



Winpak Ltd.
Interim Condensed Consolidated Financial Statements
First Quarter Ended: March 30, 2014

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



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

	Note	March 30 2014	December 29 2013
Assets			
Current assets:			
Cash and cash equivalents		112,836	161,090
Trade and other receivables	14	102,761	98,408
Income taxes receivable		5,948	3,580
Inventories	5	91,797	92,304
Prepaid expenses		5,002	3,074
Derivative financial instruments		32	-
		<u>318,376</u>	<u>358,456</u>
Non-current assets:			
Property, plant and equipment	9	334,332	329,714
Intangible assets	9	15,018	14,960
Employee benefit plan assets		9,096	7,131
Deferred tax assets		2,735	2,943
		<u>361,181</u>	<u>354,748</u>
Total assets		<u>679,557</u>	<u>713,204</u>
Equity and Liabilities			
Current liabilities:			
Trade payables and other liabilities		68,835	63,182
Provisions	6	427	427
Income taxes payable		5,367	2,048
Derivative financial instruments		1,141	903
		<u>75,770</u>	<u>66,560</u>
Non-current liabilities:			
Employee benefit plan liabilities		3,696	3,365
Deferred income		14,200	14,490
Provisions	6	6,545	6,524
Deferred tax liabilities		30,708	29,652
		<u>55,149</u>	<u>54,031</u>
Total liabilities		<u>130,919</u>	<u>120,591</u>
Equity:			
Share capital		29,195	29,195
Reserves		(812)	(661)
Retained earnings		503,774	547,891
Total equity attributable to equity holders of the Company		<u>532,157</u>	<u>576,425</u>
Non-controlling interests		<u>16,481</u>	<u>16,188</u>
Total equity		<u>548,638</u>	<u>592,613</u>
Total equity and liabilities		<u>679,557</u>	<u>713,204</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	
		March 30 2014	March 31 2013
Revenue		188,077	169,949
Cost of sales		(136,869)	(121,078)
Gross profit		51,208	48,871
Sales, marketing and distribution expenses		(15,266)	(14,095)
General and administrative expenses		(7,646)	(7,823)
Research and technical expenses		(3,352)	(3,384)
Pre-production expenses		-	(526)
Other expenses	7	(1,316)	(226)
Income from operations		23,628	22,817
Finance income		151	105
Finance expense		(88)	(210)
Income before income taxes		23,691	22,712
Income tax expense	8	(7,235)	(6,862)
Net income for the period		16,456	15,850
Attributable to:			
Equity holders of the Company		16,163	15,989
Non-controlling interests		293	(139)
		<u>16,456</u>	<u>15,850</u>
Basic and diluted earnings per share - cents	11	<u>25</u>	<u>25</u>

Condensed Consolidated Statements of Comprehensive Income

(thousands of US dollars) (unaudited)

	Note	Quarter Ended	
		March 30 2014	March 31 2013
Net income for the period		16,456	15,850
<u>Items that will not be reclassified to the statements of income:</u>			
Cash flow hedge losses recognized		-	(102)
Cash flow hedge gains transferred to property, plant and equipment		-	(33)
Income tax effect		-	-
		<u>-</u>	<u>(135)</u>
<u>Items that are or may be reclassified subsequently to the statements of income:</u>			
Cash flow hedge losses recognized		(887)	(436)
Cash flow hedge losses (gains) transferred to the statements of income	7	682	(21)
Income tax effect		54	122
		<u>(151)</u>	<u>(335)</u>
Other comprehensive loss for the period - net of income tax		(151)	(470)
Comprehensive income for the period		16,305	15,380
Attributable to:			
Equity holders of the Company		16,012	15,519
Non-controlling interests		293	(139)
		<u>16,305</u>	<u>15,380</u>

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 31, 2012		29,195	250	470,925	500,370	15,718	516,088
Comprehensive (loss) income for the period							
Cash flow hedge losses, net of tax		-	(422)	-	(422)	-	(422)
Cash flow hedge gains transferred to the statements of income, net of tax		-	(15)	-	(15)	-	(15)
Cash flow hedge gains transferred to property, plant and equipment		-	(33)	-	(33)	-	(33)
Other comprehensive loss		-	(470)	-	(470)	-	(470)
Net income (loss) for the period		-	-	15,989	15,989	(139)	15,850
Comprehensive (loss) income for the period		-	(470)	15,989	15,519	(139)	15,380
Dividends	10	-	-	(1,919)	(1,919)	-	(1,919)
Balance at March 31, 2013		29,195	(220)	484,995	513,970	15,579	529,549
Balance at December 30, 2013		29,195	(661)	547,891	576,425	16,188	592,613
Comprehensive (loss) income for the period							
Cash flow hedge losses, net of tax		-	(650)	-	(650)	-	(650)
Cash flow hedge losses transferred to the statements of income, net of tax		-	499	-	499	-	499
Other comprehensive loss		-	(151)	-	(151)	-	(151)
Net income for the period		-	-	16,163	16,163	293	16,456
Comprehensive (loss) income for the period		-	(151)	16,163	16,012	293	16,305
Dividends	10	-	-	(60,280)	(60,280)	-	(60,280)
Balance at March 30, 2014		29,195	(812)	503,774	532,157	16,481	548,638

See accompanying notes to condensed consolidated financial statements.



