently assessing the impact of this new standard and does not intend to early adopt IFRS 16 in its consolidated financial statements.

(d) Foreign Currency Transactions and Advance Consideration:

In December 2016, IFRIC Interpretation 22 "Foreign Currency Transactions and Advance Consideration" was issued to clarify the date that should be used for translation when a foreign currency transaction involves an advance receipt or payment. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. The Interpretation is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Interpretation will be adopted by the Company in 2018. While the Company is currently assessing the impact of the Interpretation, management does not expect IFRIC 22 to have a significant impact on the Company's consolidated financial statements.

(e) 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 is effective for annual periods beginning on or after January 1, 2019 and is to be applied retrospectively. Early adoption is permitted. While the Company is currently assessing the impact of the Interpretation, management does not expect IFRIC 23 to have a significant impact on the Company's consolidated financial statements and does not expect to early adopt the Interpretation.

5. Inventories

	July 2 2017	December 25 2016
Raw materials	30,140	27,559
Work-in-process	18,502	18,113
Finished goods	59,092	49,254
Spare parts	9,194	8,590
	116,928	103,516

During the second quarter of 2017, the Company recorded, within cost of sales, inventory write-downs for slow-moving and obsolete inventory of \$1,506 (2016 - \$1,649) and reversals of previously written-down items of \$488 (2016 - \$424). On a year-to-date basis, the Company recorded, within cost of sales, inventory write-downs for slow-moving and obsolete inventory of \$4,757 (2016 - \$4,208) and reversals of previously written-down items of \$2,015 (2016 - \$2,033).

6. Other Income (Expenses)

	Quarter Ended		Year-To-Date Ended	
	July 2 2017	June 26 2016	July 2 2017	June 26 2016
Amounts shown on a net basis				
Foreign exchange gain (loss)	100	(338)	190	(698)
Cash flow hedge (losses) gains transferred from other comprehensive income	(22)	(166)	409	(890)
	78	(504)	599	(1,588)

7. Property, Plant and Equipment and Intangible Assets

At July 2, 2017, the Company has commitments to purchase plant and equipment of \$11,796 (December 25, 2016 - \$26,766). No impairment losses or impairment reversals were recognized during the year-to-date periods ended July 2, 2017 or June 26, 2016.

8. Dividends

During the second quarter of 2017, dividends in Canadian dollars of 3 cents per common share were declared (2016 - 3 cents) and on a year-to-date basis, 6 cents per common share were declared (2016 - 6 cents).

9. Earnings Per Share

	Quarter Ended		Year-To-Date Ended	
	July 2 2017	June 26 2016	July 2 2017	June 26 2016
Net income attributable to equity holders of the Company	25,745	25,166	54,297	51,730
Weighted average shares outstanding (000's)	65,000	65,000	65,000	65,000
Basic and diluted earnings per share - cents	40	39	84	80

10. Determination of Fair Values

The Company measures assets and liabilities under the following fair value hierarchy in accordance with IFRS. The different levels have been defined 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, 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 assets and liabilities within the fair value hierarchy:

Financial Assets (Liabilities)	Level 1	Level 2	Level 3	Total
<u>At July 2, 2017</u>				
Foreign currency forward contracts - net	-	988	-	988
<u>At December 25, 2016</u>				
Foreign currency forward contracts - net	-	(40)	-	(40)

11. Financial Instruments

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 condensed consolidated balance sheet. At July 2, 2017, the supplier rebate receivable balance that was offset was \$4,807 (December 25, 2016 - \$5,064).

12. 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 income (expenses). As a result of the Company's CDN dollar net asset monetary position as at July 2, 2017, a one-cent change in the period-end foreign exchange rate from 0.7706 to 0.7606 (CDN to US dollars) would have decreased net income by \$40 for the second quarter of 2017. Conversely, a one-cent change in the period-end foreign exchange rate from 0.7706 to 0.7806 (CDN to US dollars) would have increased net income by \$40 for the second quarter of 2017.

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. Certain foreign currency contracts matured during the second quarter of 2017 and the Company realized pre-tax foreign exchange losses of \$22 (year-to-date - realized foreign exchange gains of \$409). Of these foreign exchange differences, losses of \$22 were recorded in other income (expenses) (year-to-date gains - \$409) and \$0 was recorded in plant and equipment (year-to-date - \$0). During the second quarter of 2016, the Company realized pre-tax foreign exchange losses of \$166 (year-to-date - realized pre-tax foreign exchange losses of \$942). Of these foreign exchange differences, losses of \$166 were recorded in other income (expenses) (year-to-date losses - \$890) and \$0 was recorded in plant and equipment (year-to-date losses - \$52).

As at July 2, 2017, the Company had US to CDN dollar foreign currency forward contracts outstanding with a notional amount of US \$25.0 million at an average exchange rate of 1.3462 maturing between July 2017 and March 2018. The fair value of these financial instruments was \$988 US and the corresponding unrealized gain has been recorded in other comprehensive income.

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 July 2, 2017 cash and cash equivalents balance of \$250.5 million, a 1.0 percent increase/decrease in interest rate fluctuations would increase/decrease income before income taxes by \$2,505 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 year-to-date period ended July 2, 2017, 71 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 \$250.5 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 and dividend payments in the next twelve months. The Company's trade payables and other liabilities and derivative financial instrument liabilities are virtually 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:

	July 2 2017	December 25 2016
Cash and cash equivalents	250,482	211,225
Trade and other receivables	115,392	124,148
Foreign currency forward contracts	988	308
	366,862	335,681



Notes to Condensed Consolidated Financial Statements

For the periods ended July 2, 2017 and June 26, 2016

(thousands of US dollars, unless otherwise indicated) (Unaudited)

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 CDN Schedule I 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.

In January 2017, the Company entered into an ongoing agreement to sell certain extended term trade receivables without recourse to a financial institution in exchange for cash. During the second quarter of 2017, the Company incurred costs on the sale of trade receivables of \$1,227 (year-to-date - \$1,685). Of these costs, \$790 was recorded in finance expense (year-to-date - \$1,084) and \$437 was recorded in general and administrative expenses (year-to-date - \$601).

As at July 2, 2017, 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) 34 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 40 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 account 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 doubtful accounts. Subsequent recoveries of amounts previously written off are credited against general and administrative expenses in the statement of income.

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

	July 2 2017	December 25 2016
Current - neither impaired nor past due	101,817	107,044
<u>Not impaired but past the due date:</u>		
Within 30 days	12,996	15,658
31 - 60 days	1,345	1,492
Over 60 days	221	749
	<u>116,379</u>	<u>124,943</u>
Less: Allowance for doubtful accounts	(987)	(795)
Total trade and other receivables, net	<u>115,392</u>	<u>124,148</u>

13. Segment Reporting

The Company operates in one reportable segment being the manufacture and sale of packaging materials. The Company operates principally in Canada and the United States. The following summary presents key information by geographic segment:

	United States	Canada	Other	Consolidated
Revenue				
Quarter ended July 2, 2017	173,624	33,550	10,578	217,752
Quarter ended June 26, 2016	168,394	25,772	9,963	204,129
Year-to-date ended July 2, 2017	360,104	64,979	21,020	446,103
Year-to-date ended June 26, 2016	335,201	47,373	19,709	402,283
Property, Plant and Equipment and Intangible Assets				
As at July 2, 2017	215,822	217,866	1,216	434,904
As at June 26, 2016	183,184	210,525	1,234	394,943



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.