TOTAL
PACKAGING
SOLUTIONS
WINPAK
2018 ANNUAL REPORT
Haptic Touch
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2018 marked a change in food and even drug retail with the absence of growth or expansion at less than population growth or inflation in North America. The net income attributable to equity holders of the Company attained $108.9 million, better than planned, yet shy of last year's $119.3 million, while revenue grew slightly to $889.6 million. This achievement was a blend of revenue growth in the modified atmosphere packaging, lidding and machinery product groups while our rigid container business receded as a result of transitioning to less costly plastic materials in our largest rigid container applications. However, with the lack of retail growth and competitive selling price pressures intensifying in 2018, gross profit margins contracted 0.8 percent. Unlike the prior year, raw material price pressures remained relatively tame.

Overall, with the challenging rigid packaging transition initiated towards sustainable offerings, more than half of Winpak's product portfolio is recycle-ready with further advances in material sciences being developed to offer ground-breaking recycle-ready high barrier flexible and rigid solutions based upon renewable materials. The Company's direction is set towards advancement while consciously reducing the environmental impact. Our manufacturing processes and sites are relentlessly searching for ways to reduce their impact and incorporate new processes with the latest technologies to reduce emissions, energy consumption and production waste. We strive to design our new processes to use green energy wherever possible, such as hydro electricity in Canada and avoiding natural gas.

The continued progression at the Winnipeg, Manitoba facility relies largely on the capabilities of Winpak's latest and largest, high barrier cast co-extrusion technology expansion along with re-engineering existing lines to meet the new state of the art technology. In addition, different product designs are being considered for a new generation of films as an upgrade to the most recently installed line. The step-ups in productivity and quality consistency have been instrumental in mitigating the impact of raw material price increases and further steps in automation utilization will also contribute to maintaining low costs. Additional high barrier co-extruded blown film capacity was added mid-year to keep up with the demand in sophisticated high barrier pouch structures. These new capabilities enhance the Company's portfolio of high barrier films for modified atmosphere packaging.

Similarly, Winpak's specialty films business in Senoia, Georgia which benefited from an 80,000 square foot building expansion, has been ramping up with a new blown film co-extrusion line and will be proceeding with additional capacity in early 2020 to keep up with demand for sophisticated high barrier food and medical films. To streamline the marketing of Winnipeg and Senoia's complementary product portfolio, the two teams are now under a single management structure. The shrink bag co-extrusion lines from our first expansion are all undergoing significant re-design and technology improvements towards new state of the art capabilities for the speciality meat and cheese markets.

2018 was again remarkable for the Winpak–Sojitz Corporation of Japan business venture producing biaxially oriented polyamide (nylon) films. American Biaxis achieved record productivity in the latter part of the year to counteract elevated raw material costs and increased selling price competition, whereas the beginning of the year had proven challenging from a productivity standpoint. Once more, the focus on quality and customer service outweighed competitive selling price pressures from offshore suppliers. The announced building and equipment capacity expansion will break ground in early 2019.

Overall, Winpak's flexible packaging business grew slightly in 2018, in the face of stronger than ever selling pricing competition and surprisingly low retail growth. Going forward, Winpak's offering in high barrier recycle-ready flexible packaging will expand, relying on our uniquely sophisticated infrastructure.

In 2018, the Company's rigid container business which consists of the production of plastic sheets and thermoformed barrier containers in two locations in Chicago, Illinois and one in Toronto saw the start-up of a new sheet and in-line thermoforming line in the newly expanded 348,000 square foot site and the engineering of two more lines to be installed in 2019 and 2020. The mentioned contraction of the rigid container revenue is not the result of a loss of business, but the transition to less costly and lighter plastics, mainly moving out of polystyrene for materials that are easier to recycle, such as from the family of polyolefins (polypropylene and polyethylene) and to some extent due to competitive selling price pressures. To date, more than half our portfolio of rigid containers are so called recycle-ready and this will continue to increase, while solutions from renewable resources are actively being pursued and developed. The rationale of expanding the rigid container capacity is driven by growth in condiments for convenience with ready-to-serve meals and meal kits as well as a return to single portion containers away from multi-pocket solutions in dairy and dessert offerings.

The Company's product offering as a system of high-tech flexible lidding solutions combined with rigid containers, whether in die-cut or roll-fed form, aluminum-based or high barrier plastics sets Winpak apart in the industry. At the Vaudreuil-Dorion, Quebec facility, the newly re-engineered tandem extrusion line and new printing press have proven instrumental in growing the range of new generation roll-fed flexible lidding products to complement our large die-cut lid presence. The vast expansion of our Mexican operations is nearing completion with the die-cut business already in operation while equipment for the converting portion of the plant is being assembled for start-up in the second quarter of 2019. Together with the newly re-organized healthcare team, modest revenue growth was achieved in 2018.

Winpak's packaging machinery division in San Bernardino, California contributed in 2018 with significant revenue momentum, establishing another milestone year for both machinery and services. Even more significant to Winpak is the packaging film system sales approach and improved customer service with in-house lab testing providing a full range of sachet packaging machines available for customers to perform product testing. Not to mention, the launch of a commercial relationship with Unifill Srl. of Italy producing highly specialized blown thermoformed single serve containers. Going forward, the machinery operations will relocate to a more spacious site to allow it to grow and set the stage for new equipment designs and enhanced manufacturing and assembly capabilities.

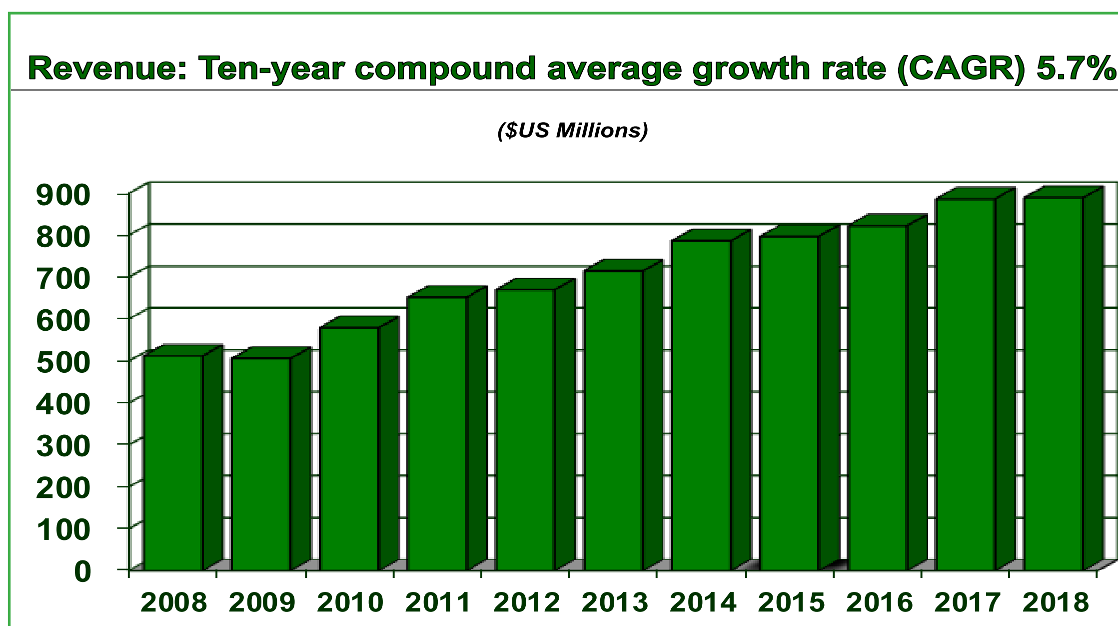
Overall, 2018 yielded several Company records despite very challenging competitive market pressures and disappointing retail consumption thus demonstrating the sound nature of the infrastructure and equipment investments coming to fruition across the Company. Key capital investment decisions for future growth throughout the business are under way to continue the momentum going forward, under the lens of reducing our environmental footprint and impact.

O.Y. Muggli
President and Chief Executive Officer
Winnipeg, Canada
February 26, 2019

REVIEW

(Values expressed in US dollars)

	2018	2017	2016	2015	2014
Operating results ($ million except earnings per share)					
Revenue	**889.6**	886.8	822.5	797.2	786.8
Income from operations	**150.1**	162.7	157.8	147.3	115.1
EBITDA (1)	**190.2**	200.2	192.0	179.2	145.6
Net income attributable to equity holders of the Company	**108.9**	119.3	104.3	99.2	78.4
Earnings per share (cents) (2)	**168**	184	161	153	121
Investments and assets ($ million)					
Investments in property, plant and equipment	**71.2**	51.1	72.2	53.7	48.1
Total assets	**1,088.9**	976.0	874.2	766.1	734.3
Financial position					
Net return on opening equity attributable to equity holders of the Company	**13.3%**	16.9%	17.3%	17.0%	13.6%
Return on opening invested capital (3)	**24.7%**	28.3%	30.8%	29.1%	24.2%



Basis of Presentation

- The Company's fiscal year is usually 52 weeks in duration, but includes a 53rd week every five to six years. All years presented on pages 2 and 3 were 52 weeks in duration, with the exception of 2012 and 2017, which were 53 weeks in duration.
- All years presented on pages 2 and 3 are in accordance with International Financial Reporting Standards (IFRS) with the exception of 2008 and 2009, which are as previously reported under Canadian GAAP.

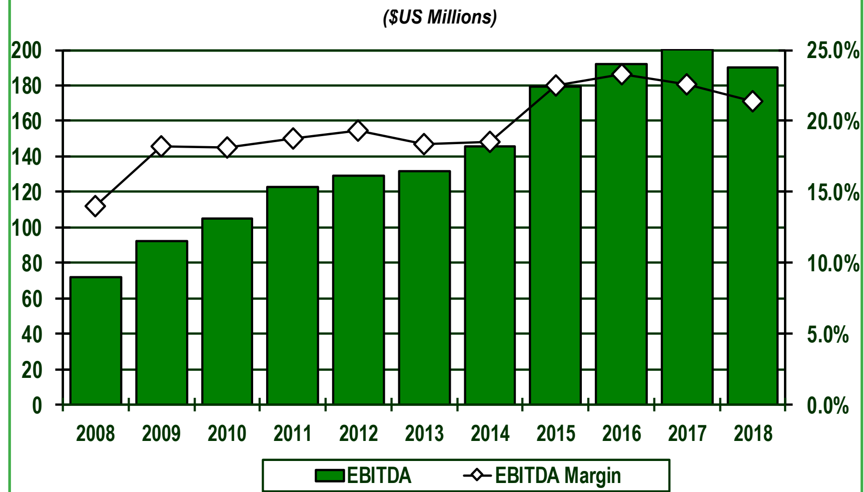
Definitions

(1) EBITDA (income before interest, tax, depreciation and amortization) is not a recognized measure under IFRS. Management believes that in addition to net income attributable to equity holders of the Company, EBITDA is a useful supplemental measure as it provides investors with an indication of cash available for distribution prior to debt service, capital expenditures and income taxes. Investors should be cautioned, however, that EBITDA should not be construed as an alternative to net income attributable to equity holders of the Company determined in accordance with IFRS as an indicator of the Company's performance. The Company's method of calculating EBITDA may differ from other companies and, accordingly, EBITDA may not be comparable to measures used by other companies. Refer to the section entitled Selected Financial Information on page 4 of this document for the calculation of EBITDA from 2016 to 2018.

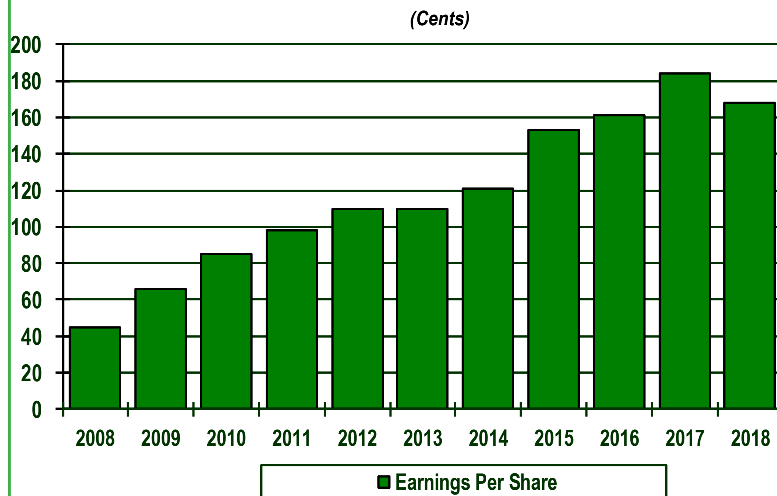
(2) In 2017, a one-time income tax recovery of 17 cents per share was recorded due to the revaluation of deferred tax asset and liability balances within the US operations as a result of US tax reform enacted in December 2017.

(3) Return on opening invested capital is defined as income from operations divided by invested capital, which is defined as the sum of total debt, equity, net deferred tax liability, and accumulated goodwill amortization.

