



**Winpak Ltd.**  
**Interim Condensed Consolidated Financial Statements**  
**Third Quarter Ended: October 1, 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	October 1 2017	December 25 2016
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents		263,313	211,225
Trade and other receivables	12	118,337	124,148
Income taxes receivable		2,693	564
Inventories	5	113,541	103,516
Prepaid expenses		4,013	3,024
Derivative financial instruments		1,178	308
		<u>503,075</u>	<u>442,785</u>
<b>Non-current assets:</b>			
Property, plant and equipment	7	422,554	409,147
Intangible assets	7	14,442	14,501
Employee benefit plan assets		7,059	6,721
Deferred tax assets		878	1,060
		<u>444,933</u>	<u>431,429</u>
<b>Total assets</b>		<u>948,008</u>	<u>874,214</u>
<b>Equity and Liabilities</b>			
<b>Current liabilities:</b>			
Trade payables and other liabilities		67,776	71,448
Income taxes payable		17	6,226
Derivative financial instruments		79	348
		<u>67,872</u>	<u>78,022</u>
<b>Non-current liabilities:</b>			
Employee benefit plan liabilities		10,700	9,253
Deferred income		15,635	15,424
Provisions		760	760
Deferred tax liabilities		47,220	43,486
		<u>74,315</u>	<u>68,923</u>
<b>Total liabilities</b>		<u>142,187</u>	<u>146,945</u>
<b>Equity:</b>			
Share capital		29,195	29,195
Reserves		805	(29)
Retained earnings		751,612	676,478
<b>Total equity attributable to equity holders of the Company</b>		<u>781,612</u>	<u>705,644</u>
<b>Non-controlling interests</b>		<u>24,209</u>	<u>21,625</u>
<b>Total equity</b>		<u>805,821</u>	<u>727,269</u>
<b>Total equity and liabilities</b>		<u>948,008</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)	
		October 1 2017	September 25 2016	October 1 2017	September 25 2016
Revenue		218,348	204,699	664,451	606,982
Cost of sales		(152,168)	(140,568)	(457,119)	(407,133)
Gross profit		66,180	64,131	207,332	199,849
Sales, marketing and distribution expenses		(16,876)	(16,107)	(51,063)	(46,985)
General and administrative expenses		(8,183)	(6,869)	(26,241)	(22,055)
Research and technical expenses		(4,007)	(4,308)	(11,694)	(12,924)
Pre-production expenses		(244)	(782)	(369)	(1,138)
Other income (expenses)	6	1,067	(15)	1,666	(1,603)
<b>Income from operations</b>		<b>37,937</b>	<b>36,050</b>	<b>119,631</b>	<b>115,144</b>
Finance income		585	177	1,314	434
Finance expense		(866)	(97)	(2,198)	(359)
Income before income taxes		37,656	36,130	118,747	115,219
Income tax expense		(11,277)	(11,004)	(36,498)	(36,629)
<b>Net income for the period</b>		<b>26,379</b>	<b>25,126</b>	<b>82,249</b>	<b>78,590</b>
<b>Attributable to:</b>					
Equity holders of the Company		25,368	24,036	79,665	75,766
Non-controlling interests		1,011	1,090	2,584	2,824
		<u>26,379</u>	<u>25,126</u>	<u>82,249</u>	<u>78,590</u>
<b>Basic and diluted earnings per share - cents</b>	9	<u>39</u>	<u>37</u>	<u>123</u>	<u>117</u>

**Condensed Consolidated Statements of Comprehensive Income**

(thousands of US dollars) (unaudited)

