



## NEWS RELEASE

### Winpak Reports 2017 First Quarter Results

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

|  | Quarter Ended (1) |                  |
|--|-------------------|------------------|
|  | April 2<br>2017   | March 27<br>2016 |
| <i>(thousands of US dollars, except per share amounts)</i> |                   |                  |
| Revenue  | 228,351           | 198,154          |
| Net income   | 29,249            | 27,300           |
| Income tax expense   | 13,755            | 12,310           |
| Net finance expense (income)                               | 133               | (19)             |
| Depreciation and amortization                              | 9,125             | 8,331            |
| EBITDA (2)   | 52,262            | 47,922           |
| Net income attributable to equity holders of the Company   | 28,552            | 26,564           |
| Net income attributable to non-controlling interests       | 697               | 736              |
| Net income   | 29,249            | 27,300           |
| Basic and diluted earnings per share (cents)               | 44                | 41               |

Winpak Ltd. manufactures and distributes high-quality packaging materials and related packaging machines. The Company's products are used primarily for the packaging of perishable foods, beverages and in healthcare applications.

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<sup>1</sup> 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.

<sup>2</sup> EBITDA is not a recognized measure under International Financial Reporting Standards (IFRS). Management believes that in addition to net income, this measure provides useful supplemental information to investors including an indication of cash available for distribution prior to debt service, capital expenditures and income taxes. Investors should be cautioned, however, that this measure should not be construed as an alternative to net income, determined in accordance with IFRS, as an indicator of the Company's performance. The Company's method of calculating this measure may differ from other companies and, accordingly, the results may not be comparable.



## Management's Discussion and Analysis

(presented in US dollars)

Forward-looking statements: Certain statements made in the following Management's Discussion and Analysis contain forward-looking statements including, but not limited to, statements concerning possible or assumed future results of operations of the Company. Forward-looking statements represent the Company's intentions, plans, expectations and beliefs, and are not guarantees of future performance. Such forward-looking statements represent Wipak's current views based on information as at the date of this report. They involve risks, uncertainties and assumptions and the Company's actual results could differ, which in some cases may be material, from those anticipated in these forward-looking statements. Factors that could cause results to differ from those expected include, but are not limited to: the terms, availability and costs of acquiring raw materials and the ability to pass on price increases to customers; ability to negotiate contracts with new customers or renew existing customer contracts with less favorable terms; timely response to changes in customer product needs and market acceptance of our products; the potential loss of business or increased costs due to customer or vendor consolidation; competitive pressures, including new product development, industry capacity, and changes in competitors' pricing; ability to maintain or increase productivity levels, contain or reduce costs; foreign currency exchange rate fluctuations; changes in governmental regulations, including environmental, health and safety; changes in Canadian and foreign income tax rates, income tax laws and regulations. Unless otherwise required by applicable securities law, we disclaim any intention or obligation to publicly update or revise this information, whether as a result of new information, future events or otherwise. The Company cautions investors not to place undue reliance upon forward-looking statements.

### Financial Performance

Net income attributable to equity holders of the Company for the first quarter of 2017 of \$28.6 million or 44 cents in earnings per share (EPS) exceeded the \$26.6 million or 41 cents per share recorded in the corresponding quarter of 2016, an increase of 7.5 percent. This represented the highest first quarter earnings achievement for the Company. Strong organic volume growth elevated EPS by 6.5 cents but the effects were dampened by a contraction in gross profit margins which lowered EPS by 5.5 cents. Reduced operating expenses and favorable foreign exchange supplemented EPS by 1.5 cents and 1.0 cent respectively. Higher income taxes had the opposite effect, decreasing EPS by 0.5 cents.

The fiscal year of the Company ends on the last Sunday of the calendar year and is usually 52 weeks in duration. However, the 2017 fiscal year consists of 53 weeks, with the first quarter comprising 14 weeks, one more week than the prior year. The additional week included in the 2017 first quarter was essentially the last week of the 2016 calendar year which contained several statutory holidays. Consequently, it is estimated that this additional week contributed 6 percent to first quarter 2017 volumes and net income results.