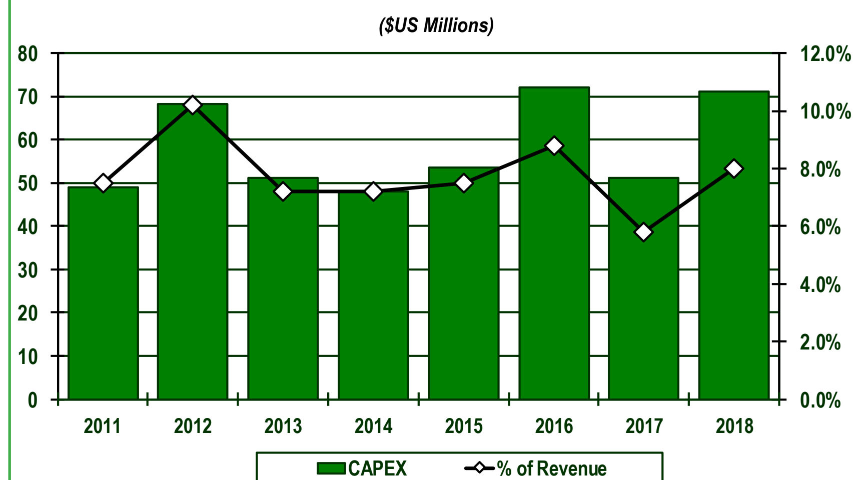
EBITDA and EBITDA Margins: Ten-year CAGR 10.3%



Earnings Per Share



CAPEX 2011 – 2018



MANAGEMENT'S DISCUSSION AND ANALYSIS

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 Winpak'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, Winpak disclaims 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.

General Information

The following discussion and analysis dated February 26, 2019 was prepared by management and should be read in conjunction with the consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS). The following discussion and analysis is presented in US dollars except where otherwise noted. The consolidated financial statements include the accounts of all subsidiaries. The Company's functional and reporting currency is the US dollar. The Company has filed a separate Management's Discussion and Analysis for its fourth quarter of 2018, which is available on SEDAR at www.sedar.com.

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 comprised 52 weeks and the 2017 fiscal year comprised 53 weeks.

Company Overview

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, 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.

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.

Selected Financial Information

Millions of US dollars, except per share and margin amounts	**2018**	2017	2016
Revenue	**889.6**	886.8	822.5
Income from operations	**150.1**	162.7	157.8
Net income attributable to equity holders of the Company	**108.9**	119.3	104.3
Gross profit margin	**30.4%**	31.2%	32.7%
Earnings per share (cents)	**168**	184	161
Reconciliation of EBITDA			
Net income	**111.6**	122.7	108.2
Income tax expense	**40.0**	38.8	49.8
Net finance (income) expense	**(1.5)**	1.2	(0.2)
Depreciation and amortization	**40.1**	37.5	34.2
EBITDA	**190.2**	200.2	192.0

Overall Performance

- ∆ Revenue grew by $2.9 million or 0.3 percent from 2017 to an all-time high of $889.6 million. Normalizing for the additional week in 2017, volumes were essentially flat. Revenue growth reflected the positive impact of selling price and mix changes and a stronger Canadian dollar which resulted in revenue advances of $12.4 million and $0.9 million respectively.
- ∆ Gross profit margins declined by under one percentage point from the prior year to 30.4 percent. Cost efficiencies were gained by limiting the expenses relating to production waste and inventory obsolescence. This achievement, in combination with the implementation of favorable selling price adjustments for customers on raw material price-indexing arrangements, served to mitigate the headwinds caused by the competitive pressures on core product markets' selling prices and the rise in the Company's recently added manufacturing capacity.
- ∆ Net income attributable to equity holders of the Company of $108.9 million decreased from the prior year's net income of $119.3 million by 8.7 percent. Excluding the $11.1 million income tax recovery recorded in 2017 due to US tax reform, an increase of $0.7 million was realized. Significantly lower income taxes were partially offset by diminished gross profit margins and higher operating expenses.
- ∆ Cash and cash equivalents ended the year at $344.3 million even though property, plant and equipment additions of $71.2 million represented the second highest annual outlay in the Company's history. Winpak continued to generate buoyant cash flow from operating activities. There are no short-term borrowings or long-term debt outstanding.

Highlights

- ∆ Raw materials: In 2018, the annual average cost of raw materials climbed by 2.5 percent from the prior year average. As the year was ending, select resins experienced notable decreases in tandem with the decline in world oil prices.
- ∆ Operating expenses: Greater personnel costs and the expansion in freight costs were the driving force between the growth in operating expenses compared to relatively stagnant sales volumes.
- ∆ Foreign exchange: Minor losses were realized on foreign exchange forward contracts in 2018 whereas in 2017, significant gains were recorded. Coupled with foreign exchange losses in 2018 on translation of Canadian dollar net monetary items, foreign exchange dampened earnings per share by 4.5 cents.
- ∆ Income taxes: The sizeable reduction in the Company's consolidated effective income tax rate in the current year, attributable to the US federal statutory income tax rate decreasing from 35.0 percent to 21.0 percent, raised earnings per share by 10.0 cents.
- ∆ Capital expenditures: Capital expenditures in 2018 amounted to $71.2 million, providing the foundation from which the Company can pursue its long-term compound rate of organic growth that has been realized over the past 10 years.
- ∆ Financing and investing: Winpak generated $130.1 million in cash flow from operating activities, which was more than sufficient to fund $71.2 million in capital projects and $6.1 million in regular dividends, resulting in an improvement in the net cash position of $52.4 million from the end of the previous year. The Company will utilize its cash resources on hand and generate additional cash flow from operations to fund its investing and financing activities in 2019. In addition, management will continue to evaluate acquisition opportunities that align strategically with Winpak's core competencies in concert with executing upon its organic capital expenditure program, all focused on providing long-term shareholder value.

Results of Operations

Components of total (decrease) increase in earnings per share (EPS)

	2018	2017	2016
Organic growth	**(2.0)**	10.0	11.0
Gross profit margins	**(3.5)**	(8.5)	(7.0)
Operating expenses, finance expense and non-controlling interests	**1.0**	0.5	0.5
Income taxes	**(7.0)**	18.5	(1.5)
Foreign exchange	**(4.5)**	2.5	5.0
Total (decrease) increase in EPS (cents)	**(16.0)**	23.0	8.0

Ongoing operations

Organic growth is the impact on net income due exclusively to increased sales volumes and excludes the influence of acquisitions, divestitures and foreign exchange. In 2018, this subtracted 2.0 cents from EPS in comparison to the prior year. However, the 2017 fiscal year included 53 weeks instead of the more customary 52 weeks. The additional week was essentially the last week of the 2016 calendar year which contained several statutory holidays. As a consequence, it is estimated that the 2017 sales volumes and net income results were positively affected by 2.0 percent.

Gross profit margins contracted in 2018, reflective of competitive conditions in strategic product markets, increased raw material costs compared to 2017 and the addition of manufacturing capacity in recent years in comparison to relatively unchanged sales volumes.

The expansion in net finance income and a smaller proportion of net income attributable to non-controlling interests provided an additional 3.0 cents and 1.0 cent to EPS respectively. On the other hand, operating expenses, exclusive of foreign exchange, expanded by 1.6 percent whereas sales volumes were virtually unchanged, lowering EPS by 3.0 cents.

The US tax reform that was enacted in the previous year had a favorable influence on EPS in both 2018 and 2017. It was more significant in the prior year due to the revaluation of deferred tax balances within the US operations which elevated EPS by 17.0 cents per share. In the current year, the US federal statutory income tax rate decreased from 35.0 percent to 21.0 percent, augmenting EPS by 10.0 cents.

Foreign exchange had a negative impact of 4.5 cents on EPS versus the previous year. The maturation of foreign exchange contracts at less favorable rates than was experienced in 2017 was compounded by converting the Company's net Canadian dollar expenses into US funds at a higher average rate.

Revenue

Revenue Change

	Millions of US dollars		
	2018	2017	2016
Volume (decrease) increase	**(10.4)**	50.4	54.2
Price and mix gains (losses)	**12.4**	11.9	(24.4)
Foreign exchange gains (losses)	**0.9**	1.9	(4.4)
Total increase in revenue	**2.9**	64.2	25.4

For 2018, revenue reached an all-time high of $889.6 million, up by 0.3 percent from the $886.8 million recorded in the previous year. After taking the additional week of revenues in the first quarter of 2017 into account, volumes were virtually unchanged. The rigid containers and flexible lidding operating segment experienced a negligible drop in volumes. For the lidding product group, rollstock materials in combination with yogurt and dessert die-cut lidding were the main factors leading the positive performance. Conversely, sheet and dessert container shipments receded in the current year and led to an overall contraction in volumes for the rigid container product group. The flexible packaging operating segment realized a limited uptick in volumes. Within the modified atmosphere packaging product group, growth was challenging due to tempered demand levels at major US protein processors. For the packaging machinery operating segment, growth was exceptional at 14 percent. In relation to 2017, selling price and mix changes had a favorable influence on revenue of 1 percent. The average value of the Canadian dollar in comparison to the US dollar during 2018 was essentially on par with the 2017 level. Accordingly, foreign exchange had little impact on reported revenue.

Gross profit margins

For the current year, gross profit margins reached a level of 30.4 percent of revenue, falling short of the 31.2 percent realized in 2017, culminating in a decrease in EPS of 3.5 cents. Competitive pressures in key product markets were prevalent during the year. This margin erosion was compounded by the rise in raw material costs compared to 2017. These negative factors were essentially nullified through the qualification of more cost efficient raw materials and the implementation of selling price adjustments for customers on raw material price-indexing programs. This was complemented by the significant progress that has been made in curtailing expenses relating to production waste and inventory obsolescence. As part of the Company's long-term organic growth aspirations, sizeable investments in capital have been made in recent years, expanding the manufacturing footprint. Consequently, the cost structure has risen whereas sales volumes remained relatively the same in the current year leading to a narrowing of gross profit margins.

Winpak's average raw material index, which represents the weighted cost of a basket of the Company's eight principal raw materials, rose by 2.5 percent from the 2017 average. The change in raw material pricing varied amongst the different materials. Polypropylene experienced an increase of 17 percent whereas polystyrene recorded a decrease of 8 percent.

Raw Material Index

	2018	2017	2016
Increase (decrease) in index compared to prior year	**2.5%**	9.5%	(5.6%)

Expenses

For the 2018 fiscal year, operating expenses, adjusted for foreign exchange, advanced by 1.6 percent whereas sales volumes were virtually unchanged, subtracting 3.0 cents from EPS. Greater personnel expenses and strategic product development activities were the main catalysts. The expansion in freight costs due to elevated fuel charges also played a role.

Foreign Exchange

	2018	2017	2016
Year-end exchange rate of CDN dollar to US dollar	**0.733**	0.795	0.739
Year-end exchange rate of US dollar to CDN dollar	**1.365**	1.258	1.354
(Depreciation) appreciation of CDN dollar vs. US dollar year-end exchange rate compared to the prior year	**(7.8%)**	7.6%	2.4%
Average exchange rate of CDN dollar to US dollar	**0.776**	0.769	0.751
Average exchange rate of US dollar to CDN dollar	**1.289**	1.301	1.332
Appreciation (depreciation) of CDN dollar vs. US dollar average exchange rate compared to the prior year	**0.9%**	2.4%	(4.8%)

Winpak utilizes the US currency as both its reporting and functional currency. However, with approximately 60 percent of its production capacity located in Canada, it is exposed to foreign exchange risks and records foreign currency differences on transactions and translations denominated in Canadian dollars as well as other foreign currencies. With a small production facility located in Mexico, the Company is also exposed to foreign exchange risks on costs denominated in Mexican pesos but these are minor.

On a net basis, foreign exchange had an unfavorable impact on EPS of 4.5 cents in 2018 compared to the prior year. Approximately 10 percent of revenues and 20 percent of costs in the current year were denominated in Canadian dollars. The net outflow of Canadian dollars exposes Winpak to transaction differences arising from exchange rate fluctuations. The appreciation in the average exchange rate of the Canadian dollar in relation to the US dollar in 2018 of 0.9 percent decreased EPS by 0.5 cents compared to 2017. As part of the Company's hedging program to manage this risk, the foreign exchange contracts that matured during 2018 were at a less advantageous average exchange rate, generating foreign exchange losses. In contrast, foreign exchange gains were incurred on these financial instruments in the prior year and the relative change decreased EPS by 2.0 cents. Furthermore, translation differences, which arise when Canadian dollar monetary assets and liabilities are translated at exchange rates that change over time, lowered EPS by an additional 2.0 cents in the current year in comparison to 2017.

