WINPAK

Winpak Ltd.
Interim Condensed Consolidated Financial Statements
First Quarter Ended: April 1, 2018

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

WINPAK

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

	Note	April 1 2018	December 31 2017*
Assets			
Current assets:			
Cash and cash equivalents		303,890	291,959
Trade and other receivables	14	126,393	116,955
Income taxes receivable		4,228	1,994
Inventories	5	118,059	116,720
Prepaid expenses		3,847	2,320
Derivative financial instruments		63	863
		556,480	530,811
Non-current assets:			
Property, plant and equipment	9	425,452	422,989
Intangible assets	9	14,331	14,444
Employee benefit plan assets		7,973	6,935
Deferred tax assets		783	818
		448,539	445,186
Total assets		1,005,019	975,997
Equity and Liabilities			
Current liabilities:			
Trade payables and other liabilities		64,171	63,670
Contract liabilities	6	1,315	-
Income taxes payable		3,124	1,555
Derivative financial instruments		475	98
		69,085	65,323
Non-current liabilities:			
Employee benefit plan liabilities		11,048	10,522
Deferred income		15,035	15,272
Provisions		760	760
Deferred tax liabilities		41,171	40,656
		68,014	67,210
Total liabilities		137,099	132,533
Equity:			
Share capital		29,195	29,195
Reserves		(302)	596
Retained earnings		813,484	788,636
Total equity attributable to equity holders of the Company		842,377	818,427
Non-controlling interests		25,543	25,037
Total equity		867,920	843,464
Total equity and liabilities		1,005,019	975,997

*The Company has initially applied IFRS 15 “Revenue From Contracts With Customers” and IFRS 9 “Financial Instruments” at January 1, 2018. Under the transition methods chosen by the Company, comparative information has not been restated. See note 3.

See accompanying notes to condensed consolidated financial statements.

Winpak Ltd.
Condensed Consolidated Statements of Income
(thousands of US dollars, except per share amounts) (unaudited)

	Note	Quarter Ended (Note 2) April 1 2018	Quarter Ended (Note 2) April 2 2017*
Revenue	6	221,665	228,351
Cost of sales		(156,023)	(155,073)
Gross profit		65,642	73,278
Sales, marketing and distribution expenses		(17,645)	(17,624)
General and administrative expenses		(7,973)	(9,139)
Research and technical expenses		(4,072)	(3,774)
Pre-production expenses		(115)	(125)
Other income	7	216	521
Income from operations		36,053	43,137
Finance income		829	316
Finance expense		(880)	(449)
Income before income taxes		36,002	43,004
Income tax expense	8	(9,135)	(13,755)
Net income for the period		26,867	29,249
Attributable to:			
Equity holders of the Company		26,361	28,552
Non-controlling interests		506	697
		26,867	29,249
Basic and diluted earnings per share - cents	11	41	44

Condensed Consolidated Statements of Comprehensive Income
(thousands of US dollars) (unaudited)

	Note	Quarter Ended (Note 2) April 1 2018	Quarter Ended (Note 2) April 2 2017*
Net income for the period		26,867	29,249
Items that will not be reclassified to the statements of income:			
Cash flow hedge gains recognized		101	-
Cash flow hedge gains transferred to property, plant and equipment		(235)	-
Income tax effect		-	-
		(134)	-
Items that are or may be reclassified subsequently to the statements of income:			
Cash flow hedge (losses) gains recognized		(507)	438
Cash flow hedge gains transferred to the statements of income	7	(536)	(431)
Income tax effect		279	(2)
		(764)	5
Other comprehensive (loss) income for the period - net of income tax		(898)	5
Comprehensive income for the period		25,969	29,254
Attributable to:			
Equity holders of the Company		25,463	28,557
Non-controlling interests		506	697
		25,969	29,254

*The Company has initially applied IFRS 15 “Revenue From Contracts With Customers” and IFRS 9 “Financial Instruments” at January 1, 2018. Under the transition methods chosen by the Company, comparative information has not been restated. See note 3.

See accompanying notes to condensed consolidated financial statements.

