WINPAK

*NEWS RELEASE*

# Winpak Reports Third Quarter Results

Winnipeg, Manitoba, October 27, 2014 - Winpak Ltd. (WPK) today reports consolidated results in US dollars for the third quarter of 2014, which ended on September 28, 2014.

| | Quarter Ended | | Year-To-Date Ended | |
|---|---|---|---|---|
| | September 28 2014 | September 29 2013 | September 28 2014 | September 29 2013 |
| *(thousands of US dollars, except per share amounts)* | | | | |
| Revenue | 192,982 | 179,926 | 580,485 | 526,907 |
| Net income | 19,902 | 17,599 | 55,896 | 50,841 |
| | | | | |
| Income tax expense | 8,973 | 8,382 | 25,575 | 23,285 |
| Net finance (income) expense | (73) | 114 | (29) | 333 |
| Depreciation and amortization | 7,870 | 6,711 | 22,586 | 19,542 |
| EBITDA (1) | 36,672 | 32,806 | 104,028 | 94,001 |
| | | | | |
| Net income attributable to equity holders of the Company | 19,448 | 17,362 | 55,017 | 50,446 |
| Net income attributable to non-controlling interests | 454 | 237 | 879 | 395 |
| Net income | 19,902 | 17,599 | 55,896 | 50,841 |
| | | | | |
| Basic and diluted earnings per share (cents) | 30 | 27 | 85 | 78 |

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

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

## *Management's Discussion and Analysis*

(presented in US dollars)

Forward-looking statements: Certain statements made in the following Management's Discussion and Analysis contain forward-looking statements including, but not limited to, statements concerning possible or assumed future results of operations of the Company. Forward-looking statements represent the Company's intentions, plans, expectations and beliefs, and are not guarantees of future performance. Such forward-looking statements represent 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. Unless otherwise required by applicable securities law, we disclaim any intention or obligation to publicly update or revise this information, whether as a result of new information, future events or otherwise. The Company cautions investors not to place undue reliance upon forward-looking statements.

### *Financial Performance*

Net income attributable to equity holders of the Company for the third quarter of 2014 reached $19.4 million or 30 cents in earnings per share compared to $17.4 million or 27 cents per share in the corresponding quarter of 2013, an increase of 12.0 percent. Earnings per share was favorably impacted in the quarter by organic revenue growth, improved gross profit margins, lower operating expense inflation, and reduced income taxes which contributed 1.5 cents, 1.0 cent, 0.5 cents and 0.5 cents respectively. Only foreign exchange negatively impacted earnings per share in the third quarter by 0.5 cents.

For the nine months ended September 28, 2014, net income attributable to equity holders of the Company climbed to $55.0 million or 85 cents per share, surpassing the 2013 comparable period result of $50.4 million or 78 cents per share by 9.1 percent. Substantial volume growth in 2014 advanced earnings per share by 8.0 cents and was complemented by curtailed growth in operating expenses which added a further 3.5 cents to earnings per share. Foreign exchange also had a negligible positive effect on 2014 year-to-date earnings of 0.5 cents per share in comparison to the first nine months of the prior year. On the other hand, a lower gross profit margin in the first three quarters of 2014 versus the prior year corresponding period decreased earnings per share by 4.5 cents while a greater proportion of earnings attributable to non-controlling interests negatively impacted earnings per share by 0.5 cents.

### *Revenue*

Revenue in the third quarter of 2014 grew to $193.0 million, an expansion of $13.1 million or 7.3 percent over the same period in 2013. Volume growth overall was solid at 5.8 percent but was inconsistent amongst the Company's product groups. The modified atmosphere packaging product group recorded the strongest volume increase in the quarter at slightly over 10 percent as sales in the core markets of processed meat and cheese led the way. Following closely behind was lidding where growth was experienced in yogurt, pharmaceutical and specialty beverage products. Rigid containers exhibited solid mid-single digit volume growth as condiment and applesauce revenues strengthened. Biaxially oriented nylon and specialty film volumes declined in the mid-to-high single digit percentage range. Although shrink bag and barrier film revenues continued to move forward, decreases were noted in less sophisticated commodity-type films. Packaging machinery also recorded a high-single digit percentage volume decline in comparison to the third quarter of 2013, although the order backlog is substantial heading into the fourth quarter. Selling price/mix changes had a favorable effect on third quarter revenues of 1.9 percent while foreign exchange had a negative influence of 0.4 percent due to the decline in the value of the Canadian dollar in comparison to its US counterpart in the current period versus the prior year third quarter.