Summary of quarterly results

Thousands of US dollars, except earnings per share (EPS) amounts (cents)

	2018				2017		
Quarter ended	**Revenue**	**Net income***	**EPS**	Quarter ended	Revenue	Net income*	EPS
April 1	**221,665**	**26,361**	**41**	April 2	228,351	28,552	44
July 1	**225,191**	**28,042**	**43**	July 2	217,752	25,745	40
September 30	**220,647**	**27,835**	**43**	October 1	218,348	25,368	39
December 30	**222,138**	**26,683**	**41**	December 31	222,323	39,633	61
	889,641	**108,921**	**168**		886,774	119,298	184

*attributable to equity holders of the Company

Various factors affect timing of the Company's earnings during the course of a year. Typically, seasonal factors contribute to stronger revenue and net income in the second and fourth quarters compared to the first and third quarters. Factors influencing seasonal trends are the higher demand for certain food products in advance of the summer season and the greater number of holidays in the fourth quarter. During the third quarter, revenue and net income are typically lower due to reduced order levels and plant maintenance shutdowns scheduled to coincide with the summer. Sudden and substantial changes in the rate of exchange between the Canadian and US dollars from one quarter to another may cause revenue and net income to vary from the historic trend. Similarly, sudden and significant changes in the cost of raw materials consumed from one quarter to another can be expected to increase or decrease net income in a manner that does not conform to the normal pattern. Furthermore, unexpected adverse weather conditions could influence the supply and price of raw materials or customer order levels, and the timing of commercializing new manufacturing equipment can cause revenue and net income to depart from established trends.

The following items influenced the timing of the Company's reported results beyond historic trends. Operating expenses in the fourth quarter of 2018 were impacted by higher personnel costs and employee benefit expenses, reducing net income. The additional week included in the 2017 first quarter favorably influenced both revenue and net income. First quarter revenues in the prior year were elevated primarily due to the timing of specialty beverage container shipments. The fourth quarter of 2017 included the 17 cents in additional EPS recorded as a result of the US tax reform.

Cash Flow, Liquidity and Capital Resources

At December 30, 2018, Winpak's cash and cash equivalents balance totaled $344.3 million, an increase of $52.4 million from the prior year-end. This reflected cash provided by operating activities of $130.1 million less disbursements for investing activities of $71.6 million and financing activities of $6.1 million.

Operating activities

Cash from operating activities reached $130.1 million. Cash generated from operating activities before changes in working capital was $191.4 million and represented a decrease of $8.5 million from 2017. Working capital additions utilized cash of $27.7 million. During 2018, the tariffs implemented by the US government on aluminum products caused demand for aluminum to outpace supply with the Company's aluminum foil suppliers. To minimize the disruption on operations, alternate sources of supply were secured and the level of inventory kept on hand was increased. This item was the overriding factor causing inventories to advance by $15.6 million. The timing of selling extended term accounts receivable without recourse to finance institutions in exchange for cash raised trade and other receivables by $14.9 million. Coinciding with the much lower US federal statutory income tax rate, income tax payments were $33.2 million, a drop of $12.0 million from the previous year.

Investing activities

Investing activities in the current year amounted to $71.6 million, of which property, plant and equipment additions represented $71.2 million. The major expenditures included the acquisition of the building and property adjacent to the Winnipeg, Manitoba plant and a new Mexican facility which will house state of the art printing and converting technology. Furthermore, the building expansion of the Company's biaxially oriented nylon operations and incremental extrusion capacity began during the second half of 2018. Over the long term, Winpak's expenditures for maintaining the existing equipment's capabilities have averaged approximately 2 percent of revenue.

Financing activities

Financing activities in 2018 included dividends to common shareholders of $6.1 million. A regular quarterly dividend of $0.03 Canadian was paid. The Company's objectives in managing capital are to have sufficient liquidity to pursue its strategy of organic growth along with strategic acquisitions so that an appropriate return on investments is provided to shareholders.

Resources

Investments to drive organic and acquisitive growth can be significant, requiring substantial financial resources. A range of funding alternatives is available including cash and cash equivalents, cash flow provided by operations, additional debt facilities, issuance of equity or a combination thereof. An informal investment grade credit rating allows the Company access to relatively low interest rates on debt. The Company currently has unused operating lines of $38 million, which are believed adequate for liquidity purposes. Based on discussions with various financial institutions, Winpak believes that additional credit can be arranged from banks and other major lenders as required. The Company is confident that all 2019 requirements for capital expenditures, working capital, and dividend payments can be financed from cash resources, cash provided by operating activities and unused credit facilities.

Risks and Financial Instruments

The Company recognizes that net income is exposed to changes in market interest rates, foreign exchange rates, prices of raw materials and risks regarding the financial condition of customers and financial counterparties. These market conditions are regularly monitored and actions are taken, when appropriate, according to Winpak's policies established for the purpose. Despite the methods employed to manage these risks, future fluctuations in interest rates, foreign exchange rates, raw material costs and counterparty financial condition can be expected to impact net income.

Winpak's policy regarding interest expense is to fix interest rates on between one- and two-thirds of any long-term debt outstanding. The Company may enter into derivative contracts or fixed-rate debt to minimize the risk associated with interest rate fluctuations. For the past nine years, Winpak has not had any long-term debt outstanding.

With respect to foreign exchange risk, Winpak employs hedging programs to minimize risks associated with changes in the value of the Canadian dollar relative to the US dollar. To the extent possible, the Company maximizes natural currency hedging by matching inflows from revenue in a currency with outflows of costs and expenses denominated in the same currency. For the remaining exposure, the Company's foreign exchange policy requires that between 50 and 80 percent of the Company's net requirement of Canadian dollars for the ensuing 9 to 15 months will be hedged at all times with forward or zero-cost option contracts. The Company may also enter into forward foreign currency contracts when equipment purchases will be settled in other foreign currencies. Purchases of foreign exchange products for the purpose of speculation are not permitted. Transactions are only conducted with certain approved Schedule I Canadian financial institutions.

Significant fluctuations in foreign exchange rates represent a material exposure for the Company's financial results. Hedging programs employed may mitigate a portion of exposures to short-term fluctuations in foreign currency exchange rates. However, the Company's financial results over the long term will inevitably be affected by sizeable changes in the value of the Canadian dollar relative to the US dollar. Winpak estimates that each time the exchange rate strengthens or weakens by one Canadian cent against the US dollar, net income, with respect to transaction differences, will decrease or increase, respectively, by approximately 0.8 of a US cent per share.

During 2018, certain foreign currency forward contracts matured and the Company realized pre-tax foreign exchange losses of $0.4 million. As at December 30, 2018, the Company had US to CDN dollar foreign currency forward contracts outstanding with notional amounts of $58.0 million. The pre-tax unrealized foreign exchange loss on these contracts of $2.7 million was recorded in other comprehensive income.

Winpak has not participated in any derivatives market for raw materials. Winpak is not aware of any instrument that fully mitigates fluctuations in raw material costs over the long term. To manage this risk, Winpak has entered into formal selling price-indexing agreements with certain customers whereby changes in raw material prices are reflected in selling price adjustments, albeit with a 3-4 month time lag. For 2018, 73 percent of Winpak's revenues were governed by selling price-indexing agreements. For all other customers, the Company responds to changes in raw material costs by adjusting selling prices on a customer-by-customer basis. However, market conditions can have an impact on these price adjustments such that the combined impact of selling price adjustments and changes in raw material costs can be significant to Winpak's net income.

Credit risk arises from cash and cash equivalents held with banks, derivative financial instruments (foreign currency forward and option contracts), as well as credit exposure to customers, including outstanding accounts receivable. The Company assesses the credit quality of counterparties, taking into account their financial position, past experience and other factors. Management regularly monitors customer credit limits, performs credit reviews and, in certain cases, insures accounts receivable balances against credit losses. The Company also sells certain extended term trade receivables without recourse to financial institutions in exchange for cash. The Company invests its excess cash on a short-term basis, to a maximum of six months, with 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 Canadian federal or provincial government. Nonetheless, unexpected deterioration in the financial condition of a counterparty can have a negative impact on the Company's net income in the case of default.

The Company enters into contractual obligations in the normal course of business operations. These obligations, as at December 30, 2018, are summarized below.

Contractual Obligations	Payment due, by period (thousands of US dollars)				
	Total	1 year	2 - 3 years	4 - 5 Years	After 5 years
Operating leases	835	673	162	-	-
Purchase obligations	31,157	26,531	4,626	-	-
Total contractual obligations	31,992	27,204	4,788	-	-

Accounting Policy Changes

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

Financial instruments

The Company has adopted IFRS 9 "Financial Instruments" 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. Upon adoption, trade and other receivables that may be subject to factoring arrangements are now classified as FVOCI. 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.

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 4 to the consolidated financial statements) and applied from January 1, 2018 and in accordance with the transitional provisions in IFRS 9, comparative figures have not been restated. 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. There was no impact on the 2018 consolidated financial statements.

Revenue from contracts with customers

The Company has adopted IFRS 15 "Revenue From Contracts With Customers" 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 4 to the 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 consolidated balance sheet. Under IFRS 15, the Company has presented its refund liabilities within 'Trade payables and other liabilities'. 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. Previously, customer deposits were presented within 'Trade payables and other liabilities'. These changes in presentation consequently impacted the amounts reported on the Company's consolidated statement of cash flows for the year ended December 30, 2018. IFRS 15 had no impact on the Company's consolidated statement of income for the year ended December 30, 2018.

Future Accounting Changes

The International Accounting Standards Board (IASB) issued the following standards that have not been applied in preparing the consolidated financial statements and notes thereto, for the year ended December 30, 2018 as their effective dates fall within annual periods beginning subsequent to the current reporting period: IFRS 16 "Leases", IFRIC 23 "Uncertainty over Income Tax Treatments" and amendments to IAS 19 "Employee Benefits".

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. The Company has undertaken a preliminary review of lease contracts and applied the new measurement model for lessees. The standard will be implemented by the Company in 2019. The Company expects the new lease measurement model for lessees will not have a material impact on the consolidated financial statements. The Company intends to adopt the standard retrospectively with the modified retrospective approach of initially applying the standard recognized at December 31, 2018 in opening retained earnings.

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. The Company does not expect IFRIC 23 to have a significant impact on the consolidated financial statements when it is adopted in 2019.

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 are to be applied prospectively. The Company does not expect the amendments to have a significant impact on the consolidated financial statements when they are adopted in 2019.

Looking Forward

Business Outlook

Entering 2019, the Company is cautiously optimistic on realizing positive overall growth in terms of sales volumes. Mixed results were encountered in 2018 with modest volume growth in certain product markets and contractions in other product markets resulting in 2018 sales volumes being virtually unchanged. The growth in the North American food packaging industry was slightly negative in 2018, due in part to changing consumer patterns, this may influence revenue growth to some degree with existing customers moving forward. The Company is continuing to develop new sales opportunities however, the timing for conversion of these into new business remains uncertain as customers' protocols for new supply control the process. Competitive pressures are expected to persist in the coming year and could negatively impact selling prices for existing products or anticipated prices for new product initiatives. In 2018, positive selling price and mix changes were realized with the recovery of resin price increases incurred in the past year due to 73 percent of the Company's revenues being indexed to the price of raw materials albeit with a 3 to 4 month time lag. The decline and volatility in world oil prices in recent months and new resin capacity (polyethylene) coming on stream has reduced the cost of certain resins and this should translate into lower raw material prices for these resins in the first 6 months of 2019. However, early in 2019, there has been some announced cost increases for certain resins. Currently, there is uncertainty whether these resin increases will hold in the market and be implemented. Given these raw material cost uncertainties, it is difficult to predict the magnitude and effect these may have on gross profit margins in first half of 2019. As in 2018, the Company will remain focused on reducing manufacturing costs and improving operational performance, particularly in those areas where new products and processes require more refinement and experience to optimize production.

Capital expenditures of approximately $70 - $80 million are forecasted for 2019 due in part to certain progress payments on extrusion capacity expected to be incurred in late 2018 being delayed until early 2019. New extrusion capacity is planned to be fully operational by mid 2019 at the rigid container facility in Sauk Village, Illinois. The new Mexican plant which will accommodate increased production capacity and new capabilities in printing technology for flexible packaging products is planned to be fully operational early in the second quarter of 2019. In addition, the building expansion and new biaxially oriented polyamide (BOPA) line capacity in Winnipeg, Manitoba is progressing with an anticipated commercial start-up in the latter half of 2020. The Company will stay the course on capital deployment and invest in organic growth opportunities including new technologies and expanded product offerings while continuing to remain patient and evaluate acquisition prospects that align strategically with Winpak's core strengths in sophisticated packaging for food, beverage and health care applications.

Critical Accounting Estimates and Judgments

The Company believes the following accounting estimates and judgments are critical to determining and understanding the operating results and the financial position of the Company.