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

	Note	Share capital	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
		Attributable to equity holders of the Company					
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		-	321	-	321	-	321
Cash flow hedge gains transferred to the statements of income, net of tax		-	(316)	-	(316)	-	(316)
Other comprehensive income		-	5	-	5	-	5
Net income for the period		-	-	28,552	28,552	697	29,249
Comprehensive income for the period		-	5	28,552	28,557	697	29,254
Dividends	10	-	-	(1,466)	(1,466)	-	(1,466)
Balance at April 2, 2017*		29,195	(24)	703,564	732,735	22,322	755,057
Balance at January 1, 2018		29,195	596	788,636	818,427	25,037	843,464
Comprehensive (loss) income for the period							
Cash flow hedge losses, net of tax		-	(270)	-	(270)	-	(270)
Cash flow hedge gains transferred to the statements of income, net of tax		-	(393)	-	(393)	-	(393)
Cash flow hedge gains transferred to property, plant and equipment		-	(235)	-	(235)	-	(235)
Other comprehensive loss		-	(898)	-	(898)	-	(898)
Net income for the period		-	-	26,361	26,361	506	26,867
Comprehensive (loss) income for the period		-	(898)	26,361	25,463	506	25,969
Dividends	10	-	-	(1,513)	(1,513)	-	(1,513)
Balance at April 1, 2018		29,195	(302)	813,484	842,377	25,543	867,920

*The Company has initially applied IFRS 15 “Revenue From Contracts With Customers” and IFRS 9 “Financial Instruments” at January 1, 2018. Under the transition methods chosen by the Company, comparative information has not been restated. See note 3.

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) April 1 2018	April 2 2017*
Cash provided by (used in):			
Operating activities:			
Net income for the period		26,867	29,249
Items not involving cash:			
Depreciation		10,123	9,383
Amortization - deferred income		(388)	(416)
Amortization - intangible assets		144	158
Employee defined benefit plan expenses		932	916
Net finance expense		51	133
Income tax expense		9,135	13,755
Other		(414)	(1,770)
Cash flow from operating activities before the following		46,450	51,408
Change in working capital:			
Trade and other receivables		(9,438)	8,546
Inventories		(1,339)	(11,663)
Prepaid expenses		(1,527)	(1,977)
Trade payables and other liabilities		539	7,058
Contract liabilities		1,315	-
Employee defined benefit plan contributions		(1,709)	(1,005)
Income tax paid		(8,354)	(11,864)
Interest received		810	279
Interest paid		(775)	(377)
Net cash from operating activities		25,972	40,405
Investing activities:			
Acquisition of property, plant and equipment - net		(12,460)	(18,247)
Acquisition of intangible assets		(31)	(251)
		(12,491)	(18,498)
Financing activities:			
Dividends paid	10	(1,550)	(1,441)
Change in cash and cash equivalents		11,931	20,466
Cash and cash equivalents, beginning of period		291,959	211,225
Cash and cash equivalents, end of period		303,890	231,691

*The Company has initially applied IFRS 15 “Revenue From Contracts With Customers” and IFRS 9 “Financial Instruments” at January 1, 2018. Under the transition methods chosen by the Company, comparative information has not been restated. See note 3.

See accompanying notes to condensed consolidated financial statements.

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

1. General

Winpak Ltd. is incorporated under the Canada Business Corporations Act. The Company manufactures and distributes high-quality packaging materials and related packaging machines. The Company's products are used primarily for the packaging of perishable foods, beverages and in healthcare applications. The address of the Company's registered office is 100 Saulteaux Crescent, Winnipeg, Manitoba, Canada R3J 3T3.

2. Basis of Presentation

The unaudited interim condensed consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS). The unaudited interim condensed consolidated financial statements are in compliance with IAS 34. Accordingly, certain information and note 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 31, 2017, which are included in the Company's 2017 Annual Report.

This is the first set of the Company's consolidated financial statements where IFRS 15 "Revenue From Contracts With Customers" and IFRS 9 "Financial Instruments" have been applied. The changes in accounting policies from those used in the Company's consolidated financial statements for the year ended December 31, 2017 are described in notes 3, 6 and 12.