### Revenue

Revenue in the first quarter of 2017 was \$228.4 million, \$30.2 million or 15.2 percent greater than the first quarter of 2016. Even normalizing for the additional week of revenues in the first quarter of 2017, the revenue level represents the highest quarterly result ever recorded by the Company. Volume growth was substantial at 16.1 percent compared to the initial quarter of 2016. After taking into account the additional week in the current quarter, volume growth was approximately 10 percent. All product group volumes advanced except for specialty films. The leading contributor to the Company's growth in volume came from rigid containers, which advanced by nearly 20 percent in the quarter relative to the first quarter of 2016 as specialty beverage, condiment and tray packaging sales were robust. Modified atmosphere packaging volumes were strong, progressing in the high-single-digit percentage range. Gains at major US protein processors drove success for this product group. Biaxially oriented nylon followed up a successful 2016 with further advancement of 8 percent. Lidding volumes exhibited mid-single-digit percentage growth due to progress at select yogurt accounts. Packaging machinery and parts continued the strength exhibited in the final quarter of 2016, advancing more than 30 percent. Lighter demand for specialty films resulted in volumes receding in the mid-single-digit percentage range. Selling price/mix changes had an unfavorable effect on revenues for the quarter of 1.4 percent, while foreign exchange, due to a stronger Canadian dollar, increased revenues by 0.5 percent in comparison to the first quarter of 2016.

### Gross profit margins

Gross profit margins fell to 32.1 percent of revenue in the first quarter of 2017, down from the 34.2 percent of revenue recorded in the same quarter of 2016. The rise in raw material costs in relation to those incurred a year earlier was the main factor leading to the margin erosion, resulting in a decrease in earnings per share of 5.5 cents. Selling price adjustments with respect to indexed accounts typically lag the change in raw material costs by three months. Manufacturing variances, in terms of material usage and labor costs, also lowered margins in the quarter. However, improvement is expected in the upcoming quarters as more experience is gained with new products and processes and operational efficiencies are increased.



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

| Quarter and Year     | 1/17  | 4/16  | 3/16  | 2/16  | 1/16  | 4/15  | 3/15  | 2/15  | 1/15  |
|----------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Purchase Price Index | 147.8 | 143.9 | 140.2 | 138.1 | 136.4 | 139.1 | 147.7 | 152.1 | 156.9 |

The purchase price index advanced by 2.7 percent compared to the fourth quarter of 2016. In the last 12 months, the change in the index was even more pronounced at 8.4 percent. Nylon, polystyrene and polypropylene resin prices increased by more than the index in the past quarter, while polyethylene prices retreated by nearly 5 percent over the same period.

### Expenses and Other

Operating expenses in the quarter, adjusted for foreign exchange, progressed at a lower rate than the expansion in sales volumes in the first quarter of 2017 versus the corresponding period in 2016. This operating leverage augmented EPS by 1.5 cents. This outcome was achieved even with the increase in share-based incentive expenses as a result of the rise in the Company's stock price of nearly 15 percent in the quarter. In addition, foreign exchange had a favorable effect on EPS in the first quarter of approximately 1.0 cent compared to the equivalent period in 2016 primarily due to the maturation, at more favorable rates, of foreign exchange forward contracts. A greater effective income tax rate in the current quarter, due to a larger proportion of earnings being realized in higher income tax rate jurisdictions, decreased EPS by 0.5 cents.

### Summary of Quarterly Results

|  | Thousands of US dollars, except per share amounts (US cents) |            |            |            |            |            |            |            |
|--|--|------------|------------|------------|------------|------------|------------|------------|
|  | Q1<br>2017   | Q4<br>2016 | Q3<br>2016 | Q2<br>2016 | Q1<br>2016 | Q4<br>2015 | Q3<br>2015 | Q2<br>2015 |
| Revenue  | 228,351  | 215,550    | 204,699    | 204,129    | 198,154    | 205,746    | 193,726    | 198,257    |
| Net income attributable to equity holders of the Company | 28,552   | 28,578     | 24,036     | 25,166     | 26,564     | 27,635     | 22,305     | 26,845     |
| EPS  | 44   | 44         | 37         | 39         | 41         | 43         | 34         | 41         |