Employee benefit plans – Accounting for employee benefit plans requires the use of actuarial assumptions. The assumptions include the discount rate, rate of compensation increase, mortality rate and healthcare costs. These assumptions depend on underlying factors such as economic conditions, government regulations and employee demographics. These assumptions could change in the future and may result in material adjustments to employee benefit plan assets or liabilities.

Impairment of property, plant and equipment and intangible assets – An integral component of impairment testing is determining the asset's recoverable amount. The determination of the recoverable amount involves significant management judgment, including projections of future cash flows and appropriate discount rates. The cash flows are derived from the financial forecast for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash-generating unit (CGU) being tested. Qualitative factors, including market presence and trends, strength of customer relationships, strength of local management, strength of debt and capital markets, and degree of variability in cash flows, as well as other factors, are considered when making assumptions with regard to future cash flows and the appropriate discount rate. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. A change in any of the significant assumptions or estimates could result in a material change in the recoverable amount. The company has eight CGUs, of which the carrying values for two include goodwill and must be tested for impairment annually.

Aggregation of operating segments – Judgment is applied in aggregating operating segments into a reportable segment. Aggregation occurs when the operating segments have similar economic characteristics and have similar products, production processes, types of customers, and distribution methods.

Timing of revenue recognition – Significant judgment is required to determine whether revenue should be recognized over time or at a point in time. To assess whether any revenue should be recognized over 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.

Disclosure Controls and Internal Controls

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 and effectiveness 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 and operating effectively as of December 30, 2018 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 and testing of the effectiveness 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 and operating effectively as of December 30, 2018 to provide reasonable assurance that the financial information being reported is materially accurate. During the fourth quarter ended December 30, 2018, there have been no changes in 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.

Other

Additional information relating to the Company is available on SEDAR at www.sedar.com, including the Annual Information Form dated February 26, 2019.

Management's Report to the Shareholders

The accompanying consolidated financial statements, Management's Discussion and Analysis (MD&A) and other information in the Annual Report are the responsibility of management. The consolidated financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these statements in accordance with International Financial Reporting Standards. The MD&A and financial information contained in this Annual Report are consistent with the consolidated financial statements.

To provide reasonable assurance that assets are safeguarded and that relevant and reliable financial information is being reported, management has developed and maintains a system of internal controls. An integral part of the system is the requirement that employees maintain the highest standard of ethics in their activities. Business reviews and internal audits are performed by corporate management and an internal audit team to evaluate internal controls, systems and procedures.

The Board, acting through the Audit Committee, is responsible for determining that management fulfills its responsibilities in the preparation of the consolidated financial statements and MD&A, and in the financial control of operations. The Board recommends the appointment of the independent auditors to the shareholders. The Audit Committee meets regularly with financial management and the independent auditors to discuss internal controls, auditing matters and financial reporting issues and presents its findings to the Board. The Audit Committee reviews the consolidated financial statements, MD&A and material financial announcements with management and the external auditors prior to submission to the Board for approval.

The consolidated financial statements have been audited on behalf of the shareholders by the independent external auditors, KPMG LLP, whose report follows.

O.Y. Muggli
President and Chief Executive Officer
February 26, 2019

L.A. Warelis
Vice President and Chief Financial Officer
February 26, 2019

Auditors' Report to the Shareholders

Independent Auditors' Report

To the Shareholders of Winpak Ltd.

Opinion

We have audited the consolidated financial statements of Winpak Ltd. (the Entity), which comprise the consolidated balance sheets as at December 30, 2018 and December 31, 2017, the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 30, 2018 and December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. Other information comprises:

- The information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- The information, other than the financial statements and the auditors' report thereon, included in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions, and information, other than the financial statements and the auditors' report thereon, included in the Annual Report as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

REPORTING

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants

The engagement partner on the audit resulting in this auditors' report is Austin Abas.

Winnipeg, Canada

February 26, 2019

CONSOLIDATED STATEMENTS OF INCOME

Years ended December 30, 2018 and December 31, 2017

(thousands of US dollars, except per share amounts)	Note	**2018**	2017*
Revenue	7	**889,641**	886,774
Cost of sales		**(619,582)**	(609,748)
Gross profit		**270,059**	277,026
Sales, marketing and distribution expenses		**(69,533)**	(67,190)
General and administrative expenses		**(31,845)**	(32,725)
Research and technical expenses		**(16,640)**	(15,602)
Pre-production expenses		**(115)**	(446)
Other (expenses) income	10	**(1,840)**	1,668
Income from operations		**150,086**	162,731
Finance income	11	**5,276**	1,974
Finance expense	11	**(3,833)**	(3,164)
Income before income taxes		**151,529**	161,541
Income tax expense	12	**(39,952)**	(38,831)
Net income for the year		**111,577**	122,710
Attributable to:			
Equity holders of the Company		**108,921**	119,298
Non-controlling interests		**2,656**	3,412
		111,577	122,710
Basic and diluted earnings per share - cents	23	**168**	184

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended December 30, 2018 and December 31, 2017

(thousands of US dollars)	Note	**2018**	2017*
Net income for the year		**111,577**	122,710
Items that will not be reclassified to the statements of income:			
Cash flow hedge (losses) gains recognized		**(1,260)**	133
Cash flow hedge losses transferred to property, plant and equipment		**47**	-
Employee benefit plan remeasurements	18	**2,269**	(56)
Income tax effect	12	**(613)**	(1,003)
		443	(926)
Items that are or may be reclassified subsequently to the statements of income:			
Cash flow hedge (losses) gains recognized		**(2,580)**	2,089
Cash flow hedge losses (gains) transferred to the statements of income	10	**331**	(1,417)
Income tax effect	12	**602**	(180)
		(1,647)	492
Other comprehensive loss for the year - net of income tax		**(1,204)**	(434)
Comprehensive income for the year		**110,373**	122,276
Attributable to:			
Equity holders of the Company		**107,717**	118,864
Non-controlling interests		**2,656**	3,412
		110,373	122,276

*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 consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

(thousands of US dollars)	Note	**December 30 2018**	December 31 2017*
Assets			
Current assets:			
Cash and cash equivalents	13	**344,322**	291,959
Trade and other receivables	14	**131,851**	116,955
Income taxes receivable		**1,294**	1,994
Inventories	15	**132,318**	116,720
Prepaid expenses		**2,761**	2,320
Derivative financial instruments		**-**	863
		612,546	530,811
Non-current assets:			
Property, plant and equipment	16	**453,867**	422,989
Intangible assets	17	**14,311**	14,444
Employee benefit plan assets	18	**7,507**	6,935
Deferred tax assets	19	**707**	818
		476,392	445,186
Total assets		**1,088,938**	975,997
Equity and Liabilities			
Current liabilities:			
Trade payables and other liabilities	20	**63,687**	63,670
Contract liabilities	7	**3,031**	-
Income taxes payable		**3,753**	1,555
Derivative financial instruments		**2,697**	98
		73,168	65,323
Non-current liabilities:			
Employee benefit plan liabilities	18	**11,108**	10,522
Deferred income		**14,786**	15,272
Provisions		**660**	760
Deferred tax liabilities	19	**41,313**	40,656
		67,867	67,210
Total liabilities		**141,035**	132,533
Equity:			
Share capital	22	**29,195**	29,195
Reserves	22	**(2,264)**	596
Retained earnings		**893,279**	788,636
Total equity attributable to equity holders of the Company		**920,210**	818,427
Non-controlling interests		**27,693**	25,037
Total equity		**947,903**	843,464
Total equity and liabilities		**1,088,938**	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 consolidated financial statements.

On behalf of the Board:

Director

Director

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(thousands of US dollars)	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 year							
Cash flow hedge gains, net of tax		-	1,664	-	1,664	-	1,664
Cash flow hedge gains transferred to the statements of income, net of tax		-	(1,039)	-	(1,039)	-	(1,039)
Employee benefit plan remeasurements, net of tax		-	-	(1,059)	(1,059)	-	(1,059)
Other comprehensive income (loss)		-	625	(1,059)	(434)	-	(434)
Net income for the year		-	-	119,298	119,298	3,412	122,710
Comprehensive income for the year		-	625	118,239	118,864	3,412	122,276
Dividends	22	-	-	(6,081)	(6,081)	-	(6,081)
Balance at December 31, 2017*		29,195	596	788,636	818,427	25,037	843,464
Balance at January 1, 2018		**29,195**	**596**	**788,636**	**818,427**	**25,037**	**843,464**
Comprehensive (loss) income for the year							
Cash flow hedge losses, net of tax		**-**	**(3,149)**	**-**	**(3,149)**	**-**	**(3,149)**
Cash flow hedge losses transferred to the statements of income, net of tax		**-**	**242**	**-**	**242**	**-**	**242**
Cash flow hedge losses transferred to property, plant and equipment		**-**	**47**	**-**	**47**	**-**	**47**
Employee benefit plan remeasurements, net of tax		**-**	**-**	**1,656**	**1,656**	**-**	**1,656**
Other comprehensive (loss) income		**-**	**(2,860)**	**1,656**	**(1,204)**	**-**	**(1,204)**
Net income for the year		**-**	**-**	**108,921**	**108,921**	**2,656**	**111,577**
Comprehensive (loss) income for the year		**-**	**(2,860)**	**110,577**	**107,717**	**2,656**	**110,373**
Dividends	22	**-**	**-**	**(5,934)**	**(5,934)**	**-**	**(5,934)**
Balance at December 30, 2018		**29,195**	**(2,264)**	**893,279**	**920,210**	**27,693**	**947,903**

*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 consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 30, 2018 and December 31, 2017

(thousands of US dollars)	Note	**2018**	2017*
Cash provided by (used in):			
Operating activities:			
Net income for the year		**111,577**	122,710
Items not involving cash:			
Depreciation	16	**41,143**	38,565
Amortization - deferred income		**(1,586)**	(1,704)
Amortization - intangible assets	17	**511**	632
Employee defined benefit plan expenses	18	**3,650**	3,346
Net finance (income) expense	11	**(1,443)**	1,190
Income tax expense	12	**39,952**	38,831
Other		**(2,383)**	(3,675)
Cash flow from operating activities before the following		**191,421**	199,895
Change in working capital:			
Trade and other receivables		**(14,896)**	7,193
Inventories		**(15,598)**	(13,204)
Prepaid expenses		**(441)**	704
Trade payables and other liabilities		**189**	(7,893)
Contract liabilities	7	**3,031**	-
Employee defined benefit plan contributions	18	**(2,056)**	(2,093)
Income tax paid		**(33,248)**	(45,276)
Interest received		**5,100**	1,856
Interest paid		**(3,479)**	(2,816)
Net cash from operating activities		**130,023**	138,366
Investing activities:			
Acquisition of property, plant and equipment - net		**(71,227)**	(51,084)
Acquisition of intangible assets	17	**(378)**	(575)
		(71,605)	(51,659)
Financing activities:			
Dividends paid	22	**(6,055)**	(5,973)
Change in cash and cash equivalents		**52,363**	80,734
Cash and cash equivalents, beginning of year		**291,959**	211,225
Cash and cash equivalents, end of year	13	**344,322**	291,959

*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 consolidated financial statements.

(thousands of US dollars, unless otherwise indicated)

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. The ultimate controlling party of Winpak Ltd. is Wihuri International Oy of Helsinki, Finland, a privately held company.

2. Basis of presentation

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). 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 comprised 52 weeks and the 2017 fiscal year comprised 53 weeks.

The Company's functional and reporting currency is the US dollar. The US dollar is the reporting currency as more than 80 percent of the Company's business is conducted in US dollars and therefore management believes this increases transparency by significantly reducing volatility of reported results due to fluctuations in the rate of exchange between the Canadian and US currencies.

The consolidated financial statements have been prepared under the historical-cost convention, except that certain financial instruments, employee benefit plans and share-based payments are stated at their fair value.

The consolidated financial statements were approved by the Board of Directors on February 26, 2019.

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 "Financial Instruments" 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. Upon adoption, trade and other receivables that may be subject to factoring arrangements are now classified as FVOCI.

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	104,730
Trade and other receivables - factoring arrangements	Loans and receivables	FVOCI	12,225
		Total trade and other receivables	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 4) and applied from January 1, 2018 and in accordance with the transitional provisions in IFRS 9, comparative figures have not been restated. 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. There was no impact on the 2018 consolidated financial statements.

(b) Revenue from contracts with customers

The Company has adopted IFRS 15 "Revenue From Contracts With Customers" 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. In 2017, 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.

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 4). Revenue disclosures are presented in note 7.

As of January 1, 2018, the Company has made changes with respect to the presentation of refund and contract liabilities on the consolidated balance sheet. Under IFRS 15, the Company has presented its refund liabilities within 'Trade payables and other liabilities'. At December 30, 2018, the balance was $540. 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 December 30, 2018, the balance was $3,031. Previously, customer deposits were presented within 'Trade payables and other liabilities'. These changes in presentation consequently impacted the amounts reported on the Company's consolidated statement of cash flows for the year ended December 30, 2018.