	Note	Quarter Ended (Note 2)		Year-To-Date Ended (Note 2)	
		October 1 2017	September 25 2016	October 1 2017	September 25 2016
<b>Net income for the period</b>		<b>26,379</b>	<b>25,126</b>	<b>82,249</b>	<b>78,590</b>
<u>Items that will not be reclassified to the statements of income:</u>					
Cash flow hedge losses recognized		-	(23)	-	(3)
Cash flow hedge (gains) losses transferred to property, plant and equipment		-	(33)	-	19
Income tax effect		-	-	-	-
		<u>-</u>	<u>(56)</u>	<u>-</u>	<u>16</u>
<u>Items that are or may be reclassified subsequently to the statements of income:</u>					
Cash flow hedge gains (losses) recognized		768	(387)	2,205	1,629
Cash flow hedge (gains) losses transferred to the statements of income	6	(657)	(86)	(1,066)	804
Income tax effect		(30)	127	(305)	(650)
		<u>81</u>	<u>(346)</u>	<u>834</u>	<u>1,783</u>
<b>Other comprehensive income (loss) for the period - net of income tax</b>		<b>81</b>	<b>(402)</b>	<b>834</b>	<b>1,799</b>
<b>Comprehensive income for the period</b>		<b>26,460</b>	<b>24,724</b>	<b>83,083</b>	<b>80,389</b>
<b>Attributable to:</b>					
Equity holders of the Company		25,449	23,634	80,499	77,565
Non-controlling interests		1,011	1,090	2,584	2,824
		<u>26,460</u>	<u>24,724</u>	<u>83,083</u>	<u>80,389</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
<b>Balance at December 28, 2015</b>		29,195	(1,208)	576,359	604,346	19,045	623,391
<b>Comprehensive income for the period</b>							
Cash flow hedge gains, net of tax		-	1,234	-	1,234	-	1,234
Cash flow hedge losses transferred to the statements of income, net of tax		-	19	-	19	-	19
Cash flow hedge losses transferred to property, plant and equipment		-	546	-	546	-	546
<b>Other comprehensive income</b>		-	1,799	-	1,799	-	1,799
<b>Net income for the period</b>		-	-	75,766	75,766	2,824	78,590
<b>Comprehensive income for the period</b>		-	1,799	75,766	77,565	2,824	80,389
<b>Dividends</b>	8	-	-	(4,453)	(4,453)	(1,277)	(5,730)
<b>Balance at September 25, 2016</b>		29,195	591	647,672	677,458	20,592	698,050
<b>Balance at December 26, 2016</b>		29,195	(29)	676,478	705,644	21,625	727,269
<b>Comprehensive income for the period</b>							
Cash flow hedge gains, net of tax		-	1,615	-	1,615	-	1,615
Cash flow hedge gains transferred to the statements of income, net of tax		-	(781)	-	(781)	-	(781)
<b>Other comprehensive income</b>		-	834	-	834	-	834
<b>Net income for the period</b>		-	-	79,665	79,665	2,584	82,249
<b>Comprehensive income for the period</b>		-	834	79,665	80,499	2,584	83,083
<b>Dividends</b>	8	-	-	(4,531)	(4,531)	-	(4,531)
<b>Balance at October 1, 2017</b>		29,195	805	751,612	781,612	24,209	805,821

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)	
		October 1 2017	September 25 2016	October 1 2017	September 25 2016
<b>Cash provided by (used in):</b>					
<b>Operating activities:</b>					
Net income for the period		26,379	25,126	82,249	78,590
Items not involving cash:					
Depreciation		9,730	8,834	28,487	25,995
Amortization - deferred income		(419)	(390)	(1,249)	(1,164)
Amortization - intangible assets		158	163	478	498
Employee defined benefit plan expenses		830	793	2,673	2,615
Net finance expense (income)		281	(80)	884	(75)
Income tax expense		11,277	11,004	36,498	36,629
Other		(720)	11	(3,505)	(1,477)
Cash flow from operating activities before the following		47,516	45,461	146,515	141,611
Change in working capital:					
Trade and other receivables		(2,945)	(3,408)	5,811	(13,317)
Inventories		3,387	(1,156)	(10,025)	(8,805)
Prepaid expenses		610	797	(989)	(566)
Trade payables and other liabilities		(12,693)	10,446	(3,819)	6,456
Employee defined benefit plan contributions		(100)	(101)	(1,204)	(1,138)
Income tax paid		(9,618)	(9,263)	(38,077)	(37,837)
Interest received		586	148	1,259	346
Interest paid		(794)	(2)	(1,943)	(64)
Net cash from operating activities		25,949	42,922	97,528	86,686
<b>Investing activities:</b>					
Acquisition of plant and equipment - net		(11,584)	(20,002)	(40,612)	(48,163)
Acquisition of intangible assets		(31)	(42)	(418)	(171)
		(11,615)	(20,044)	(41,030)	(48,334)
<b>Financing activities:</b>					
Dividends paid	8	(1,503)	(1,500)	(4,410)	(4,381)
Dividend paid to non-controlling interests in subsidiary		-	-	-	(1,277)
		(1,503)	(1,500)	(4,410)	(5,658)
<b>Change in cash and cash equivalents</b>		12,831	21,378	52,088	32,694
<b>Cash and cash equivalents, beginning of period</b>		250,482	176,343	211,225	165,027
<b>Cash and cash equivalents, end of period</b>		263,313	197,721	263,313	197,721

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 53<sup>rd</sup> 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 October 26, 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**

	October 1 2017	December 25 2016
Raw materials	29,235	27,559
Work-in-process	18,325	18,113
Finished goods	56,506	49,254
Spare parts	9,475	8,590
	113,541	103,516

During the third quarter of 2017, the Company recorded, within cost of sales, inventory write-downs for slow-moving and obsolete inventory of \$1,844 (2016 - \$1,412) and reversals of previously written-down items of \$95 (2016 - \$277). On a year-to-date basis, the Company recorded, within cost of sales, inventory write-downs for slow-moving and obsolete inventory of \$6,601 (2016 - \$5,620) and reversals of previously written-down items of \$2,110 (2016 - \$2,310).