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 2018 fiscal year comprises 52 weeks and the 2017 fiscal year comprised 53 weeks. Each quarter of 2018 and 2017 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 April 26, 2018.

3. Accounting Standards Implemented in 2018

The following accounting standards came into effect commencing in the Company's 2018 fiscal year:

(a) Financial Instruments:
The Company has adopted IFRS 9 with a date of initial application of January 1, 2018. IFRS 9 introduces new requirements for the classification and measurement of financial assets, amends the requirements related to hedge accounting, and introduces a forward-looking expected loss impairment model.

The standard contains three classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9 and the adoption of IFRS 9 did not change the Company's accounting policies for financial liabilities.

The classification changes for each class of the Company's financial assets and financial liabilities upon adoption at January 1, 2018 had no impact on the measurement of financial instruments, which are summarized in the following table:

Financial assets and liabilities	IAS 39	IFRS 9	IAS 39 / IFRS 9 Carrying Value
Cash and cash equivalents	Loans and receivables	Amortized cost	291,959
Trade and other receivables	Loans and receivables	Amortized cost	116,955
Derivative financial instrument assets	Fair value - hedging instrument	Fair value - hedging instrument	863
Trade payables and other liabilities	Other financial liabilities	Amortized cost	(63,670)
Derivative financial instrument liabilities	Fair value - hedging instrument	Fair value - hedging instrument	(98)

The Company has adopted the new general hedge accounting model in IFRS 9. The adoption of IFRS 9 did not result in any changes in the eligibility of existing hedge relationships, the accounting for derivative financial instruments designated as effective hedging instruments or the line items in which they are included in the consolidated balance sheets or consolidated statements of income.

As a result of the adoption of IFRS 9, the Company's accounting policies for financial instruments have been updated (see note 12) and applied from January 1, 2018 and in accordance with the transitional provisions in IFRS 9, comparative figures have not been restated. The changes in accounting policies will also be reflected in the Company's consolidated financial statements as at and for the year ending December 30, 2018. The Company has adopted IFRS 9 retrospectively, other than the hedge accounting provisions of IFRS 9 that have been applied prospectively effective January 1, 2018, and accordingly the comparative figures do not reflect the requirements of IFRS 9. The adoption of IFRS 9 did not result in any transition adjustments being recognized as at January 1, 2018.

(b) Revenue From Contracts With Customers:
The Company has adopted IFRS 15 with a date of initial application of January 1, 2018. IFRS 15 includes a single, five-step revenue recognition model that requires entities to recognize revenue when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The 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.

The Company has applied IFRS 15 using the cumulative effect method (without practical expedients) and therefore the comparative information has not been restated and continues to be reported under IAS 11 and IAS 18. The adoption of IFRS 15 did not result in any transition adjustments being recognized as at January 1, 2018.

As a result of the adoption of IFRS 15, the Company's accounting policies have been updated. See note 6 for these changes in accounting policies, the impact on the 2018 interim condensed consolidated financial statements, as well as the new disclosure requirements. The changes in accounting policies will also be reflected in the Company's consolidated financial statements as at and for the year ending December 30, 2018.

(c) 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 was implemented in the first quarter of 2018 with prospective application and had no impact on the Company's unaudited interim condensed consolidated financial statements.

4. Future Accounting Standards

(a) 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 balance sheet. 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 and interim reporting 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 this new standard will have on its consolidated financial statements. The new standard will be adopted by the Company in 2019.

(b) 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 and interim reporting 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 when it is adopted in 2019.

(c) Employee benefit plan amendment, curtailment or settlement:
In February 2018, amendments to IAS 19 "Employee Benefits" were issued to specify how an entity determines pension expenses when changes to a defined benefit plan occur. When a change to a plan takes place, including an amendment, curtailment or settlement, IAS 19 requires an entity to remeasure its employee benefit plan liability or asset. The amendments require an entity to use the updated assumptions from this remeasurement to determine current service cost and the net finance cost for the remainder of the reporting period after the change to the plan. The amendments are effective for annual and interim reporting periods beginning on or after January 1, 2019 and is to be applied prospectively. Early adoption is permitted. While the Company is currently assessing the impact of the amended standard, management does not expect the amendments to have a significant impact on the Company's consolidated financial statements when they are adopted in 2019.