For the first nine months of 2014, revenue of $580.5 million advanced by $53.6 million or 10.2 percent in relation to the corresponding prior year period. Volumes rose 9.8 percent in comparison to the first three quarters of 2013. Growth was robust in rigid containers, lidding and modified atmosphere packaging, with each advancing between 10 and 15 percent. Biaxially oriented nylon film and packaging machinery had volume growth in the mid-single digit percentage range while specialty film shipments fell in the high-single digit percentage range, although product mix was improved. Selling price/mix changes supplemented revenues by 1.2 percent while foreign exchange subtracted 0.8 percent from revenues in relation to the first nine months of last year.

### *Gross profit margins*

Gross profit margins for the third quarter of 2014, at 29.2 percent, were in line with the prior year quarter of 29.1 percent of revenue. Although sales volumes grew by 5.8 percent in the quarter, gross profit expanded by 7.7 percent, resulting in additional earnings per share of 1.0 cent. The spread between raw material costs and selling prices widened as product mix improved in a few areas and purchase volume rebates for certain raw materials helped lower manufacturing costs. Manufacturing variances continued to be a drag on margins in the quarter but further improvement is expected in the upcoming months as capacity utilization rates increase and more experience is gained with new products and processes.

For the first three quarters of 2014, gross profit margins of 28.1 percent of revenue fell short of 2013 year-to-date levels of 28.9 percent by 0.8 percentage points. This culminated in a decrease in earnings per share of 4.5 cents. Under-utilized capacity of recent capital expenditures and elevated waste levels due to development and refinement of complex new products and processes are the main factors behind the decline in gross profit margins over the prior year. In addition, competitive conditions at a few select customers compressed the spread between selling prices and raw material costs.

For reference, the following presents the weighted indexed purchased cost of Winpak's eight primary raw materials in the reported quarter and each of the preceding eight quarters, where base year 2001 = 100. The index was rebalanced as of December 30, 2013 to reflect the mix of the eight primary raw materials purchased in 2013.

| Quarter and Year | 3/14 | 2/14 | 1/14 | 4/13 | 3/13 | 2/13 | 1/13 | 4/12 | 3/12 |
|---|---|---|---|---|---|---|---|---|---|
| Purchase Price Index | 176.2 | 178.1 | 178.7 | 175.0 | 173.2 | 173.5 | 176.5 | 170.6 | 167.3 |

The purchase price index in the third quarter of 2014 declined slightly from the previous quarter by 1.1 percent. Cost stability has been present in aggregate for the Company's mix of raw material purchases for much of the past two years as the index has only fluctuated by 4 percent or less around the mean during this time period. However, certain individual materials within the index have been more volatile.

*Expenses and Other*

While volumes in the third quarter of 2014 increased by 5.8 percent over the prior year quarter, operating expenses, adjusted for foreign exchange, increased by less than 3 percent. This operating leverage added 0.5 cents to earnings per share and arose due to lower share-based incentive costs and reduced spending on research and development trials. A lower effective income tax rate in the current quarter due to a greater proportion of earnings being realized in lower income tax rate jurisdictions also contributed 0.5 cents to earnings per share. Foreign exchange had a net unfavorable impact on earnings per share of approximately 0.5 cents in the third quarter compared to the corresponding period in 2013. The weaker Canadian dollar in the quarter versus the comparative period in 2013 had a positive impact on earnings as expenses exceeded revenues in that currency. However, this was more than offset by foreign exchange losses on the translation of Canadian net monetary assets, as the Canadian dollar depreciated from the start to the end of the quarter versus its US counterpart; the opposite was true in the third quarter of 2013.