**6. Other Income (Expenses)**

	Quarter Ended		Year-To-Date Ended	
	October 1 2017	September 25 2016	October 1 2017	September 25 2016
Amounts shown on a net basis				
Foreign exchange gain (loss)	410	(101)	600	(799)
Cash flow hedge gains (losses) transferred from other comprehensive income	657	86	1,066	(804)
	1,067	(15)	1,666	(1,603)

## 7. Property, Plant and Equipment and Intangible Assets

At October 1, 2017, the Company has commitments to purchase plant and equipment of \$9,319 (December 25, 2016 - \$26,766). No impairment losses or impairment reversals were recognized during the year-to-date periods ended October 1, 2017 or September 25, 2016.

## 8. Dividends

During the third 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, 9 cents per common share were declared (2016 - 9 cents).

## 9. Earnings Per Share

	Quarter Ended		Year-To-Date Ended	
	October 1 2017	September 25 2016	October 1 2017	September 25 2016
Net income attributable to equity holders of the Company	25,368	24,036	79,665	75,766
Weighted average shares outstanding (000's)	65,000	65,000	65,000	65,000
Basic and diluted earnings per share - cents	39	37	123	117

## 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 October 1, 2017</u>				
Foreign currency forward contracts - net	-	1,099	-	1,099
<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 October 1, 2017, the supplier rebate receivable balance that was offset was \$4,452 (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 October 1, 2017, a one-cent change in the period-end foreign exchange rate from 0.8013 to 0.7913 (CDN to US dollars) would have decreased net income by \$78 for the third quarter of 2017. Conversely, a one-cent change in the period-end foreign exchange rate from 0.8013 to 0.8113 (CDN to US dollars) would have increased net income by \$78 for the third 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 third quarter of 2017 and the Company realized pre-tax foreign exchange gains of \$657 (year-to-date - realized foreign exchange gains of \$1,066). Of these foreign exchange differences, gains of \$657 were recorded in other income (expenses) (year-to-date gains - \$1,066) and \$0 was recorded in plant and equipment (year-to-date - \$0). During the third quarter of 2016, the Company realized pre-tax foreign exchange gains of \$119 (year-to-date - realized pre-tax foreign exchange losses of \$823). Of these foreign exchange differences, gains of \$86 were recorded in other income (expenses) (year-to-date losses - \$804) and gains of \$33 were recorded in plant and equipment (year-to-date losses - \$19).

As at October 1, 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 1.3019 maturing between October 2017 and July 2018. The fair value of these financial instruments was \$1,099 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 October 1, 2017 cash and cash equivalents balance of \$263.3 million, a 1.0 percent increase/decrease in interest rate fluctuations would increase/decrease income before income taxes by \$2,633 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 October 1, 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 \$263.3 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:

	October 1 2017	December 25 2016
Cash and cash equivalents	263,313	211,225
Trade and other receivables	118,337	124,148
Foreign currency forward contracts	1,178	308
	382,828	335,681



**Notes to Condensed Consolidated Financial Statements**  
For the periods ended October 1, 2017 and September 25, 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 third quarter of 2017, the Company incurred costs on the sale of trade receivables of \$1,160 (year-to-date - \$2,845). Of these costs, \$769 was recorded in finance expense (year-to-date - \$1,853) and \$391 was recorded in general and administrative expenses (year-to-date - \$992).

As at October 1, 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) 98 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) 32 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:

	October 1 2017	December 25 2016
Current - neither impaired nor past due	102,339	107,044
<u>Not impaired but past the due date:</u>		
Within 30 days	14,476	15,658
31 - 60 days	1,731	1,492
Over 60 days	681	749
	119,227	124,943
Less: Allowance for doubtful accounts	(890)	(795)
Total trade and other receivables, net	118,337	124,148

### 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
<b>Revenue</b>				
Quarter ended October 1, 2017	174,790	33,840	9,718	218,348
Quarter ended September 25, 2016	167,111	27,075	10,513	204,699
Year-to-date ended October 1, 2017	534,894	98,819	30,738	664,451
Year-to-date ended September 25, 2016	502,312	74,448	30,222	606,982
<b>Property, Plant and Equipment and Intangible Assets</b>				
As at October 1, 2017	218,085	217,713	1,198	436,996
As at September 25, 2016	189,723	215,021	1,235	405,979



**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.