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

5. Inventories

	April 1 2018	December 31 2017
Raw materials	29,973	33,459
Work-in-process	18,660	16,496
Finished goods	59,527	57,053
Spare parts	9,899	9,712
	118,059	116,720

During the first quarter of 2018, the Company recorded, within cost of sales, inventory write-downs for slow-moving and obsolete inventory of $2,374 (2017 - $3,251) and reversals of previously written-down items of $1,268 (2017 - $1,527).

6. Revenue

The Company has adopted IFRS 15 with an initial application date of January 1, 2018. The updated accounting policies, the impact on the 2018 interim condensed consolidated financial statements and additional disclosures are detailed as follows.

Accounting policies

The Company determines revenue recognition through the following steps: a) identification of the contract with a customer, b) identification of the performance obligations in the contract, c) determination of the transaction price, d) allocation of the transaction price to the performance obligations in the contract and e) recognition of revenue when the Company satisfies a performance obligation. Revenue is recognized when control of a product is transferred to a customer. Revenue is measured based on the consideration specified in a contract with a customer, net of variable consideration, including rebates, returns and discounts. Rebates are accrued using sales data and rebate percentages specific to each customer contract. Accruals for sales returns are calculated based on the best estimate of the amount of product that will ultimately be returned by customers, reflecting historical experience and the magnitude of non-conforming inventory claims made by customers that have either been approved or are pending review. For customer contracts where the Company expects to be paid within one year, the consideration is not adjusted for the effects of a financing component.

Contract liabilities are recorded when cash payments are received or due in advance of the Company's performance.

In the comparative period, revenue was measured at the fair value of the consideration received or receivable, net of returns, rebates and discounts and was recognized when the risks and rewards of ownership had transferred to the customer. No revenue was recognized if there were significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred could not be measured reliably, or there was continuing management involvement with the goods.

Impact on the 2018 interim condensed consolidated financial statements

As of January 1, 2018, the Company has made changes with respect to the presentation of refund and contract liabilities on the condensed consolidated balance sheet. Under IFRS 15, the Company has presented its refund liabilities within 'Trade payables and other liabilities'. At April 1, 2018, the balance was $325. Previously, refund liabilities were presented within 'Trade and other receivables'. The Company continues to present the amounts with respect to the rights to recover products from customers with a right of return within 'Inventories'. The Company has presented its customer deposits within 'Contract liabilities' under IFRS 15. At April 1, 2018, the balance was $1,315. Previously, customer deposits were presented within 'Trade payables and other liabilities'. These changes in presentation consequently impacted the amounts reported on the Company's condensed consolidated statement of cash flows for the first quarter of 2018.

IFRS 15 had no impact on the Company's condensed consolidated statement of income for the first quarter of 2018.

Operating segments and product groups

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

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

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

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

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

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

Disaggregation of revenue

	Quarter Ended	
	April 1 2018	April 2 2017
Operating segment		
Rigid packaging and flexible lidding	110,103	118,877
Flexible packaging	103,682	102,761
Packaging machinery	7,880	6,713
	221,665	228,351
Geographic segment		
United States	183,158	186,480
Canada	29,371	31,429
Other	9,136	10,442
	221,665	228,351

The Company's products are primarily used for the packaging of perishable foods and beverages, which accounted for more than 90 percent of sales during both the first quarter of 2018 and 2017. Other markets include medical, pharmaceutical, personal care, industrial, and other consumer goods.

Contract balances
The following table provides information about trade receivables and contract liabilities from contracts with customers:

	April 1 2018	December 31 2017
Trade receivables, which are included in 'Trade and other receivables'	120,676	110,145
Contract liabilities	(1,315)	-

Changes in contract liabilities during the period:

Opening balance, January 1, 2018, reclassification from 'Trade payables and other liabilities'	(1,996)
Revenue recognized during the period that was included in the opening balance	1,996
Increases due to cash received, excluding amounts recognized as revenue during the period	(1,315)
Closing balance, April 1, 2018	(1,315)

Performance obligations
No revenue was recognized in the first quarter of 2018 relating to performance obligations that were satisfied or partially satisfied in previous periods. Similarly, no revenue will be recognized in subsequent periods relating to unsatisfied performance obligations as at April 1, 2018.