On a year-to-date basis, operating expenses, excluding foreign exchange, increased at a much lower pace than the growth in sales volumes, resulting in an addition to earnings per share of 3.5 cents. Freight and distribution costs, which are variable in nature, accounted for the entire rise in operating expenses; all other expenses in aggregate actually declined slightly. Costs related to additional head count to support revenue growth were offset by a reduction in pre-production expenses in 2014. A greater proportion of year-to-date earnings attributable to non-controlling interests in 2014 resulted in a decrease in earnings per share of approximately 0.5 cents. In comparison to the first three quarters of 2013, foreign exchange had a net positive effect on earnings per share of 0.5 cents. The lower average value of the Canadian dollar in 2014 in relation to the US currency and the resulting impact from converting the Company's net Canadian dollar expenses into US funds accounted for approximately 2.0 cents in additional earnings per share. However, this was partially offset by a combination of foreign exchange losses on the translation of Canadian net monetary assets and the maturation of foreign exchange contracts that form part of the Company's foreign exchange hedging policy.

*Summary of Quarterly Results*

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

| | Q3 2014 | Q2 2014 | Q1 2014 | Q4 2013 | Q3 2013 | Q2 2013 | Q1 2013 | Q4 2012* |
|---|---|---|---|---|---|---|---|---|
| Revenue | 192,982 | 199,426 | 188,077 | 187,964 | 179,926 | 177,032 | 169,949 | 173,226 |
| Net income attributable to equity holders of the Company | 19,448 | 19,406 | 16,163 | 20,951 | 17,362 | 17,095 | 15,989 | 22,071 |
| EPS | 30 | 30 | 25 | 32 | 27 | 26 | 25 | 34 |

*Amounts have been restated to reflect the retrospective impact of amended IAS 19 "Employee Benefits", which included an increase in net finance expense due to the reduction in the expected return on defined benefit pension plan assets and an increase in general and administrative expenses following the reclassification of certain plan administration costs.

*Capital Resources, Cash Flow and Liquidity*

The Company's cash and cash equivalents balance ended the third quarter of 2014 at $130.4 million, $16.3 million greater than the end of the second quarter. Cash flow from operating activities before changes in working capital amounted to $37.7 million, outdistancing the prior year comparable quarter by a healthy $5.3 million due to higher net income and non-cash depreciation. Additions to working capital consumed $2.1 million, while cash was also utilized for plant and equipment additions of $13.9 million, income tax payments of $2.2 million, dividends to common shareholders of $1.8 million, and employee defined benefit plan payments of $1.4 million.

For the first nine months of 2014, the cash and cash equivalents balance receded by $30.7 million, primarily due to the payment of a special dividend of $58.5 million ($65.0 million Canadian) in the first quarter of the year. Winpak continued to generate strong cash flows from operating activities before changes in working capital of $103.0 million, an improvement of $9.4 million from the first three quarters of 2013. Cash was employed for working capital additions of $14.0 million, mainly to service larger sales volumes with higher inventory and accounts receivable levels. Furthermore, cash was used for plant and equipment expenditures of $35.6 million, income tax payments of $14.8 million, regular quarterly dividends of $5.4 million, employee defined benefit plan payments of $4.6 million and other items totaling $0.8 million. The Company remains debt-free and has unutilized operating lines of $38 million, with the ability to increase borrowing capacity further should the need arise.

## *Looking Forward*

Heading into the final quarter of the year, the Company remains optimistic that significant new revenue generation will continue for the remainder of 2014 and into 2015. The sales pipeline contains a number of opportunities at various stages of conversion into future revenue including projects with existing customers as well as new prospects. In the near term, raw material costs are expected to remain fairly stable, with the exception of polypropylene resin, where supply is currently very tight due to unplanned outages at various producers. Improved manufacturing performance will remain a prime focus for the organization, particularly in those areas where new capacity has been added. Progress is expected as capacity utilization increases and knowledge and skill levels in the production of new product offerings escalates. Capital spending is expected to finish the year between $50 to $55 million with a focus on areas where demand fulfillment is becoming increasingly challenging. The Company remains committed to organic growth through capital investment and will continue to pursue acquisition opportunities in Winpak's core competencies in sophisticated food and health-care packaging but will remain patient in executing a transaction only when the proper fit and price are present to add long-term value to the Company's shareholders.