IFRS 15 had no impact on the Company's consolidated statement of income for the year ended 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 with prospective application, effective January 1, 2018, and had no impact on the Company's consolidated financial statements.

4. Significant accounting policies

(a) Principles of consolidation

The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries: Winpak Portion Packaging Ltd.; Winpak Heat Seal Packaging Inc.; Winpak Holdings Ltd.; Winpak Inc.; Winpak Films Inc.; Winpak Portion Packaging, Inc.; Winpak Lane, Inc.; Winpak Heat Seal Corporation; Grupo Winpak de Mexico, S.A. de C.V.; Embalajes Winpak de Mexico, S.A. de C.V.; and Administracion Winpak de Mexico, S.A. de C.V.; and its majority-owned subsidiary American Biaxis Inc. Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is obtained until the date that control ceases. The financial statements of all subsidiaries are prepared as of the same reporting date using consistent accounting policies. All inter-company balances and transactions, including any unrealized income arising from inter-company transactions have been eliminated.

(b) Business combinations

Business combinations are accounted for using the acquisition method of accounting. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities assumed from the former owners of the acquiree and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition costs incurred are expensed and included in general and administrative expenses. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with IAS 39 in the statement of income.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. Goodwill is initially measured as the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed. If this consideration is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the statement of income.

(c) Non-controlling interests

Winpak Ltd. owns 51 percent of the equity interest in American Biaxis Inc., a subsidiary located in Winnipeg, Manitoba, Canada. Non-controlling interests represent the remaining 49 percent equity interest owned by third parties. The share of net assets attributable to non-controlling interests is presented as a component of equity. Their share of net income and other comprehensive income is recognized directly in equity.

(d) Foreign currency translation

The financial statements for the Company and its subsidiaries are prepared using their functional currency, that being the US dollar. The functional currency is the currency of the primary economic environment in which the Company and its subsidiaries operate. Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Foreign currency differences arising on translation are recognized directly to the statement of income. Non-monetary assets and liabilities arising from transactions in foreign currencies are translated to the functional currency at the exchange rate prevailing at the date of the transaction.

(e) Revenue

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

(f) Research and technical expenses

Research and technical expenses are expensed in the period in which the costs are incurred.

(g) Government grants/tax credits

Grants/tax credits from government are recognized at their fair value when there is a reasonable assurance that the grant/tax credit will be received and/or earned and any specified conditions will be met.

Grants/tax credits received in relation to the purchase and construction of plant and equipment are included in non-current liabilities as deferred income and are credited to the statement of income on a straight-line basis over the estimated useful life of the related asset. Grants/tax credits received in relation to research and development activities and labor creation programs are recorded to reduce these costs when it is determined there is reasonable assurance the grants/tax credits will be realized.

(h) Leases

Rental income received from packaging machine operating leases is recognized on a straight-line basis over the term of the corresponding lease.

Payments made under operating leases are recognized in the statement of income on a straight-line basis over the term of the lease, while any lease incentive received is recognized as a reduction of the total lease expense, over the term of the lease.

(i) Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of inventories is based on the first-in first-out principle and includes expenditures incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories, cost includes an appropriate share of variable and fixed overheads based on normal operating capacity. Any excess, unallocated, fixed overhead costs are expensed as incurred. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(j) Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash invested in interest-bearing money market accounts and short-term deposits with maturities of less than three months. Cash equivalents are all highly liquid investments. Bank overdrafts are shown within current liabilities. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(k) Trade and other receivables

The Company applies the simplified approach to providing for expected credit losses, 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.

The Company has ongoing agreements in place with financial institutions 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.

(l) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. All costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management are included in the carrying value of the asset. When the Company has a legal or constructive obligation to restore a site on which an asset is located either through make-good provisions in lease agreements or decommissioning of environmental risks, the present value of the estimated costs of dismantling and removing the asset and restoring the site are included in the carrying value of the asset with a corresponding increase to provisions. Borrowing costs directly attributable to the acquisition, construction or production of qualifying property, plant and equipment that takes an extended period of time to be placed into service are added to the cost of the assets, until such time as the assets are substantially ready for their intended use. See note 4(p) on impairment.

When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components). The cost of replacing a component of an item of plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits of the item will occur and its cost can be measured reliably. The costs of day-to-day maintenance of plant and equipment are recognized directly in the statement of income.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, commencing the date the assets are ready for use as follows:

Buildings	20 - 40 years	Equipment	4 - 20 years	Packaging machines	3 - 7 years

Depreciation methods, useful lives and residual values are reassessed annually or more frequently when there is an indication that they have changed.

The gain or loss on the retirement of an item of property, plant and equipment is the difference between the net sale proceeds and the carrying amount of the asset and is recognized in the statement of income.

(m) Pre-production expenses

Pre-production costs relating to installations of major new production equipment are expensed in the period in which incurred.

(n) Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses. See note 4(p) on impairment. Computer software that is integral to a related item of hardware is included with plant and equipment. All other computer software is treated as an intangible asset. The cost of intangible assets acquired in an acquisition is the fair value at the acquisition date. The cost of separately acquired intangible assets, including computer software, comprises the purchase price and any directly attributable costs of preparing the asset for use. Amortization is computed using the straight-line method over the estimated useful lives of the assets, as follows:

Patents	8 - 17 years	Customer-related	10 years	Computer software	3 - 12 years

(o) Goodwill

Goodwill represents the excess of the consideration transferred over the Company's interest in the fair value of the net identifiable assets, including intangible assets, and liabilities of the acquiree at the date of acquisition. At the date of acquisition, goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing. A CGU is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill is tested at least annually for impairment at the CGU level and is carried at cost less accumulated impairment losses (see note 4(p)).

(p) Impairment

The carrying amount of the Company's property, plant and equipment and intangible assets (other than goodwill) are reviewed at each reporting date to determine whether there is any indication of impairment. Goodwill is tested for impairment annually or at any time if an indicator of impairment exists. If any such indication exists, the applicable asset's recoverable amount is estimated.

The recoverable amount of the Company's assets are calculated as the value-in-use, being the present value of future cash flows, using a pre-tax discount rate that reflects the current assessment of the time value of money, or the fair value less costs to sell, if greater. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the CGU to which it belongs. The Company bases its impairment calculation on detailed financial forecasts, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These financial forecasts are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

An impairment loss is recognized whenever the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses are recognized in the statement of income. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then, to reduce the carrying amount of other assets in the CGU on a pro rata basis. Impairment losses in respect of goodwill are not reversed. In respect of property, plant and equipment and intangible assets, an impairment loss is reversed if there has been an indication that an impairment loss recognized in prior periods may no longer exist or may have decreased. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been previously recognized.

(q) Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the statement of income except to the extent that it relates to items recorded directly to other comprehensive income or equity, in which case it is recognized directly in other comprehensive income or equity, respectively.

Current income tax comprises the expected income tax payable or receivable on the taxable income or loss for the period, using income tax rates enacted or substantively enacted in the jurisdictions the Company is required to pay income tax at the reporting date, and any adjustments to income taxes payable or receivable in respect of previous periods. Current income tax is adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and by the availability of unused income tax losses.

Deferred tax is recognized using the balance sheet method in which temporary differences are calculated based on the carrying amounts of assets and liabilities for financial reporting purposes and the tax bases of assets and liabilities for income taxation purposes. Deferred tax is not recognized for the following temporary timing differences: the initial recognition for both goodwill and assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income; and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the income tax rates that are expected to be applied when the temporary difference reverses, that is, when the asset is realized or the liability is settled, based on the income tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets are recognized only to the extent that it is probable that future taxable income will be available against which the assets can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related income tax benefit will be realized.

Current tax assets and liabilities are offset when the Company and its subsidiaries have a legally enforceable right to offset the amounts and intend to either settle on a net basis, or to realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balance on a net basis.

Management periodically evaluates positions taken in income tax returns with respect to situations in which applicable income tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to income tax authorities.

(r) Employee benefit plans

The Company maintains four funded non-contributory defined benefit pension plans in Canada and the US and one funded non-contributory supplementary income postretirement plan for certain CDN-based executives. A market discount rate is used to measure the benefit obligations based on the yield of high quality corporate bonds denominated in the same currency in which the benefits are expected to be paid and with terms to maturity that, on average, match the terms of the benefit obligations. The cost of providing the benefits is actuarially determined using the projected unit credit method. Actuarial valuations are conducted, at a minimum, on a triennial basis with interim valuations performed as deemed necessary. Consideration is given to any event that could impact the benefit plan assets or obligation up to the balance sheet date where interim valuations are performed. For financial reporting purposes, the Company measures the benefit obligations and fair value of assets for the defined benefit plans as of the year-end date. The amount recognized in the balance sheet at each year-end reporting date represents the present value of the benefit obligation, reduced by the fair value of benefit plan assets. Any recognized asset or surplus is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions. To the extent that there is uncertainty regarding entitlement to the surplus, no asset is recorded. Current service costs are charged to the statement of income and included in the same line items as the related compensation cost. The net finance cost is computed based on the application of the discount rate to the net defined benefit pension plan asset or liability at the start of the annual period, taking into account any anticipated changes during the upcoming year as a result of contributions and benefit payments and also reflects the impact of any pension plan asset ceiling adjustments. The net finance cost is shown within either finance income or finance expense within the statement of income depending on whether the defined benefit pension plan was in an asset or liability position at the start of the year. Remeasurements, which comprise actuarial gains and losses, the return on benefit plan assets and the effect of the pension plan asset ceiling adjustment, are recognized directly in equity within other comprehensive income. When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in the statement of income. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs in the statement of income. The Company's funding policy is in compliance with statutory regulations and amounts funded are deductible for income tax purposes.

One of the Company's subsidiaries maintains one unfunded contributory defined benefit postretirement plan for healthcare benefits for a limited group of US individuals. A market discount rate is used to measure the benefit obligation based on the yield of high quality corporate bonds denominated in the same currency in which the benefits are expected to be paid and with terms to maturity that, on average, match the terms of the benefit obligation. The cost of providing the benefits is actuarially determined using the projected unit credit method. The amount recognized in the balance sheet at each year-end reporting date represents the present value of the benefit obligation. Current service costs are charged to the statement of income as they accrue and are included in general and administrative expenses. Interest costs on the benefit obligation are charged to the statement of income as finance expense. Remeasurements are recognized directly in equity within other comprehensive income. When the benefits of the plan are changed or when the plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in the statement of income.

The Company maintains seven defined contribution pension plans in Canada and the US. The pension expense charged to the statement of income for these plans is the annual funding contribution by the Company.

Termination benefits are recognized as an expense in the statement of income at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognizes costs for a restructuring.

Short-term benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a legal or constructive obligation to pay this amount as a result of past service provided by the employee.

(s) Provisions

A provision is recognized when there is a legal or constructive obligation as a result of a past event and it is probable that a future outlay of cash will be required to settle the obligation, and the amount can be reliably estimated. Provisions are determined by discounting the expected future cash flows at a pre-income tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When some or all of the monies required to settle a provision are expected to be recovered from a third party, the recovery is recognized as an asset when it is virtually certain that the recovery will be received.

When the Company has a legal or constructive obligation to restore a site on which an asset is located either through make-good provisions in lease agreements or decommissioning of environmental risks, the present value of the estimated costs of dismantling and removing the asset and restoring the site is recognized as a provision with a corresponding increase to the related item of property, plant and equipment. At each reporting date, the obligation is remeasured in line with changes in discount rates, estimated cash flows and the timing of those cash flows. Any changes in the obligation are added or deducted from the related asset. The change in the present value of the obligation due to the passage of time is recognized as a finance expense or finance income in the statement of income.

At each reporting date, other provisions are remeasured in line with changes in discount rates, estimated cash flows and the timing of those cash flows. Any changes in the provision are recognized in the statement of income. The change in the present value of the provision due to the passage of time is recognized as a finance expense or finance income in the statement of income.

(t) 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. Financial liabilities are classified at amortized cost.

A financial asset is classified as 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.

A financial asset is classified as measured at FVOCI if it meets both of the following conditions: a) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial instruments, including derivatives, are included in the consolidated balance sheet and are measured at fair value except cash and cash equivalents, trade and other receivables and trade payables and other liabilities, which are measured at amortized cost. All changes in fair value are recorded to the statement of income unless cash flow hedge accounting is used, in which case changes in fair value are recorded in other comprehensive income to the extent the derivatives are deemed to be effective hedges.

(u) 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 affects 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.

(v) Share-based payments

The Company maintained a share-based compensation plan, which provided restricted share units under the President's Incentive Plan. Units under the plan vested immediately, and were paid in cash during the fourth quarter of the third year or the first quarter of the fourth year after the date of grant based upon the quoted market value of the common shares of the Company on the day prior to the date of payment. The fair value of the units granted was recognized as a personnel expense, with a corresponding increase in liabilities, over the period that the units pertained. The liability was remeasured at each reporting date. Any changes in the fair value of the liability were recognized as a personnel expense in the statement of income. See note 21.