### Capital Resources, Cash Flow and Liquidity

The Company's cash and cash equivalents balance ended the first quarter of 2017 at \$231.7 million, an increase of \$20.5 million from the end of the prior year. Wipak continued to generate strong and consistent cash flows from operating activities before changes in working capital of \$51.4 million, outpacing the first quarter of 2016 by \$4.0 million. Working capital provided an additional \$2.0 million in cash. Trade and other receivables declined by \$8.5 million in the quarter. In January 2017, the Company entered into an ongoing agreement to sell certain extended term accounts receivable without recourse to a financial institution in exchange for cash. The increase in trade payables and other liabilities generated an additional \$7.1 million in cash and stemmed from the magnitude and timing of raw material purchases. Conversely, the incremental investment in inventory amounted to \$11.7 million, a consequence of servicing the larger sales volumes and the rise in raw material costs. Cash was utilized for plant and equipment additions of \$18.2 million, income tax payments of \$11.9 million, dividends of \$1.4 million, employee defined benefit plan contributions of \$1.0 million, and other items totaling \$0.4 million.

### Looking Forward

Following a solid start in volume growth in the first quarter, the Company anticipates sustained sales volume momentum and earnings performance in 2017. Wipak continues to deliver on organic growth with opportunities progressing for new revenue streams for the Corporation. Further business from North America's major food processors is being realized. To enhance this position moving forward, Wipak will need to continue to gain new customer business as well as maintain sales with existing customers by renewing contracts, some of which are due to expire in the coming year. From a raw material perspective, the prices of several of the Company's widely used resins rose considerably towards the end of 2016 and in the first quarter of 2017 due to tightness in supply in the market and the rise of world oil prices. Price increases announced at the end of the first quarter, for certain resins, will likely lower gross profit margins in the second quarter by as much as a couple of percentage points as elevated resin costs make their way into cost of goods sold before they are reflected in higher indexed selling prices in the third quarter. The Company will remain focused on improving manufacturing performance, principally in those areas where new product offerings require more knowledge and familiarity to enhance production capabilities. The new state of the art coextrusion line at the Company's modified atmosphere packaging plant in Winnipeg was commercialized towards the end of 2016 and will continue to be fine tuned to improve its productivity. The building expansions at the Company's specialty films operation in Senoia, Georgia and rigid container facility in Sauk Village, Illinois are scheduled to be completed in the second quarter of 2017. Capital spending is expected



to be lower than the record-high amount achieved in the prior year and is expected to be in the range of \$55 to \$65 million. Current year expenditures will consist primarily of the costs to complete the two building expansions and additional extrusion and converting capacity. The Company will remain committed to organic growth through capital investment and continue to pursue acquisition opportunities when the proper strategic fit and price are present and align with Winpak's core competencies of sophisticated packaging for food, beverage and healthcare applications to add long-term value to the Company's shareholders.

#### Future Changes to Accounting Standards

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

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

#### Controls and Procedures

##### Disclosure Controls

Management is responsible for establishing and maintaining disclosure controls and procedures in order to provide reasonable assurance that material information relating to the Company is made known to them in a timely manner and that information required to be disclosed is reported within time periods prescribed by applicable securities legislation. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based on management's evaluation of the design of the Company's disclosure controls and procedures, the Company's Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures are designed as of April 2, 2017 to provide reasonable assurance that the information being disclosed is recorded, summarized and reported as required.

##### Internal Controls Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Internal control systems, no matter how well designed, have inherent limitations and therefore can only provide reasonable assurance as to the effectiveness of internal controls over financial reporting, including the possibility of human error and the circumvention or overriding of the controls and procedures. Management used the Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013) as the control framework in designing its internal controls over financial reporting. Based on management's design of the Company's internal controls over financial reporting, the Company's Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures are designed as of April 2, 2017 to provide reasonable assurance that the financial information being reported is materially accurate. During the first quarter ended April 2, 2017, there have been no changes to the design of the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.