## *Future Changes to Accounting Standards*

As more fully described in Note 4 to the Condensed Consolidated Financial Statements, two new accounting standards have been issued, IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers". IFRS 9 and IFRS 15 are effective for annual periods beginning on or after January 1, 2018 and January 1, 2017 respectively. The Company is currently assessing the impact of these new standards on its consolidated financial statements and does not intend to early adopt these standards in its consolidated financial statements. In addition, amendments to the existing standards IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" were issued and are effective for annual periods beginning on or after January 1, 2016. These amendments are not expected to have any impact on the Company's consolidated financial statements.

## *Controls and Procedures*

### Disclosure Controls

Management is responsible for establishing and maintaining disclosure controls and procedures in order to provide reasonable assurance that material information relating to the Company is made known to them in a timely manner and that information required to be disclosed is reported within time periods prescribed by applicable securities legislation. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based on management's evaluation of the design of the Company's disclosure controls and procedures, the Company's Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures are designed as of September 28, 2014 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 1992) as the control framework in designing its internal controls over financial reporting. Based on management's design of the Company's internal controls over financial reporting, the Company's Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures are designed as of September 28, 2014 to provide reasonable assurance that the financial information being reported is materially accurate. During the third quarter ended September 28, 2014, there have been no changes to the design of the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

Winpak Ltd.
Interim Condensed Consolidated Financial Statements
Third Quarter Ended: September 28, 2014

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

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

| | Note | September 28 2014 | December 29 2013 |
|---|---|---|---|
| **Assets** | | | |
| Current assets: | | | |
| Cash and cash equivalents | | 130,439 | 161,090 |
| Trade and other receivables | 13 | 104,580 | 98,408 |
| Income taxes receivable | | 2,447 | 3,580 |
| Inventories | 5 | 107,543 | 92,304 |
| Prepaid expenses | | 4,726 | 3,074 |
| Derivative financial instruments | | 13 | - |
| | | 349,748 | 358,456 |
| Non-current assets: | | | |
| Property, plant and equipment | 8 | 343,698 | 329,714 |
| Intangible assets | 8 | 14,970 | 14,960 |
| Employee benefit plan assets | | 9,297 | 7,131 |
| Deferred tax assets | | 2,322 | 2,943 |
| | | 370,287 | 354,748 |
| Total assets | | 720,035 | 713,204 |
| **Equity and Liabilities** | | | |
| Current liabilities: | | | |
| Trade payables and other liabilities | | 72,123 | 63,182 |
| Provisions | 6 | 427 | 427 |
| Income taxes payable | | 4,459 | 2,048 |
| Derivative financial instruments | | 433 | 903 |
| | | 77,442 | 66,560 |
| Non-current liabilities: | | | |
| Employee benefit plan liabilities | | 4,035 | 3,365 |
| Deferred income | | 15,116 | 14,490 |
| Provisions | 6 | 6,527 | 6,524 |
| Deferred tax liabilities | | 32,253 | 29,652 |
| | | 57,931 | 54,031 |
| Total liabilities | | 135,373 | 120,591 |
| Equity: | | | |
| Share capital | | 29,195 | 29,195 |
| Reserves | | (307) | (661) |
| Retained earnings | | 539,051 | 547,891 |
| Total equity attributable to equity holders of the Company | | 567,939 | 576,425 |
| Non-controlling interests | | 16,723 | 16,188 |
| Total equity | | 584,662 | 592,613 |
| Total equity and liabilities | | 720,035 | 713,204 |

See accompanying notes to condensed consolidated financial statements.

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Winpak Ltd.