(w) Earnings per share

Basic earnings per share are calculated by dividing the net income attributable to equity holders of the Company for the period by the weighted average number of common shares outstanding during the period. Diluted earnings per share are calculated on the same basis as there are no potentially dilutive common shares.

5. Critical accounting estimates and judgments

The application of the Company's accounting policies requires management to use estimates and judgments that can have a significant effect on the revenues, expenses, comprehensive income, assets and liabilities recognized and disclosures made in the consolidated financial statements. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

The following areas require management's most critical estimates and judgments:

(a) Employee benefit plans

Accounting for employee benefit plans requires the use of actuarial assumptions. The assumptions include the discount rate, rate of compensation increase, mortality rate and healthcare costs. These assumptions depend on underlying factors such as economic conditions, government regulations and employee demographics. These assumptions could change in the future and may result in material adjustments to employee benefit plan assets or liabilities.

(b) Impairment of property, plant and equipment and intangible assets

An integral component of impairment testing is determining the asset's recoverable amount. The determination of the recoverable amount involves significant management judgment, including projections of future cash flows and appropriate discount rates. The cash flows are derived from the financial forecast for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. Qualitative factors, including market presence and trends, strength of customer relationships, strength of local management, strength of debt and capital markets, and degree of variability in cash flows, as well as other factors, are considered when making assumptions with regard to future cash flows and the appropriate discount rate. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. A change in any of the significant assumptions or estimates could result in a material change in the recoverable amount. The Company has eight CGUs, of which the carrying values for two include goodwill and must be tested for impairment annually.

(c) Aggregation of operating segments

Management applies judgment in aggregating operating segments into a reportable segment. Aggregation occurs when the operating segments have similar economic characteristics and have similar products, production processes, types of customers, and distribution methods.

(d) Timing of revenue recognition

Significant judgment is required to determine whether revenue should be recognized over time or at a point in time. To assess whether any revenue should be recognized over 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.

6. 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.

The Company has undertaken a preliminary review of lease contracts and applied the new measurement model for lessees. The standard will be implemented by the Company in 2019. The Company expects the new lease measurement model for lessees will not have a material impact on the consolidated financial statements. The Company intends to adopt the standard retrospectively with the modified retrospective approach of initially applying the standard recognized at December 31, 2018 in opening retained earnings.

(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. The Company does not expect IFRIC 23 to have a significant impact on the 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 are to be applied prospectively. The Company does not expect the amendments to have a significant impact on the consolidated financial statements when they are adopted in 2019.

7. Revenue

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, 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.

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

	2018	2017
Operating segment		
Rigid packaging and flexible lidding	**430,310**	443,367
Flexible packaging	**433,944**	419,510
Packaging machinery	**25,387**	23,897
	889,641	886,774
Geographic segment		
United States	**735,906**	713,947
Canada	**112,314**	131,730
Other	**41,421**	41,097
	889,641	886,774

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 2018 and 2017. Other markets include medical, pharmaceutical, personal care, industrial, and other consumer goods.

Major customer
During 2018, the Company reported revenue to one customer representing 16 percent of total revenue (2017 - 18 percent).

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

	December 30 2018	December 31 2017
Trade receivables, which are included in 'Trade and other receivables' (note 14)	**124,376**	110,145
Contract liabilities	**(3,031)**	-

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 year that was included in the opening balance	1,996
Increases due to cash received, excluding amounts recognized as revenue during the year	(3,031)
Closing balance, December 30, 2018	(3,031)

Performance obligations
No revenue was recognized in 2018 relating to performance obligations that were satisfied or partially satisfied in previous years. Similarly, no revenue will be recognized in subsequent years relating to unsatisfied performance obligations as at December 30, 2018.

Significant judgments in applying revenue accounting policy
Significant judgment is required to determine whether revenue should be recognized over time or at a point in time. To assess whether any revenue should be recognized over 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. During 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.

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.

	2018	2017

8. Expenses by nature

	2018	2017
Raw materials and consumables used	**(443,970)**	(439,833)
Depreciation and amortization	**(40,068)**	(37,493)
Personnel expenses (note 9)	**(182,713)**	(180,131)
Freight	**(24,674)**	(23,669)
Other expenses	**(46,290)**	(44,585)
Foreign exchange and cash flow hedge (losses) gains transferred from other comprehensive income (note 10)	**(1,840)**	1,668
	(739,555)	(724,043)

9. Personnel expenses

	2018	2017
Wages and salaries	**(158,909)**	(153,960)
Social security	**(14,234)**	(14,022)
Employee defined benefit plan expenses	**(3,650)**	(3,346)
Employee defined contribution plan expenses	**(5,920)**	(5,467)
Share-based payments	**-**	(3,336)
	(182,713)	(180,131)

10. Other (expenses) income

	2018	2017
Foreign exchange (losses) gains	**(1,509)**	251
Cash flow hedge (losses) gains transferred from other comprehensive income	**(331)**	1,417
	(1,840)	1,668

11. Finance income and expense

	2018	2017
Finance income on cash and cash equivalents and other	**5,134**	1,827
Net finance income on defined benefit plans	**142**	147
Finance income	**5,276**	1,974
Finance expense on bank overdrafts and other	**(6)**	(80)
Finance expense on sale of extended term trade receivables	**(3,456)**	(2,713)
Net finance expense on defined benefit plans	**(371)**	(371)
Finance expense	**(3,833)**	(3,164)
Net finance income (expense)	**1,443**	(1,190)

12. Income tax expense

	2018	2017
Current tax expense		
Current year	**(39,195)**	(42,602)
Deferred tax (expense) recovery		
Origination and reversal of temporary differences	**(757)**	3,771
Income tax expense	**(39,952)**	(38,831)
Income tax recovery (expense) recognized in other comprehensive income		
Cash flow hedges	**602**	(180)
Employee benefit plan remeasurements	**(613)**	(1,003)
	(11)	(1,183)
Reconciliation of effective income tax rate		
Combined Canadian federal and provincial income tax rate	**26.8%**	26.8%
United States income taxed at rates (lower) higher than Canadian tax rates	**(0.1)**	5.2
Change in enacted United States federal income tax rate	**-**	(6.9)
Permanent differences and other	**(0.3)**	(1.1)
Effective income tax rate	**26.4%**	24.0%

As a result of United States tax reform in 2017, the US federal statutory income tax rate decreased from 35.0% to 21.0%. In 2017, the Company recalculated the deferred tax asset and liability amounts pertaining to the temporary differences within its US subsidiaries. This resulted in an income tax recovery of $11,090, reducing the effective income tax rate by 6.9%.

	December 30 2018	December 31 2017

13. Cash and cash equivalents

	December 30 2018	December 31 2017
Bank balances	**24,056**	13,533
Money market and short-term deposits	**320,266**	278,426
	344,322	291,959

14. Trade and other receivables

	December 30 2018	December 31 2017
Trade receivables	**124,376**	110,145
Less: Allowance for expected credit losses	**(956)**	(655)
Net trade receivables	**123,420**	109,490
Other receivables	**8,431**	7,465
	131,851	116,955

15. Inventories

	December 30 2018	December 31 2017
Raw materials	**44,179**	33,459
Work-in-process	**22,365**	16,496
Finished goods	**55,329**	57,053
Spare parts	**10,445**	9,712
	132,318	116,720

During 2018, the Company recorded, within cost of sales, inventory write-downs for slow-moving and obsolete inventory of $7,681 (2017 - $7,887) and reversals of previously written-down items of $1,835 (2017 - $2,324).

16. Property, plant and equipment

	Land	Buildings	Equipment	Packaging Machines	Capital In Progress	Total
Net book value						
At December 26, 2016						
Cost	9,273	144,793	539,330	22,953	53,818	770,167
Accumulated depreciation	-	(46,174)	(292,689)	(22,157)	-	(361,020)
	9,273	98,619	246,641	796	53,818	409,147
2017 Activity						
Additions	-	5,004	31,712	285	15,752	52,753
Disposals	-	(7)	(316)	(23)	-	(346)
Transfers	-	28,920	21,997	-	(50,917)	-
Depreciation	-	(5,146)	(33,096)	(323)	-	(38,565)
At December 31, 2017	9,273	127,390	266,938	735	18,653	422,989
At December 31, 2017						
Cost	9,273	178,676	588,530	23,159	18,653	818,291
Accumulated depreciation	-	(51,286)	(321,592)	(22,424)	-	(395,302)
	9,273	127,390	266,938	735	18,653	422,989
Net book value						
At January 1, 2018						
Cost	**9,273**	**178,676**	**588,530**	**23,159**	**18,653**	**818,291**
Accumulated depreciation	**-**	**(51,286)**	**(321,592)**	**(22,424)**	**-**	**(395,302)**
	9,273	**127,390**	**266,938**	**735**	**18,653**	**422,989**
2018 Activity						
Additions	**12,213**	**5,014**	**19,108**	**203**	**35,789**	**72,327**
Disposals	**-**	**-**	**(137)**	**(169)**	**-**	**(306)**
Transfers	**-**	**1,560**	**17,093**	**-**	**(18,653)**	**-**
Depreciation	**-**	**(5,966)**	**(34,932)**	**(245)**	**-**	**(41,143)**
At December 30, 2018	**21,486**	**127,998**	**268,070**	**524**	**35,789**	**453,867**
At December 30, 2018						
Cost	**21,486**	**185,152**	**617,988**	**22,981**	**35,789**	**883,396**
Accumulated depreciation	**-**	**(57,154)**	**(349,918)**	**(22,457)**	**-**	**(429,529)**
	21,486	**127,998**	**268,070**	**524**	**35,789**	**453,867**

Government grants/tax credits in respect of property, plant and equipment were recognized within deferred income totaling $1,100 in 2018 (2017 - $1,553). No impairment losses or impairment reversals were recorded during 2018 and 2017. No borrowing costs were capitalized during 2018 and 2017.

17. Intangible assets

	Goodwill	Software	Patents	Customer Related	Total
Net book value					
At December 26, 2016					
Cost	12,766	9,803	20	881	23,470
Accumulated amortization	-	(8,213)	(8)	(748)	(8,969)
	12,766	1,590	12	133	14,501
2017 Activity					
Additions	-	569	6	-	575
Amortization	-	(543)	(1)	(88)	(632)
At December 31, 2017	12,766	1,616	17	45	14,444
At December 31, 2017					
Cost	12,766	10,371	26	881	24,044
Accumulated amortization	-	(8,755)	(9)	(836)	(9,600)
	12,766	1,616	17	45	14,444

	Goodwill	Software	Patents	Customer Related	Total
Net book value					
At January 1, 2018					
Cost	**12,766**	**10,371**	**26**	**881**	**24,044**
Accumulated amortization	**-**	**(8,755)**	**(9)**	**(836)**	**(9,600)**
	12,766	**1,616**	**17**	**45**	**14,444**
2018 Activity					
Additions	**-**	**378**	**-**	**-**	**378**
Amortization	**-**	**(465)**	**(1)**	**(45)**	**(511)**
At December 30, 2018	**12,766**	**1,529**	**16**	**-**	**14,311**
At December 30, 2018					
Cost	**12,766**	**10,287**	**26**	**881**	**23,960**
Accumulated amortization	**-**	**(8,758)**	**(10)**	**(881)**	**(9,649)**
	12,766	**1,529**	**16**	**-**	**14,311**

The 2018 goodwill balance includes $12,542 (2017 - $12,542) related to the lidding CGU. The impairment testing for this CGU was conducted under the value-in-use approach, using a pre-tax discount rate of 11.5 percent (2017 - 9.3 percent). Cash flows were projected based on actual operating results and the five-year business plan. Average volume growth projected for the next five years was 5.7 percent (2017 - 6.0 percent) and the average gross profit percentage projected over the same time-frame was equivalent to (2017 - one percentage point higher than) the actual gross profit percentage attained in the current year. Cash flows after the five-year period were assumed to increase at a terminal growth rate of 1.5 percent (2017 - 1.5 percent).

As of December 30, 2018, there were no indefinite life intangible assets other than goodwill. The amortization of software and patents is included within general and administrative expenses and the amortization of customer related intangibles is included within sales, marketing and distribution expenses. No impairment losses or impairment reversals were recorded during 2018 and 2017.

18. Employee benefit plans

The Company maintains four funded non-contributory defined benefit pension plans, one funded non-contributory supplementary income postretirement plan for certain CDN-based executives, one unfunded contributory defined benefit postretirement plan for healthcare benefits for a limited group of US individuals and seven defined contribution pension plans. Effective January 1, 2005, all defined benefit pension plans were frozen to new entrants except one, which was frozen effective January 1, 2009. All new CDN employees are required, and all new US employees have the option, to participate in defined contribution plans upon satisfaction of certain eligibility requirements.