Critical judgments in applying accounting policies

(a) Timing of revenue recognition

Significant judgment is required to determine whether revenue should be recognized over time or at a point in time. The Company analyzes customer-specific products without alternative use to determine whether a legally enforceable right to payment exists as performance is completed, including a reasonable return. For the period ended April 1, 2018, no material arrangements satisfied these criteria, and as a result, the Company did not recognize any revenue over time. Accordingly, all revenue was recognized at a point in time giving consideration to whether the customer has: a) assumed the risks and rewards of ownership, b) a present obligation to pay and c) obtained legal title and physical possession. These conditions are usually fulfilled upon shipment of products.

(b) Variable consideration

For customer contracts that include a volume rebate program, judgment is required to estimate the eventual amount that will be paid to the customer. Most volume rebate programs entitle a customer to an increasing rebate percentage based upon the attainment of purchase level thresholds. Estimated amounts are included in the transaction price to the extent it is highly probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the volume rebate is resolved. At each reporting date, the Company updates its estimates regarding variable consideration.

7. Other Income

	Quarter Ended	
	April 1	April 2
Amounts shown on a net basis	2018	2017
Foreign exchange (loss) gain	(320)	90
Cash flow hedge gains transferred from other comprehensive income	536	431
	216	521

8. Income Tax Expense

As a result of the United States tax reform enacted in December 2017, the US federal statutory income tax rate decreased from 35.0% to 21.0% effective January 1, 2018. As a result, the Company's income tax expense for the first quarter of 2018 was reduced by $2,132, lowering the consolidated effective income tax rate by 5.9%.

9. Property, Plant and Equipment and Intangible Assets

At April 1, 2018, the Company has commitments to purchase property, plant and equipment of $15,642 (December 31, 2017 - $14,336). No impairment losses or impairment reversals were recognized in the first quarter of 2018 or 2017.

10. Dividends

During the first quarter of 2018, dividends in Canadian dollars of 3 cents per common share were declared (2017 - 3 cents).

11. Earnings Per Share

	Quarter Ended	
	April 1	April 2
	2018	2017
Net income attributable to equity holders of the Company	26,361	28,552
Weighted average shares outstanding (000's)	65,000	65,000
Basic and diluted earnings per share - cents	41	44

12. Financial Instruments

IFRS 9 - Financial Instruments

As a result of the adoption of IFRS 9, the Company's accounting policies for financial instruments have been updated as described below. There was no impact on the 2018 interim condensed consolidated financial statements.

(a) Financial assets and liabilities
Financial assets are initially measured at fair value. On initial recognition, the Company classifies its financial assets at either amortized cost, fair value through other comprehensive income or fair value through profit or loss, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are not reclassified subsequent to their initial recognition, unless the Company changes its business model for managing financial assets.

A financial asset is measured at amortized cost if it meets both of the following conditions: a) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows and b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The adoption of IFRS 9 did not impact the Company's accounting policies for financial liabilities.

(b) Impairment of financial assets
For trade and other receivables, the Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which requires the use of the lifetime expected credit loss provision for all trade and other receivables. Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due under the contract and the cash flows that the Company expects to receive. The expected cash flows reflect all available information, including the Company's historical experience, the past due status, the existence of third-party insurance and forward-looking macroeconomic factors.

(c) Hedge accounting
The Company operates principally in Canada and the United States, which gives rise to risks that its income and cash flows may be adversely impacted by fluctuations in foreign exchange rates. The Company enters into foreign currency forward contracts to manage foreign exchange exposures on anticipated labor, operating costs, property, plant and equipment expenditures, and dividend payments to be incurred in Canadian dollars and equipment expenditures to be incurred in other foreign currencies. The Company has elected to designate these instruments in their entirety as hedging instruments for hedge accounting purposes, including both the spot and forward elements of the contract in the valuation of the instrument.