Condensed Consolidated Statements of Income

*(thousands of US dollars, except per share amounts) (unaudited)*

| | Note | Quarter Ended | | Year-To-Date Ended | |
|---|---|---|---|---|---|
| | | September 28 2014 | September 29 2013 | September 28 2014 | September 29 2013 |
| Revenue | | 192,982 | 179,926 | 580,485 | 526,907 |
| Cost of sales | | (136,607) | (127,566) | (417,548) | (374,398) |
| Gross profit | | 56,375 | 52,360 | 162,937 | 152,509 |
| Sales, marketing and distribution expenses | | (15,494) | (14,379) | (46,649) | (42,938) |
| General and administrative expenses | | (7,299) | (7,656) | (20,820) | (21,907) |
| Research and technical expenses | | (3,198) | (3,498) | (10,554) | (10,421) |
| Pre-production expenses | | (617) | (708) | (868) | (2,308) |
| Other expenses | 7 | (965) | (24) | (2,604) | (476) |
| Income from operations | | 28,802 | 26,095 | 81,442 | 74,459 |
| Finance income | | 163 | 93 | 427 | 292 |
| Finance expense | | (90) | (207) | (398) | (625) |
| Income before income taxes | | 28,875 | 25,981 | 81,471 | 74,126 |
| Income tax expense | | (8,973) | (8,382) | (25,575) | (23,285) |
| Net income for the period | | 19,902 | 17,599 | 55,896 | 50,841 |
| Attributable to: | | | | | |
| Equity holders of the Company | | 19,448 | 17,362 | 55,017 | 50,446 |
| Non-controlling interests | | 454 | 237 | 879 | 395 |
| | | 19,902 | 17,599 | 55,896 | 50,841 |
| Basic and diluted earnings per share - cents | 10 | 30 | 27 | 85 | 78 |

Condensed Consolidated Statements of Comprehensive Income

*(thousands of US dollars) (unaudited)*

| | Note | Quarter Ended | | Year-To-Date Ended | |
|---|---|---|---|---|---|
| | | September 28 2014 | September 29 2013 | September 28 2014 | September 29 2013 |
| Net income for the period | | 19,902 | 17,599 | 55,896 | 50,841 |
| Items that will not be reclassified to the statements of income: | | | | | |
| Cash flow hedge losses recognized | | - | - | - | (94) |
| Cash flow hedge gains transferred to property, plant and equipment | | - | - | - | (50) |
| Income tax effect | | - | - | - | - |
| | | - | - | - | (144) |
| Items that are or may be reclassified subsequently to the statements of income: | | | | | |
| Cash flow hedge (losses) gains recognized | | (690) | 944 | (868) | (474) |
| Cash flow hedge losses transferred to the statements of income | 7 | 82 | 341 | 1,351 | 408 |
| Income tax effect | | 163 | (344) | (129) | 17 |
| | | (445) | 941 | 354 | (49) |
| Other comprehensive (loss) income for the period - net of income tax | | (445) | 941 | 354 | (193) |
| Comprehensive income for the period | | 19,457 | 18,540 | 56,250 | 50,648 |
| Attributable to: | | | | | |
| Equity holders of the Company | | 19,003 | 18,303 | 55,371 | 50,253 |
| Non-controlling interests | | 454 | 237 | 879 | 395 |
| | | 19,457 | 18,540 | 56,250 | 50,648 |

See accompanying notes to condensed consolidated financial statements.

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

| | Note | Attributable to equity holders of the Company | | | | | |
|---|---|---|---|---|---|---|---|
| | | Share capital | Reserves | Retained earnings | Total | Non-controlling interests | Total equity |
| Balance at December 31, 2012 | | 29,195 | 250 | 470,925 | 500,370 | 15,718 | 516,088 |
| Comprehensive (loss) income for the period | | | | | | | |
| Cash flow hedge losses, net of tax | | - | (442) | - | (442) | - | (442) |
| Cash flow hedge losses transferred to the statements of income, net of tax | | - | 299 | - | 299 | - | 299 |
| Cash flow hedge gains transferred to property, plant and equipment | | - | (50) | - | (50) | - | (50) |
| Other comprehensive loss | | - | (193) | - | (193) | - | (193) |
| Net income for the period | | - | - | 50,446 | 50,446 | 395 | 50,841 |
| Comprehensive (loss) income for the period | | - | (193) | 50,446 | 50,253 | 395 | 50,648 |
| Dividends | 9 | - | - | (5,666) | (5,666) | (218) | (5,884) |
| Balance at September 29, 2013 | | 29,195 | 57 | 515,705 | 544,957 | 15,895 | 560,852 |