Winpak Ltd.  
Interim Condensed Consolidated Financial Statements  
First Quarter Ended: April 2, 2017

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



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

|   | Note | April 2<br>2017 | December 25<br>2016 |
|---|------|-----------------|---------------------|
| <b>Assets</b>   |      |                 |                     |
| <b>Current assets:</b>  |      |                 |                     |
| Cash and cash equivalents   |      | 231,691         | 211,225             |
| Trade and other receivables                                       | 12   | 115,602         | 124,148             |
| Income taxes receivable   |      | 1,255           | 564                 |
| Inventories   | 5    | 115,179         | 103,516             |
| Prepaid expenses  |      | 5,001           | 3,024               |
| Derivative financial instruments                                  |      | 41              | 308                 |
|   |      | <u>468,769</u>  | <u>442,785</u>      |
| <b>Non-current assets:</b>  |      |                 |                     |
| Property, plant and equipment                                     | 7    | 418,304         | 409,147             |
| Intangible assets   | 7    | 14,594          | 14,501              |
| Employee benefit plan assets                                      |      | 7,376           | 6,721               |
| Deferred tax assets   |      | 1,003           | 1,060               |
|   |      | <u>441,277</u>  | <u>431,429</u>      |
| <b>Total assets</b>   |      | <u>910,046</u>  | <u>874,214</u>      |
| <b>Equity and Liabilities</b>                                     |      |                 |                     |
| <b>Current liabilities:</b>                                       |      |                 |                     |
| Trade payables and other liabilities                              |      | 78,508          | 71,448              |
| Income taxes payable  |      | 6,999           | 6,226               |
| Derivative financial instruments                                  |      | 74              | 348                 |
|   |      | <u>85,581</u>   | <u>78,022</u>       |
| <b>Non-current liabilities:</b>                                   |      |                 |                     |
| Employee benefit plan liabilities                                 |      | 9,747           | 9,253               |
| Deferred income   |      | 15,309          | 15,424              |
| Provisions  |      | 760             | 760                 |
| Deferred tax liabilities  |      | 43,592          | 43,486              |
|   |      | <u>69,408</u>   | <u>68,923</u>       |
| <b>Total liabilities</b>  |      | <u>154,989</u>  | <u>146,945</u>      |
| <b>Equity:</b>  |      |                 |                     |
| Share capital   |      | 29,195          | 29,195              |
| Reserves  |      | (24)            | (29)                |
| Retained earnings   |      | 703,564         | 676,478             |
| <b>Total equity attributable to equity holders of the Company</b> |      | <u>732,735</u>  | <u>705,644</u>      |
| <b>Non-controlling interests</b>                                  |      | <u>22,322</u>   | <u>21,625</u>       |
| <b>Total equity</b>   |      | <u>755,057</u>  | <u>727,269</u>      |
| <b>Total equity and liabilities</b>                               |      | <u>910,046</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) |                  |
|---|------|------------------------|------------------|
|   |      | April 2<br>2017        | March 27<br>2016 |
| Revenue   |      | 228,351                | 198,154          |
| Cost of sales                                       |      | (155,073)              | (130,387)        |
| Gross profit  |      | 73,278                 | 67,767           |
| Sales, marketing and distribution expenses          |      | (17,624)               | (15,232)         |
| General and administrative expenses                 |      | (9,139)                | (7,946)          |
| Research and technical expenses                     |      | (3,774)                | (3,745)          |
| Pre-production expenses                             |      | (125)                  | (169)            |
| Other income (expenses)                             | 6    | 521                    | (1,084)          |
| <b>Income from operations</b>                       |      | 43,137                 | 39,591           |
| Finance income                                      |      | 316                    | 133              |
| Finance expense                                     |      | (449)                  | (114)            |
| Income before income taxes                          |      | 43,004                 | 39,610           |
| Income tax expense                                  |      | (13,755)               | (12,310)         |
| <b>Net income for the period</b>                    |      | 29,249                 | 27,300           |
| <b>Attributable to:</b>                             |      |                        |                  |
| Equity holders of the Company                       |      | 28,552                 | 26,564           |
| Non-controlling interests                           |      | 697                    | 736              |
|   |      | 29,249                 | 27,300           |
| <b>Basic and diluted earnings per share - cents</b> | 9    | 44                     | 41               |