With respect to hedges of foreign currency exposure, the Company determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows. An assessment is made whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

The fair value of each contract is included on the consolidated balance sheet within derivative financial instrument assets or liabilities, depending on whether the fair value was in an asset or liability position. In the case of labor and operating costs, changes in the fair value of these contracts are initially recorded in other comprehensive income and subsequently recorded in the consolidated statement of income when the hedged item affects income or loss. In the case of property, plant and equipment expenditures, changes in the fair value of these contracts are initially recorded in other comprehensive income and upon settlement of the contract, the gain or loss is included in the cost of the corresponding asset. For dividend payments, changes in the fair value of these contracts are recorded directly in equity.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to the consolidated statement of income in the same period or periods as the hedged expected future cash flows affect the income or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve are immediately reclassified to the consolidated statement of income.

Offsetting financial assets and financial liabilities
When the Company has a legally enforceable right to set off supplier rebates receivable against supplier trade payables and intends to settle the amount on a net basis or simultaneously, the balance is presented as an offset within 'Trade payables and other liabilities' on the consolidated balance sheet. At April 1, 2018, the supplier rebate receivable balance that was offset was $4,672 (December 31, 2017 - $6,191).

13. 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.

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

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
At April 1, 2018				
Foreign currency forward contracts - net	-	(412)	-	(412)
At December 31, 2017				
Foreign currency forward contracts - net	-	765	-	765

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 income. As a result of the Company's CDN dollar net asset monetary position as at April 1, 2018, a one-cent change in the period-end foreign exchange rate from 0.7760 to 0.7660 (CDN to US dollars) would have decreased net income by $184 for the first quarter of 2018. Conversely, a one-cent change in the period-end foreign exchange rate from 0.7760 to 0.7860 (CDN to US dollars) would have increased net income by $184 for the first quarter of 2018.

The Company's Foreign Exchange Policy requires that between 50 and 80 percent of the Company's net requirement of CDN dollars for the ensuing 9 to 15 months will be hedged at all times with a combination of cash and cash equivalents and forward or zero-cost option foreign currency contracts. The Company may also enter into forward foreign currency contracts when equipment purchases and special dividend payments will be settled in foreign currencies. Transactions are only conducted with certain approved Schedule I Canadian financial institutions. All foreign currency contracts are designated as cash flow hedges of the highly probably CDN dollar expenditures. These derivatives meet the hedge effectiveness criteria as a result of the following factors:

a) An economic relationship exists between the hedged item and the hedging instrument as notional amounts match and both the hedged item and hedged instrument fair values move in response to the same risk - foreign exchange rates. There are no significant reasons or causes for the designated hedged item and hedging instrument to be mismatched since the hedging instrument matures during the same month as the expected hedged expenditures are incurred. The correlation between the foreign exchange rate of the hedged item and the hedged instrument should be highly correlated and closely aligned as the maturity and the notional amount are the same.

b) The hedge ratio is one to one for this hedging relationship as the hedged item is foreign currency risk that is hedged with a foreign currency hedging instrument.

c) Credit risk is not material in the fair value of the hedging instrument.

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

Certain foreign currency contracts matured during the first quarter of 2018 and the Company realized pre-tax foreign exchange gains of $771. Of these foreign exchange differences, gains of $536 were recorded in other income and gains of $235 were recorded in property, plant and equipment. During the first quarter of 2017, the Company realized pre-tax foreign exchange gains of $431. Of these foreign exchange differences, gains of $431 were recorded in other income and $0 was recorded in property, plant and equipment.

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

As at April 1, 2018, the Company had US to CDN dollar foreign currency forward contracts outstanding with a notional amount of US $30.0 million at an average exchange rate of 1.2690 maturing between April and November 2018. The fair value of these financial instruments was negative $412 US and the corresponding unrealized loss has been recorded in other comprehensive income. For the quarter ended April 1, 2018, the Company did not recognize any ineffectiveness on the hedging instruments.