| | Note | Share capital | Reserves | Retained earnings | Total | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|
| Balance at December 30, 2013 | | 29,195 | (661) | 547,891 | 576,425 | 16,188 | 592,613 |
| Comprehensive income for the period | | | | | | | |
| Cash flow hedge losses, net of tax | | - | (636) | - | (636) | - | (636) |
| Cash flow hedge losses transferred to the statements of income, net of tax | | - | 990 | - | 990 | - | 990 |
| Other comprehensive income | | - | 354 | - | 354 | - | 354 |
| Net income for the period | | - | - | 55,017 | 55,017 | 879 | 55,896 |
| Comprehensive income for the period | | - | 354 | 55,017 | 55,371 | 879 | 56,250 |
| Dividends | 9 | - | - | (63,857) | (63,857) | (344) | (64,201) |
| Balance at September 28, 2014 | | 29,195 | (307) | 539,051 | 567,939 | 16,723 | 584,662 |

See accompanying notes to condensed consolidated financial statements.

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

| | Note | Quarter Ended | | Year-To-Date Ended | |
|---|---|---|---|---|---|
| | | September 28 2014 | September 29 2013 | September 28 2014 | September 29 2013 |
| **Cash provided by (used in):** | | | | | |
| **Operating activities:** | | | | | |
| Net income for the period | | 19,902 | 17,599 | 55,896 | 50,841 |
| Items not involving cash: | | | | | |
| Depreciation | | 8,114 | 6,886 | 23,446 | 20,101 |
| Amortization - deferred income | | (392) | (292) | (1,271) | (894) |
| Amortization - intangible assets | | 148 | 117 | 411 | 335 |
| Employee defined benefit plan expenses | | 873 | 1,094 | 2,706 | 3,197 |
| Net finance (income) expense | | (73) | 114 | (29) | 333 |
| Income tax expense | | 8,973 | 8,382 | 25,575 | 23,285 |
| Other | | 162 | (1,494) | (3,730) | (3,575) |
| Cash flow from operating activities before the following | | 37,707 | 32,406 | 103,004 | 93,623 |
| Change in working capital: | | | | | |
| Trade and other receivables | | 3,219 | (2,312) | (6,172) | (9,079) |
| Inventories | | (7,815) | (945) | (15,239) | (5,583) |
| Prepaid expenses | | 302 | 155 | (1,652) | (889) |
| Trade payables and other liabilities | | 2,203 | 1,391 | 9,040 | 2,422 |
| Provisions | | (95) | (107) | (120) | (723) |
| Employee defined benefit plan payments | | (1,410) | (549) | (4,551) | (2,932) |
| Income tax paid | | (2,155) | (8,153) | (14,764) | (25,433) |
| Interest received | | 95 | 88 | 224 | 292 |
| Interest paid | | (9) | (1) | (147) | (9) |
| Net cash from operating activities | | 32,042 | 21,973 | 69,623 | 51,689 |
| **Investing activities:** | | | | | |
| Acquisition of property, plant and equipment - net | | (13,896) | (11,597) | (35,588) | (36,758) |
| Acquisition of intangible assets | | (49) | (147) | (411) | (443) |
| | | (13,945) | (11,744) | (35,999) | (37,201) |
| **Financing activities:** | | | | | |
| Dividends paid | 9 | (1,829) | (1,854) | (63,931) | (5,730) |
| Dividend paid to non-controlling interests in subsidiary | | - | - | (344) | (218) |
| | | (1,829) | (1,854) | (64,275) | (5,948) |
| **Change in cash and cash equivalents** | | 16,268 | 8,375 | (30,651) | 8,540 |
| **Cash and cash equivalents, beginning of period** | | 114,171 | 133,468 | 161,090 | 133,303 |
| **Cash and cash equivalents, end of period** | | 130,439 | 141,843 | 130,439 | 141,843 |

See accompanying notes to condensed consolidated financial statements.