The employee benefit plans are overseen by the Company Pension Committee (CPC) which is comprised of two members from senior management and one Board member. The CPC is responsible for determining and recommending the following items to the Company's Board of Directors for approval: (a) the benefit plan asset investment policies, (b) the Company's cash funding and (c) the employee benefit entitlements within the respective benefit plans.

Total amounts paid by the Company on account of all benefit plans, consisting of: defined benefit pension plans, supplementary income postretirement plan, direct payments to beneficiaries for the unfunded postretirement plan and the defined contribution plans, amounted to $7,980 (2017 - $7,494).

Defined contribution pension plans

The Company maintains four defined contribution plans for employees in Canada and three savings retirement plans (401(k) Plans) for employees in the United States. The Company's total expense for these plans was $5,920 (2017 - $5,467).

Defined benefit plans

For financial reporting purposes, the Company measures the benefit obligations and fair value of the benefit plan assets as of the year-end date. The most recent actuarial valuations for funding purposes for the funded non-contributory plans were completed as at the following dates: January 1, 2018 for one plan, January 1, 2017 for one plan, December 31, 2016 for one plan, and October 31, 2017 for one inactive plan. These actuarial valuations establish the minimum funding requirements. The most recent actuarial valuations for funding purposes for the supplementary income postretirement plan and the postretirement plan for healthcare benefits were dated December 30, 2018. The supplementary income postretirement plan has no minimum funding requirements. The next required actuarial valuations for all of the Company's active defined benefit plans are three years from the aforementioned dates. Based on the most recent actuarial valuations, the Company expects to contribute $2,608 in cash to its defined benefit plans in 2019. The CPC also reviews the funding position of each plan on an annual basis and makes recommendations to the Company's Board of Directors regarding any additional cash funding by the Company deemed appropriate.

Regarding the funded non-contributory plans and the supplementary income postretirement plan, the normal retirement age is 65. The option to retire early and receive a reduced pension begins at age 55. For most plan members, the annual pension entitlement is based on years of credited service and the earnings attained in each of those years. However, for certain CDN-based executives, the annual pension entitlement is based on years of credited service and the highest average annual base compensation excluding incentive payments during the highest 36 consecutive months of earnings prior to retirement. At December 30, 2018 and December 31, 2017, the benefit obligation pertaining to these plan members represented less than 10 percent of the Company's total benefit obligation.

All equity and debt securities have quoted prices in active markets. The defined benefit pension plans do not invest in the shares of the Company. The objective of the benefit plan asset allocation policy is to manage the funded status of the benefit plans at an appropriate level of risk, giving consideration to the security of the assets and the potential volatility of market returns. The long-term rate of return is targeted to exceed the return indicated by a benchmark portfolio by at least 1 percent annually. The Company Pension Committee also pays attention to potential fluctuations in the benefit obligations. In the ideal case, benefit plan assets and obligations move in the same direction when interest rates change, creating a natural hedge against possible underfunding of the benefit plans.

The following presents the financial position of the Company's defined benefit pension plans and other postretirement benefits, which include the supplementary income plan and the postretirement plan for healthcare benefits:

	December 30 2018	December 31 2017
Funded status		
Present value of funded obligations	**(90,947)**	(100,306)
Fair value of benefit plan assets	**90,463**	99,762
Status of funded obligations	**(484)**	(544)
Present value of unfunded obligations	**(1,838)**	(2,048)
Total funded status of obligations	**(2,322)**	(2,592)
Benefit plan assets not recognized due to pension plan asset ceiling limit	**(1,279)**	(995)
	(3,601)	(3,587)

	December 30 2018	December 31 2017
Amounts recognized in the balance sheet		
Employee benefit plan assets	**7,507**	6,935
Employee benefit plan liabilities	**(11,108)**	(10,522)
	(3,601)	(3,587)
Change in benefit obligation		
Benefit obligation, beginning of year	**102,354**	87,879
Current service cost	**3,286**	3,035
Finance expense	**3,650**	3,547
Remeasurement (gains) losses recognized in other comprehensive income	**(8,228)**	6,634
Benefits paid	**(3,535)**	(2,798)
Foreign exchange	**(4,742)**	4,057
Benefit obligation, end of year	**92,785**	102,354
Change in benefit plan assets		
Fair value of benefit plan assets, beginning of year	**99,762**	85,420
Expected return on benefit plan assets	**3,421**	3,323
Remeasurement (losses) gains recognized in other comprehensive income	**(5,597)**	7,494
Employer contributions	**2,056**	2,093
Benefits paid	**(3,535)**	(2,798)
Benefit plan administration cost paid from the plan assets recognized in income	**(364)**	(311)
Foreign exchange	**(5,280)**	4,541
Fair value of benefit plan assets, end of year	**90,463**	99,762
Change in benefit plan assets not recognized due to pension plan asset ceiling limit		
Balance, beginning of year	**995**	73
Remeasurement losses recognized in other comprehensive income	**362**	916
Foreign exchange	**(78)**	6
Balance, end of year	**1,279**	995
Benefit plan obligation		
The following represents the geographical breakdown of the benefit obligation:		
Canada	**(52,913)**	(59,730)
United States	**(39,872)**	(42,624)
	(92,785)	(102,354)
The following represents the membership status breakdown of the benefit obligation:		
Active members	**(53,534)**	(59,782)
Retired members	**(35,354)**	(38,126)
Deferred vested members	**(3,279)**	(3,764)
Other	**(618)**	(682)
	(92,785)	(102,354)
Benefit plan assets		
The following represents the weighted average allocation of benefit plan assets:		
Asset category		
Equity securities	**45%**	54%
Debt securities	**50%**	41%
Cash	**5%**	5%
Total	**100%**	100%

	2018	2017
Net benefit plan expense		
Current service cost	**(3,286)**	(3,035)
Plan administration cost	**(364)**	(311)
	(3,650)	(3,346)
Net finance income	**142**	147
Net finance expense	**(371)**	(371)
	(3,879)	(3,570)
Actual return on benefit plan assets	**(2,176)**	10,817
Cumulative remeasurements recognized in other comprehensive income		
Cumulative amount, beginning of year	**1,919**	1,975
Annual activity		
Remeasurement of benefit obligation:		
Actuarial gains arising from changes in demographic assumptions	**399**	-
Actuarial gains (losses) arising from changes in financial assumptions	**7,376**	(6,838)
Actuarial gains arising from experience adjustments	**453**	204
	8,228	(6,634)
Remeasurement of benefit plan assets - actuarial (losses) gains arising from experience adjustments	**(5,597)**	7,494
Remeasurement of benefit plan assets not recognized due to pension plan asset ceiling limit	**(362)**	(916)
	2,269	(56)
Cumulative amount, end of year	**4,188**	1,919

	December 30 2018	December 31 2017
Significant assumptions		
The following weighted averages were used to value the benefit obligation:		
Discount rate	**4.1%**	3.6%
Rate of compensation increase	**3.6%**	3.6%

Assumptions regarding future mortality were based on the following mortality tables: Canada - CPM - RPP2014 private generational (2017 - CPM - RPP2014 private generational) and United States - RP2018 (2017 - RP2016).

At December 30, 2018, the weighted average duration of the benefit obligations was 14.6 years (2017 - 15.3 years).

Sensitivity analysis

At December 30, 2018, the present value of the benefit obligation was $92,785. Based on changes to the definitive actuarial assumptions, the benefit obligation would have been as follows:

	Increase	Decrease
Discount rate - one percentage point	81,465	106,824
Future mortality - one year	95,139	90,377
Rate of compensation increase - one percentage point	93,463	92,183

19. Deferred tax assets and liabilities

The following are the components of the deferred tax assets and liabilities recognized by the Company:

	Assets		Liabilities		Net	
	December 30 2018	December 31 2017	**December 30 2018**	December 31 2017	**December 30 2018**	December 31 2017
Trade and other receivables	**156**	180	**-**	-	**156**	180
Inventories	**3,698**	3,149	**-**	-	**3,698**	3,149
Prepaid expenses	**-**	-	**(92)**	(85)	**(92)**	(85)
Derivative financial instruments	**434**	-	**-**	(168)	**434**	(168)
Property, plant and equipment	**702**	814	**(45,413)**	(43,344)	**(44,711)**	(42,530)
Intangible assets	**4**	4	**(2,326)**	(2,221)	**(2,322)**	(2,217)
Employee benefit plans	**2,901**	2,768	**(1,920)**	(1,786)	**981**	982
Trade payables and other liabilities	**1,133**	689	**(61)**	(82)	**1,072**	607
Provisions	**178**	244	**-**	-	**178**	244
Tax assets (liabilities)	**9,206**	7,848	**(49,812)**	(47,686)	**(40,606)**	(39,838)
Set off of tax	**(8,499)**	(7,030)	**8,499**	7,030	**-**	-
Net tax assets (liabilities)	**707**	818	**(41,313)**	(40,656)	**(40,606)**	(39,838)

Movement in deferred tax assets and liabilities:

	Opening Balance	Recognized In Income	Recognized In Equity	Ending Balance
2017				
Trade and other receivables	405	(225)	-	180
Inventories	4,504	(1,355)	-	3,149
Prepaid expenses	(68)	(17)	-	(85)
Derivative financial instruments	12	-	(180)	(168)
Property, plant and equipment	(49,545)	7,015	-	(42,530)
Intangible assets	(2,359)	142	-	(2,217)
Employee benefit plans	1,878	107	(1,003)	982
Trade payables and other liabilities	2,503	(1,896)	-	607
Provisions	244	-	-	244
	(42,426)	3,771	(1,183)	(39,838)
2018				
Trade and other receivables	**180**	**(24)**	**-**	**156**
Inventories	**3,149**	**549**	**-**	**3,698**
Prepaid expenses	**(85)**	**(7)**	**-**	**(92)**
Derivative financial instruments	**(168)**	**-**	**602**	**434**
Property, plant and equipment	**(42,530)**	**(2,181)**	**-**	**(44,711)**
Intangible assets	**(2,217)**	**(105)**	**-**	**(2,322)**
Employee benefit plans	**982**	**612**	**(613)**	**981**
Trade payables and other liabilities	**607**	**465**	**-**	**1,072**
Provisions	**244**	**(66)**	**-**	**178**
	(39,838)	**(757)**	**(11)**	**(40,606)**

Deferred tax assets have been recognized where it is probable that they will be recovered. In recognizing deferred tax assets, the Company has considered if it is probable that sufficient future income will be available to absorb temporary differences.

No deferred tax liability has been recognized in respect of temporary differences associated with investments in subsidiaries where the Company controls the timing of the reversal and it is probable that such temporary differences will not reverse in the foreseeable future. The aggregate amount of temporary differences associated with investments in domestic and foreign subsidiaries for which a deferred tax liability has not been recognized is $537,933 (2017 - $497,185). Temporary differences relating to unremitted earnings of foreign subsidiaries which would be subject to withholding and other taxes totaled $398,449 (2017 - $352,518).

20. Trade payables and other liabilities

	December 30 2018	December 31 2017
Trade payables	**39,146**	36,123
Other current liabilities and accrued expenses	**24,541**	27,547
	63,687	63,670

21. Share-based payments

Effective January 1, 2004, the Board of Directors established the President's Incentive Plan (Plan), whereby the Company granted to the former President & Chief Executive Officer, 60,000 restricted share units (RSUs) upon completion of each year of service. There was no cost to him for the RSUs and the RSUs vested immediately. The Company paid the cash value of the RSUs based on the closing share price on a date selected by him during the fourth quarter of the third year or the first quarter of the fourth year subsequent to the year the RSUs were granted. A date could not be selected during periods in which insiders were not allowed to trade Winpak shares. The cash value of a RSU was the market value of the common shares of the Company on the day prior to the date of payment. In addition, the Company was required to pay an amount equal to the dividends paid on the common shares of the Company with respect to each RSU if, as and when, declared and paid. Coinciding with the retirement of the former President & Chief Executive Officer, effective July 31, 2017, the outstanding liability with respect to the Plan was settled.

Details of RSUs issued and outstanding during the current and prior year are as follows:

	2018	2017
Outstanding, beginning of year	**-**	180,000
Settled	**-**	(214,849)
Granted	**-**	34,849
Outstanding, end of year	**-**	-
Available for settlement, end of year	**-**	-

The personnel expense recorded in the statement of income under the Plan in 2017 was $3,336. The average settlement price in 2017 was $45.80 US per RSU.

22. Share capital and reserves

Share capital

At December 30, 2018, the authorized voting common shares were unlimited (2017 - unlimited). The issued and fully paid voting common shares at December 30, 2018 were 65,000,000 (2017 - 65,000,000). The shares have no par value. The Company has no stock option plans in place.

Reserves

Reserves comprise the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to the hedged transactions that have not yet occurred.

Dividends

During 2018, dividends in Canadian dollars of 12 cents per common share were declared (2017 - 12 cents).