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 April 1, 2018 cash and cash equivalents balance of $303.9 million, a 1.0 percent increase/decrease in interest rate fluctuations would increase/decrease income before income taxes by $3,039 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 April 1, 2018, 72 percent of revenue was generated from customers with selling price-indexing programs. For all other customers, the Company's preferred practice is to match raw material cost changes with selling price adjustments, albeit with a slight time lag. This matching is not always possible, as customers react to selling price pressures related to raw material cost fluctuations according to conditions pertaining to their markets.

Liquidity Risk
Liquidity risk is the risk that the Company would not be able to meet its financial obligations as they come due. Management believes that the liquidity risk is low due to the strong financial condition of the Company. This risk assessment is based on the following: (a) cash and cash equivalents amounts of $303.9 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:

	April 1 2018	December 31 2017
Cash and cash equivalents	303,890	291,959
Trade and other receivables	126,393	116,955
Foreign currency forward contracts	63	863
	430,346	409,777

Credit risk on cash and cash equivalents and other financial instruments arises in the event of non-performance by the counterparties when the Company is entitled to receive payment from the counterparty who fails to perform. The Company has established an investment policy to manage its cash. The policy requires that the Company manage its risk by investing its excess cash on hand on a short-term basis, up to a maximum of six months, with several financial institutions and/or governmental bodies that must be rated 'AA' or higher for CDN financial institutions and 'A-1' or higher for US financial institutions by recognized international credit rating agencies or insured 100 percent by the US government or a 'AAA' rated CDN federal or provincial government. The Company manages its counterparty risk on its financial instruments by only dealing with Schedule I Canadian financial institutions.

In the normal course of business, the Company is exposed to credit risk on its trade and other receivables from customers. To mitigate such risk, the Company performs ongoing customer credit evaluations and assesses their credit quality by taking into account their financial position, past experience and other pertinent factors. Management regularly monitors customer credit limits, performs credit reviews and, in certain cases insures trade and other receivables against credit losses.

During the first quarter of 2018, the Company incurred costs on the sale of trade receivables of $1,081 (2017 - $458). Of these costs, $755 was recorded in finance expense (2017 - $294) and $326 was recorded in general and administrative expenses (2017 - $164).

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

As at April 1, 2018, 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) 37 percent of the trade and other receivables balance is insured against credit losses. The Company's exposure to the ten largest customer balances, on aggregate, accounted for 45 percent of the total trade and other receivables balance.

The carrying amount of trade and other receivables is reduced through the use of an allowance for expected credit losses and the amount of the impairment is recognized in the statement of income within general and administrative expenses. When a receivable balance is considered uncollectible, it is written off against the allowance for expected credit losses. Subsequent recoveries of amounts previously written off are credited against general and administrative expenses in the statement of income. During the first quarter of 2018, the Company recorded impairment losses on trade and other receivables of $116 (2017 - $55).

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

	April 1 2018	December 31 2017
Current (not past due)	110,672	99,073
1 - 30 days past due	14,223	16,633
31 - 60 days past due	1,482	1,383
More than 60 days past due	829	521
	127,206	117,610
Less: Allowance for expected credit losses	(813)	(655)
Total trade and other receivables, net	126,393	116,955

15. Segment Reporting

The Company realigned its segment reporting effective for the first quarter of 2018, transitioning from six operating segments to three operating segments. The rigid packaging and flexible lidding segment includes the rigid containers and lidding product groups. The flexible packaging segment includes the modified atmosphere packaging, specialty films and biaxially oriented nylon product groups. Lastly, the packaging machinery segment remains unchanged. Due to similar economic characteristics, including long-term sales volumes growth and long-term average gross profit margin, and having similar products, production processes, types of customers and distribution methods, the rigid packaging and flexible lidding and flexible packaging operating segments have been aggregated as one reportable segment. In addition, the packaging machinery operating segment has been aggregated with these two segments as the segment's revenue and assets represents less than 4 percent of total Company revenues and assets.

The Company operates principally in Canada and the United States. See note 6 for a breakdown of revenue by operating and geographic segment. The following summary presents property, plant and equipment and intangible assets information by geographic segment:

	April 1 2018	April 2 2017
United States	215,365	213,478
Canada	223,234	218,218
Other	1,184	1,202
	439,783	432,898

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.