**Condensed Consolidated Statements of Comprehensive Income**

*(thousands of US dollars) (unaudited)*

|  | Note | Quarter Ended (Note 2) |                  |
|--|------|------------------------|------------------|
|  |      | April 2<br>2017        | March 27<br>2016 |
| <b>Net income for the period</b>   |      | 29,249                 | 27,300           |
| <u>Items that will not be reclassified to the statements of income:</u>                |      |                        |                  |
| Cash flow hedge gains recognized   |      | -                      | 32               |
| Cash flow hedge losses transferred to property, plant and equipment                    |      | -                      | 52               |
| Income tax effect  |      | -                      | -                |
|  |      | -                      | 84               |
| <u>Items that are or may be reclassified subsequently to the statements of income:</u> |      |                        |                  |
| Cash flow hedge gains recognized   |      | 438                    | 1,412            |
| Cash flow hedge (gains) losses transferred to the statements of income                 | 6    | (431)                  | 724              |
| Income tax effect  |      | (2)                    | (571)            |
|  |      | 5                      | 1,565            |
| <b>Other comprehensive income for the period - net of income tax</b>                   |      | 5                      | 1,649            |
| <b>Comprehensive income for the period</b>   |      | 29,254                 | 28,949           |
| <b>Attributable to:</b>  |      |                        |                  |
| Equity holders of the Company  |      | 28,557                 | 28,213           |
| Non-controlling interests  |      | 697                    | 736              |
|  |      | 29,254                 | 28,949           |

See accompanying notes to condensed consolidated financial statements.



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

|  | Attributable to equity holders of the Company |               |          |                   |         |                           |              |
|--|---|---------------|----------|-------------------|---------|---------------------------|--------------|
|  | Note  | Share capital | Reserves | Retained earnings | Total   | Non-controlling interests | Total equity |
| Balance at December 28, 2015   |   | 29,195        | (1,208)  | 576,359           | 604,346 | 19,045                    | 623,391      |
| <b>Comprehensive income for the period</b>                                 |   |               |          |                   |         |                           |              |
| Cash flow hedge gains, net of tax  |   | -             | 1,067    | -                 | 1,067   | -                         | 1,067        |
| Cash flow hedge losses transferred to the statements of income, net of tax |   | -             | 530      | -                 | 530     | -                         | 530          |
| Cash flow hedge losses transferred to property, plant and equipment        |   | -             | 52       | -                 | 52      | -                         | 52           |
| <b>Other comprehensive income</b>  |   | -             | 1,649    | -                 | 1,649   | -                         | 1,649        |
| <b>Net income for the period</b>   |   | -             | -        | 26,564            | 26,564  | 736                       | 27,300       |
| <b>Comprehensive income for the period</b>                                 |   | -             | 1,649    | 26,564            | 28,213  | 736                       | 28,949       |
| <b>Dividends</b>   | 8   | -             | -        | (1,473)           | (1,473) | -                         | (1,473)      |
| Balance at March 27, 2016  |   | 29,195        | 441      | 601,450           | 631,086 | 19,781                    | 650,867      |
| Balance at December 26, 2016   |   | 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  |   | -             | 321      | -                 | 321     | -                         | 321          |
| Cash flow hedge losses transferred to the statements of income, net of tax |   | -             | (316)    | -                 | (316)   | -                         | (316)        |
| <b>Other comprehensive income</b>  |   | -             | 5        | -                 | 5       | -                         | 5            |
| <b>Net income for the period</b>   |   | -             | -        | 28,552            | 28,552  | 697                       | 29,249       |
| <b>Comprehensive income for the period</b>                                 |   | -             | 5        | 28,552            | 28,557  | 697                       | 29,254       |
| <b>Dividends</b>   | 8   | -             | -        | (1,466)           | (1,466) | -                         | (1,466)      |
| Balance at April 2, 2017   |   | 29,195        | (24)     | 703,564           | 732,735 | 22,322                    | 755,057      |