23. Earnings per share

	2018	2017
Net income attributable to equity holders of the Company	**108,921**	119,298
Weighted average shares outstanding (000's)	**65,000**	65,000
Basic and diluted earnings per share - cents	**168**	184

24. Financial instruments

The following sets out the classification and the carrying/fair value of financial instruments:

Assets (Liabilities)	Classification		Carrying / Fair Value
Cash and cash equivalents	Amortized cost		344,322
Trade and other receivables	Amortized cost		112,038
Trade and other receivables - factoring arrangements	FVOCI		19,813
		Total trade and other receivables	131,851
Trade payables and other liabilities	Amortized cost		(63,687)
Derivative financial instrument liabilities	Fair value - hedging instrument		(2,697)

The fair value of cash and cash equivalents, trade and other receivables, including trade and other receivables subject to factoring arrangements and classified as measured at FVOCI, trade payables and other liabilities approximate their carrying value because of the short-term maturity of these instruments. The fair value of foreign currency forward contracts, designated as cash flow hedges, have been determined by valuing those contracts to market against prevailing forward foreign exchange rates as at the year-end reporting date. The inputs used for fair value measurements, including their classification within the required three levels of the fair value hierarchy that prioritizes the inputs used for fair value measurement, are 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 following table presents the classification of financial instruments within the fair value hierarchy:

Financial Assets (Liabilities)	Level 1	Level 2	Level 3	Total
At December 30, 2018				
Foreign currency forward contracts - net	-	(2,697)	-	(2,697)
At December 31, 2017				
Foreign currency forward contracts - net	-	765	-	765

When the Company has a legally enforceable right to set off supplier rebates 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 December 30, 2018, the supplier rebate receivable balance that was offset was $5,166 (2017 - $6,191).

25. Commitments and guarantees

(a) Commitments
At December 30, 2018, the Company has commitments to purchase property, plant and equipment of $31,157 (2017 - $14,336).

The Company rents premises and equipment under operating leases that expire at various dates until April 30, 2020. The aggregate minimum rentals payable for these leases are as follows:

Year	2019	2020	2021	2022	2023	Thereafter	Total
Amount	673	162	-	-	-	-	835

During 2018, $1,028 was recognized as an expense in the statement of income in respect of operating leases (2017 - $1,031).

(b) Guarantees

Directors and officers
The Company and its subsidiaries have entered into indemnification agreements with their respective directors and officers to indemnify them, to the extent permitted by law, against any and all amounts paid in settlement and damages incurred by the directors and officers as a result of any lawsuit, or any judicial, administrative or investigative proceeding involving the directors and officers. Indemnification claims will be subject to any statutory or other legal limitation period. The Company has purchased directors' and officers' liability insurance to mitigate losses from any such claims.

Leased real property
The Company and its subsidiaries enter into operating leases in the ordinary course of business for real property. In certain instances, the Company and its subsidiaries have indemnified the landlord from any obligations that may arise from any occurrences of personal bodily injury, loss of life and property damages. The Company's property and liability insurance coverage mitigates losses from any such claims.

Pension plan
The Company has indemnified the Manitoba Pension Commission from any and all claims that may be made by any beneficiary under a certain defined benefit pension plan. The indemnity relates to the transfer of a portion of the surplus in the respective pension plan to a non-contributory supplementary income plan.

Given the nature of the aforementioned indemnification agreements, the Company is unable to reasonably estimate its maximum potential liability under these agreements. The Company believes the likelihood of a material payment pursuant to these indemnification agreements is remote. No amounts have been recorded in the consolidated financial statements with respect to these indemnification agreements.

26. 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, credit risk and liquidity risk. The Company manages its risks and risk exposures through a combination of derivative financial instruments, insurance, a system of internal and disclosure controls and sound business practices. The Company does not purchase any derivative financial instruments for speculative purposes.

Financial risk management is primarily the responsibility of the Company's corporate finance function. Significant risks are regularly monitored and actions are taken, when appropriate, according to the Company's approved policies, established for that purpose. In addition, as required, these risks are reviewed with the Company's Board of Directors.

Foreign exchange risk
Translation differences arise when foreign currency monetary assets and liabilities are translated at foreign exchange rates that change over time. These foreign exchange gains and losses are recorded in other (expenses) income. As a result of the Company's CDN dollar net asset monetary position as at December 30, 2018, a one-cent change in the year-end foreign exchange rate from 0.7326 to 0.7226 (CDN to US dollars) would have decreased net income by $114 for 2018. Conversely, a one-cent change in the year-end foreign exchange rate from 0.7326 to 0.7426 (CDN to US dollars) would have increased net income by $114 for 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 other foreign currencies. Transactions are only conducted with certain approved Schedule I Canadian financial institutions. All foreign currency contracts are designated as cash flow hedges of the highly probable 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 hedging 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 forward contracts matured during the year and the Company realized pre-tax foreign exchange losses of $378 (2017 gains - $1,417). Of these foreign exchange differences, losses of $331 (2017 gains - $1,417) were recorded in other (expenses) income and losses of $47 were recorded in property, plant and equipment (2017 - $0).

As at December 30, 2018, the Company had US to CDN dollar foreign currency forward contracts outstanding with a notional amount of US $58.0 million at an average exchange rate of 1.2957 maturing between January and November 2019. The fair value of these financial instruments was negative $2,697 US and the corresponding unrealized loss has been recorded in other comprehensive income. During 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 December 30, 2018 cash and cash equivalents balance of $344.3 million, a 1.0 percent increase/decrease in interest rate fluctuations would increase/decrease income before income taxes by $3,443 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 2018, 73 percent (2017 - 71 percent) of revenue was generated from customers with selling price-indexing programs. For all other customers, the Company's preferred practice is to match raw material cost changes with selling price adjustments, albeit with a slight time lag. This matching is not always possible, as customers react to selling price pressures related to raw material cost fluctuations according to conditions pertaining to their markets.

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:

	December 30 2018	December 31 2017
Cash and cash equivalents	**344,322**	291,959
Trade and other receivables	**131,851**	116,955
Foreign currency forward contracts	**-**	863
	476,173	409,777

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

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

During 2017, the Company entered into ongoing agreements to sell certain extended term trade receivables without recourse to financial institutions in exchange for cash. During 2018, the Company incurred costs on the sale of trade receivables of $4,843 (2017 - $4,094). Of these costs, $3,456 was recorded in finance expense (2017 - $2,713) and $1,387 was recorded in general and administrative expenses (2017 - $1,381).

As at December 30, 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 (2017 - 98 percent) of the gross trade and other receivable 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) 36 percent (2017 - 32 percent) of the trade and other receivables balance is insured against credit losses. The Company's exposure to the ten largest customer balances, on aggregate, accounted for 41 percent (2017 - 38 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 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 expected credit losses. Subsequent recoveries of amounts previously written off are credited against general and administrative expenses in the statement of income. During 2018, the Company recorded impairment losses on trade and other receivables of $256 (2017 - $(106)).

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:

	December 30 2018	December 31 2017
Current (not past due)	**112,953**	99,073
1 - 30 days past due	**16,636**	16,633
31 - 60 days past due	**2,022**	1,383
More than 60 days past due	**1,196**	521
	132,807	117,610
Less: Allowance for expected credit losses	**(956)**	(655)
Total trade and other receivables, net	**131,851**	116,955

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 $344.3 million, (b) no outstanding bank loans, (c) unused credit facilities comprised of unsecured operating lines of $38 million, (d) the ability to obtain term-loan financing to fund an acquisition, if needed, (e) an informal investment grade credit rating and (f) the Company's ability to generate positive cash flows from ongoing operations. Management believes that the Company's cash flows are more than sufficient to cover its operating costs, working capital requirements, capital expenditures and dividend payments in 2019. The Company's trade payables and other liabilities and derivative financial instrument liabilities are virtually all due within twelve months.

Capital management
The Company's objectives in managing capital are to ensure the Company will continue as a going concern and have sufficient liquidity to pursue its strategy of organic growth combined with strategic acquisitions and to deploy capital to provide an appropriate return on investment to its shareholders. In the management of capital, the Company includes bank overdrafts, bank loans and shareholders' equity. The Board of Directors has established quantitative return on capital criteria for management and year-over-year sustainable earnings growth targets. The Board of Directors also reviews, on a regular basis, the level of dividends paid to the Company's shareholders.

The Company has externally imposed capital requirements as governed through its bank operating line credit facilities. The Company monitors capital on the basis of funded debt to EBITDA (income before interest, income taxes, depreciation and amortization) and debt service coverage. Funded debt is defined as the sum of bank loans and bank overdrafts less cash and cash equivalents. The funded debt to EBITDA is calculated as funded debt, as at the financial reporting date, over the 12-month rolling EBITDA. This ratio is to be maintained under 3.00:1. As at December 30, 2018, the ratio was 0.00:1. Debt service coverage is calculated as a 12-month rolling income from operations over debt service. Debt service is calculated as the sum of one-sixth of bank loans outstanding plus annualized finance expense and dividends. This ratio is to be maintained over 1.50:1. As at December 30, 2018, the ratio was 32.27:1.

There were no changes in the Company's approach to capital management during 2018.

27. Segment reporting

In conjunction with the adoption of IFRS 15 the Company realigned its segment reporting effective in 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 margins, 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 3 percent of total Company revenues and assets.

The Company operates principally in Canada and the United States. See note 7 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:

	2018	2017
United States	**223,446**	218,540
Canada	**229,094**	217,695
Other	**15,638**	1,198
	468,178	437,433

28. Contingencies

In the normal course of business activities, the Company may be subject to various legal actions. Management contests these actions and believes resolution of the actions will not have a material adverse impact on the Company's financial condition.

29. Related party transactions

The Company had purchases of $2,733 (2017 - $2,386) and commission income of $488 (2017 - $576) with its majority shareholder company. Trade and other receivables and trade payables and other liabilities include amounts of $101 (2017 - $92) and $610 (2017 - $43) respectively with the majority shareholder company. These transactions were completed at market values with normal payment terms.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Board of Directors and Executive Committee are key management personnel. The following table details the compensation earned by these key management personnel:

	2018	2017
Salaries, fees and short-term benefits	**(4,857)**	(4,297)
Post-employment benefits	**(299)**	(466)
Share-based payments	**-**	(3,336)
	(5,156)	(8,099)

No loans were advanced to key management personnel during the year.

The aggregate remuneration earned by the Board of Directors in 2018 was $830 (2017 - $545). As a group, the Board of Directors hold, directly or indirectly, 52.5 percent (2017 - 52.5 percent) of the outstanding shares of the Company. The members of the Executive Committee hold, directly or indirectly, 0.0 percent (2017 - 0.0 percent) of the outstanding shares of the Company.

Annual Meeting

The Annual Meeting of Shareholders will be held on Tuesday, April 23, 2019 at 4:30 p.m.
at The Fort Garry Hotel, Winnipeg, Canada

Listing

Winpak Ltd. shares are listed WPK on the Toronto Stock Exchange

Transfer Agent

Computershare Investor Services Inc.

Annual Information Form

The most recent version of the Annual Information Form for Winpak Ltd.
is available by contacting Winpak's Corporate Office
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Board of Directors

Chairman, *A.I. Aarnio-Wihuri (2)*, Kaarina, Finland; Chairman, Wihuri International Oy
Vice Chairman, *J.M. Hellgren (2),* Lahti, Finland; President and Chief Executive Officer, Wihuri International Oy
M.H. Aarnio-Wihuri (2), Kaarina, Finland; Manager, Sustainability Program, Wihuri International Oy
K.A. Albrechtsen (1), Winnipeg, Canada
D.R.W. Chatterley (1), Winnipeg, Canada
D. Spiring (2), Winnipeg, Canada; President and CEO, Economic Development Winnipeg Inc.
I.T. Suominen (1), Helsinki, Finland; Vice President and Chief Financial Officer, Wihuri International Oy

(1) Member of the Audit Committee
(2) Member of the Corporate Governance, Sustainability, Compensation and Nomination Committee

Executive Committee

The Executive Committee, in consultation with the Board of Directors, establishes the objectives and the long-term direction of the Company. The Committee meets regularly throughout the year to review progress towards achievement of the Company's goals and to implement policies and procedures directed at optimizing performance.

J.C. Holland, President, Winpak Division, a division of Winpak Ltd. and President, Winpak Films Inc.
S.K. Hooper, Vice President, Human Resources, Winpak Ltd.
T.L. Johnson, President, Winpak Heat Seal
O.Y. Muggli, President and Chief Executive Officer, Winpak Ltd.
D.J. Stacey, President, Winpak Portion Packaging
L.A. Warelis, Vice President and Chief Financial Officer, Winpak Ltd.

Auditors

KPMG LLP, Winnipeg, Canada

Legal Counsel

Thompson Dorfman Sweatman LLP, Winnipeg, Canada
Bond Schoeneck & King PLLC, Buffalo, U.S.A.

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