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

	Note	Quarter Ended	
		March 30 2014	March 31 2013
Cash provided by (used in):			
Operating activities:			
Net income for the period		16,456	15,850
Items not involving cash:			
Depreciation		7,590	6,759
Amortization - deferred income		(359)	(294)
Amortization - intangible assets		134	106
Employee defined benefit plan expenses		895	1,037
Net finance (income) expense		(63)	105
Income tax expense		7,235	6,862
Other		(1,481)	(1,319)
Cash flow from operating activities before the following		<u>30,407</u>	<u>29,106</u>
Change in working capital:			
Trade and other receivables		(4,353)	(3,873)
Inventories		507	(2,046)
Prepaid expenses		(1,928)	(738)
Trade payables and other liabilities		5,719	363
Provisions		(24)	(186)
Employee defined benefit plan payments		(2,824)	(1,872)
Income tax paid		(3,151)	(7,668)
Interest received		87	75
Interest paid		(3)	(5)
Net cash from operating activities		<u>24,437</u>	<u>13,156</u>
Investing activities:			
Acquisition of property, plant and equipment - net		(12,165)	(14,996)
Acquisition of intangible assets		(187)	(258)
		<u>(12,352)</u>	<u>(15,254)</u>
Financing activities:			
Dividends paid	10	<u>(60,339)</u>	<u>(1,957)</u>
Change in cash and cash equivalents		(48,254)	(4,055)
Cash and cash equivalents, beginning of period		<u>161,090</u>	<u>133,303</u>
Cash and cash equivalents, end of period		<u>112,836</u>	<u>129,248</u>

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 health-care 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 29, 2013, 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 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 29, 2013, which are included in the Company's 2013 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 2014 and 2013 fiscal years are both comprised of 52 weeks and each quarter of 2014 and 2013 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 24, 2014.

3. Accounting Standards Implemented in 2014

(a) Financial Instruments - Presentation:

The amendments to IAS 32 "Financial Instruments: Presentation" clarify some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position. The amendments do not change the current offsetting model in IAS 32 but instead clarify that the right of offset must not be contingent on a future event. It also must be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendments also clarify that gross settlement mechanisms with features that both (i) eliminate credit and liquidity risk and (ii) process receivables and payables in a single settlement process, are effectively equivalent to net settlement. These amendments were implemented in the first quarter of 2014 with retrospective application and had no impact on the Company's unaudited interim condensed consolidated financial statements.

(b) Levies:

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation, other than income taxes and fines and other penalties imposed for breaches of the legislation. IFRIC 21 "Levies" clarifies that an entity recognizes a liability for a levy when the activity that triggers payment occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the minimum threshold is reached. The interpretation was implemented in the first quarter of 2014 with retrospective application and had no impact on the Company's unaudited interim condensed consolidated financial statements.

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. The effective date for IFRS 9 has not yet been determined. The Company is currently assessing the impact of this new standard and does not intend to early adopt IFRS 9 in its consolidated financial statements for the annual period beginning on December 29, 2014.



Notes to Condensed Consolidated Financial Statements
For the periods ended March 30, 2014 and March 31, 2013
(thousands of US dollars, unless otherwise indicated) (Unaudited)

5. Inventories

	March 30 2014	December 29 2013
Raw materials	27,047	27,125
Work-in-process	16,800	13,383
Finished goods	42,222	46,208
Spare parts	5,728	5,588
	91,797	92,304

During the first quarter of 2014, the Company recorded, within cost of sales, inventory write-downs for slow-moving and obsolete inventory of \$1,750 (2013 - \$1,672) and reversals of previously written-down items of \$1,294 (2013 - \$916).

6. Provisions

	Multiemployer Withdrawal Liability	Asset Retirement Obligations	Total
Balance at December 30, 2013			
Current liabilities	427	-	427
Non-current liabilities	5,737	787	6,524
	6,164	787	6,951
<u>2014 Annual activity</u>			
Payments	(107)	-	(107)
Finance expense - unwinding of discount	45	-	45
Change in discount rates	83	-	83
Balance at March 30, 2014	6,185	787	6,972
At March 30, 2014			
Current liabilities	427	-	427
Non-current liabilities	5,758	787	6,545
	6,185	787	6,972

The Company participated in one multiemployer defined benefit pension plan providing benefits to certain unionized employees in the US. The Company withdrew from the plan in 2011. There has been no new developments regarding the withdrawal liability in the current year. Refer to the 2013 Annual Report for additional information. A one-percentage point increase in the discount rates would have decreased the March 30, 2014 liability by \$461 and increased income before income taxes by \$461.