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 2<br>2017        | March 27<br>2016 |
| <b>Cash provided by (used in):</b>                       |      |                        |                  |
| <b>Operating activities:</b>                             |      |                        |                  |
| Net income for the period                                |      | 29,249                 | 27,300           |
| Items not involving cash:                                |      |                        |                  |
| Depreciation   |      | 9,383                  | 8,555            |
| Amortization - deferred income                           |      | (416)                  | (394)            |
| Amortization - intangible assets                         |      | 158                    | 170              |
| Employee defined benefit plan expenses                   |      | 916                    | 878              |
| Net finance expense (income)                             |      | 133                    | (19)             |
| Income tax expense                                       |      | 13,755                 | 12,310           |
| Other  |      | (1,770)                | (1,377)          |
| Cash flow from operating activities before the following |      | 51,408                 | 47,423           |
| Change in working capital:                               |      |                        |                  |
| Trade and other receivables                              |      | 8,546                  | (1,355)          |
| Inventories  |      | (11,663)               | (1,044)          |
| Prepaid expenses   |      | (1,977)                | (1,306)          |
| Trade payables and other liabilities                     |      | 7,058                  | (6,681)          |
| Employee defined benefit plan contributions              |      | (1,005)                | (947)            |
| Income tax paid  |      | (11,864)               | (15,185)         |
| Interest received  |      | 279                    | 51               |
| Interest paid  |      | (377)                  | (4)              |
| Net cash from operating activities                       |      | 40,405                 | 20,952           |
| <b>Investing activities:</b>                             |      |                        |                  |
| Acquisition of plant and equipment - net                 |      | (18,247)               | (15,061)         |
| Acquisition of intangible assets                         |      | (251)                  | (10)             |
|  |      | (18,498)               | (15,071)         |
| <b>Financing activities:</b>                             |      |                        |                  |
| Dividends paid   | 8    | (1,441)                | (1,408)          |
| Change in cash and cash equivalents                      |      | 20,466                 | 4,473            |
| Cash and cash equivalents, beginning of period           |      | 211,225                | 165,027          |
| Cash and cash equivalents, end of period                 |      | 231,691                | 169,500          |

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 April 27, 2017.

## 3. Accounting Standards and Policies Implemented in 2017

### *(a) Statements of Cash Flows:*

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

### *(b) Customer Financing and Trade Receivables:*

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

## 4. Future Accounting Standards

### *(a) Financial Instruments:*

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

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

**(b) Revenue From Contracts With Customers:**

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

**(c) Leases:**

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

**(d) Foreign Currency Transactions and Advance Consideration:**

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

**5. Inventories**

|                 | April 2<br>2017 | December 25<br>2016 |
|-----------------|-----------------|---------------------|
| Raw materials   | 30,719          | 27,559              |
| Work-in-process | 19,249          | 18,113              |
| Finished goods  | 56,110          | 49,254              |
| Spare parts     | 9,101           | 8,590               |
|                 | 115,179         | 103,516             |

During the first quarter of 2017, the Company recorded, within cost of sales, inventory write-downs for slow-moving and obsolete inventory of \$3,251 (2016 - \$2,559) and reversals of previously written-down items of \$1,527 (2016 - \$1,609).

**6. Other Income (Expenses)**

|  | Quarter Ended   |                  |
|--|-----------------|------------------|
| Amounts shown on a net basis   | April 2<br>2017 | March 27<br>2016 |
| Foreign exchange gain (loss)   | 90              | (360)            |
| Cash flow hedge gains (losses) transferred from other comprehensive income | 431             | (724)            |
|  | 521             | (1,084)          |

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

At April 2, 2017, the Company has commitments to purchase plant and equipment of \$17,217 (December 25, 2016 - \$26,766). No impairment losses or impairment reversals were recognized in the first quarter of 2017 or 2016.

**8. Dividends**

During the first quarter of 2017, dividends in Canadian dollars of 3 cents per common share were declared (2016 - 3 cents).

## 9. Earnings Per Share

|  | Quarter Ended   |                  |
|--|-----------------|------------------|
|  | April 2<br>2017 | March 27<br>2016 |
| Net income attributable to equity holders of the Company | 28,552          | 26,564           |
| Weighted average shares outstanding (000's)              | 65,000          | 65,000           |
| Basic and diluted earnings per share - cents             | 44              | 41               |

## 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 April 2, 2017</u>                  |         |         |         |       |
| Foreign currency forward contracts - net | -       | (33)    | -       | (33)  |
| <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 April 2, 2017, the supplier rebate receivable balance that was offset was \$2,855 (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 April 2, 2017, a one-cent change in the period-end foreign exchange rate from 0.7519 to 0.7419 (CDN to US dollars) would have decreased net income by \$83 for the first quarter of 2017. Conversely, a one-cent change in the period-end foreign exchange rate from 0.7519 to 0.7619 (CDN to US dollars) would have increased net income by \$83 for the first 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 first quarter of 2017 and the Company realized pre-tax foreign exchange gains of \$431. Of these foreign exchange differences, gains of \$431 were recorded in other income (expenses) and \$0 was recorded in plant and equipment. During the first quarter of 2016, the Company realized pre-tax foreign exchange losses of \$776. Of these foreign exchange differences, losses of \$724 were recorded in other income (expenses) and losses of \$52 were recorded in plant and equipment.

As at April 2, 2017, the Company had US to CDN dollar foreign currency forward contracts outstanding with a notional amount of US \$16.0 million at an average exchange rate of 1.3249 maturing between April and October 2017. The fair value of these financial instruments was negative \$33 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 April 2, 2017 cash and cash equivalents balance of \$231.7 million, a 1.0 percent increase/decrease in interest rate fluctuations would increase/decrease income before income taxes by \$2,317 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 2, 2017, 74 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 \$231.7 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 2<br>2017 | December 25<br>2016 |
|------------------------------------|-----------------|---------------------|
| Cash and cash equivalents          | 231,691         | 211,225             |
| Trade and other receivables        | 115,602         | 124,148             |
| Foreign currency forward contracts | 41              | 308                 |
|                                    | 347,334         | 335,681             |

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.



**Notes to Condensed Consolidated Financial Statements**  
For the periods ended April 2, 2017 and March 27, 2016  
*(thousands of US dollars, unless otherwise indicated) (Unaudited)*

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 first quarter of 2017, the Company incurred costs on the sale of trade receivables of \$458. Of these costs, \$294 was recorded in finance expense and \$164 was recorded in general and administrative expenses.

As at April 2, 2017, the Company believes that the credit risk for trade and other receivables is mitigated due to the following: a) a broad customer base which is dispersed across varying market sectors and geographic locations, b) 99 percent of the gross trade and other receivables balance is within 30 days of the agreed upon payment terms with customers, c) the sale of certain extended term trade receivables without recourse, and d) 33 percent of the trade and other receivables balance is insured against credit losses. The Company's exposure to the ten largest customer balances, on aggregate, accounted for 42 percent of the total trade and other receivables balance.

The carrying amount of trade and other receivables is reduced through the use of an allowance 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:

|  | April 2<br>2017 | December 25<br>2016 |
|--|-----------------|---------------------|
| Current - neither impaired nor past due    | 102,896         | 107,044             |
| <u>Not impaired but past the due date:</u> |                 |                     |
| Within 30 days                             | 11,865          | 15,658              |
| 31 - 60 days                               | 1,141           | 1,492               |
| Over 60 days                               | 598             | 749                 |
|  | 116,500         | 124,943             |
| Less: Allowance for doubtful accounts      | (898)           | (795)               |
| Total trade and other receivables, net     | 115,602         | 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 April 2, 2017                                | 186,480       | 31,429  | 10,442 | 228,351      |
| Quarter ended March 27, 2016                               | 166,807       | 21,601  | 9,746  | 198,154      |
| <b>Property, Plant and Equipment and Intangible Assets</b> |               |         |        |              |
| As at April 2, 2017  | 213,478       | 218,218 | 1,202  | 432,898      |
| As at March 27, 2016                                       | 180,827       | 208,361 | 1,254  | 390,442      |

### 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.