7. Other Expenses

	Quarter Ended	
	March 30 2014	March 31 2013
Amounts shown on a net basis		
Foreign exchange loss	(551)	(326)
Cash flow hedge (losses) gains transferred from other comprehensive income	(682)	21
Multiemployer defined benefit pension plan withdrawal liability (expense) income	(83)	79
	(1,316)	(226)

8. Income Tax Expense

Excluding adjustments to the income tax provision for prior periods, the weighted average of the annual income tax rates used for the quarter ended March 30, 2014 was 32.3 percent (2013 - 31.1 percent).

9. Property, Plant and Equipment and Intangible Assets

At March 30, 2014, the Company has commitments to purchase property, plant and equipment of \$11,435 (2013 - \$13,385). No impairment losses or impairment reversals were recognized in the first quarter of 2014 or 2013.

10. Dividends

During the first quarter of 2014, dividends in Canadian dollars of 3 cents per common share were declared (2013 - 3 cents). In addition, the Company paid a special dividend in Canadian dollars of one dollar per common share on March 20, 2014.

11. Earnings Per Share

	Quarter Ended	
	March 30 2014	March 31 2013
Net income attributable to equity holders of the Company	16,163	15,989
Weighted average shares outstanding (000's)	65,000	65,000
Basic and diluted earnings per share - cents	25	25

12. 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, have 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 as at March 30, 2014:

Assets (Liabilities)	Level 1	Level 2	Level 3	Total
Foreign currency forward contracts - net	-	(1,109)	-	(1,109)

13. 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 March 30, 2014, the supplier rebate receivable balance that was offset was \$2,605 (December 29, 2013 - \$3,575).

14. 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. As a result of the Company's CDN dollar net asset monetary position as at March 30, 2014, a one-cent change in the period-end foreign exchange rate from 0.9042 to 0.8942 (CDN to US dollars) would have decreased net income by \$42 for the first quarter of 2014. Conversely, a one-cent change in the period-end foreign exchange rate from 0.9042 to 0.9142 (CDN to US dollars) would have increased net income by \$42 for the first quarter of 2014.

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 will be settled in other 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 first quarter of 2014 and the Company realized pre-tax foreign exchange losses of \$682 which were recorded in other expenses. During the first quarter of 2013, the Company realized pre-tax foreign exchange gains of \$54. Of these foreign exchange differences, gains of \$21 were recorded in other expenses and gains of \$33 were recorded in property, plant and equipment.

As at March 30, 2014, the Company had US to CDN dollar foreign currency forward contracts outstanding with a notional amount of US \$28.0 million at an average exchange rate of 1.0653 maturing between April 2014 and February 2015. The fair value of these financial instruments was negative \$1,109 US and the corresponding unrealized loss 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 March 30, 2014 cash and cash equivalents balance of \$112.8 million, a 1.0 percent increase/decrease in interest rate fluctuations would increase/decrease income before income taxes by \$1,128 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 30, 2014, 70 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 \$112.8 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 2014. 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:

	March 30 2014	December 29 2013
Cash and cash equivalents	112,836	161,090
Trade and other receivables	102,761	98,408
	<u>215,597</u>	<u>259,498</u>



Notes to Condensed Consolidated Financial Statements
For the periods ended March 30, 2014 and March 31, 2013
(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 'AA' rated or higher by a recognized international credit rating agency 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. The Company's current credit exposure is higher in the weakened North American economic environment. To mitigate such risk, the Company performs ongoing customer credit evaluations and assesses their credit quality by taking into account their financial position, past experience and other pertinent factors. Management regularly monitors customer credit limits, performs credit reviews and, in certain cases insures trade and other receivables against credit losses.

As at March 30, 2014, 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) 98 percent of gross trade and other receivable balances are outstanding for less than 60 days, and c) 20 percent of the trade and other receivables balance are insured against credit losses. The Company's exposure to the ten largest customer balances, on aggregate, accounted for 41 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:

	March 30 2014	December 29 2013
Current - neither impaired nor past due	85,993	78,113
<u>Not impaired but past the due date:</u>		
Within 30 days	16,178	19,399
31 - 60 days	1,413	1,931
Over 60 days	417	162
	<u>104,001</u>	<u>99,605</u>
Less: Allowance for doubtful accounts	(1,240)	(1,197)
Total trade and other receivables, net	<u>102,761</u>	<u>98,408</u>

15. 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
For The Quarter Ended March 30, 2014				
Revenue	152,239	24,183	11,655	188,077
Property, plant and equipment and intangible assets	151,510	196,456	1,384	349,350
For The Quarter Ended March 31, 2013				
Revenue	136,677	23,202	10,070	169,949
Property, plant and equipment and intangible assets	144,477	178,789	1,474	324,740

16. 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.