## 1. General

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

## 2. Basis of Presentation

The unaudited interim condensed consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), using the same accounting policies as those used in the Company's consolidated financial statements for the year ended December 29, 2013, except as disclosed in note 3. The unaudited interim condensed consolidated financial statements are in compliance with IAS 34. Accordingly, certain information and note disclosure normally included in annual financial statements prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB) have been omitted or condensed. These unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 29, 2013, which are included in the Company's 2013 Annual Report.

The fiscal year of the Company ends on the last Sunday of the calendar year. As a result, the Company's fiscal year is usually 52 weeks in duration, but includes a 53rd week every five to six years. The 2014 and 2013 fiscal years are both comprised of 52 weeks and each quarter of 2014 and 2013 are comprised of 13 weeks.

The unaudited interim condensed consolidated financial statements were approved by the Audit Committee on behalf of the Board of Directors on October 27, 2014.

## 3. Accounting Standards Implemented in 2014

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

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

## 4. Future Accounting Standards

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

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

IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company is currently assessing the impact of this new standard and does not intend to early adopt IFRS 9 in its consolidated financial statements.

*(b) Revenue From Contracts With Customers:*
IFRS 15 "Revenue From Contracts With Customers" was issued in May 2014, specifying the steps and timing for recognizing revenue. The new standard also requires more informative, relevant disclosures. IFRS 15 supersedes IAS 11 "Construction Contracts" and IAS 18 "Revenue", as well as various IFRIC and SIC interpretations regarding revenue. IFRS 15 is effective for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Company is currently assessing the impact of this new standard and does not intend to early adopt IFRS 15 in its consolidated financial statements.

*(c) Property, Plant and Equipment and Intangibles:*
Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" were issued in May 2014, prohibiting the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortization for intangible assets. These amendments are effective for annual periods beginning on or after January 1, 2016 and are to be applied prospectively. The Company does not expect the amendments to have any impact on its consolidated financial statements.

## 5. Inventories

| | September 28 2014 | December 29 2013 |
|---|---|---|
| Raw materials | 32,774 | 27,125 |
| Work-in-process | 17,363 | 13,383 |
| Finished goods | 51,422 | 46,208 |
| Spare parts | 5,984 | 5,588 |
| | 107,543 | 92,304 |

During the third quarter of 2014, the Company recorded, within cost of sales, inventory write-downs for slow-moving and obsolete inventory of $2,656 (2013 - $896) and reversals of previously written-down items of $308 (2013 - $138). On a year-to-date basis, the Company recorded, within cost of sales, inventory write-downs for slow-moving and obsolete inventory of $6,187 (2013 - $3,824) and reversals of previously written-down items of $1,917 (2013 - $1,551).

## 6. Provisions

| | Multiemployer Withdrawal Liability | Asset Retirement Obligations | Total |
|---|---|---|---|
| Balance at December 30, 2013 | | | |
| Current liabilities | 427 | - | 427 |
| Non-current liabilities | 5,737 | 787 | 6,524 |
| | 6,164 | 787 | 6,951 |
| <u>2014 Annual activity</u> | | | |
| Payments | (320) | - | (320) |
| Finance expense - unwinding of discount | 123 | - | 123 |
| Change in discount rates | 200 | - | 200 |
| Balance at September 28, 2014 | 6,167 | 787 | 6,954 |
| At September 28, 2014 | | | |
| Current liabilities | 427 | - | 427 |
| Non-current liabilities | 5,740 | 787 | 6,527 |
| | 6,167 | 787 | 6,954 |

The Company participated in one multiemployer defined benefit pension plan providing benefits to certain unionized employees in the US. The Company withdrew from the plan in 2011. There has been no new developments regarding the withdrawal liability in the current year. Refer to the 2013 Annual Report for additional information. A one-percentage point increase in the discount rates would have decreased the September 28, 2014 liability by $457 and increased income before income taxes by $457.

## 7. Other Expenses

| | Quarter Ended | | Year-To-Date Ended | |
|---|---|---|---|---|
| | September 28 | September 29 | September 28 | September 29 |
| Amounts shown on a net basis | 2014 | 2013 | 2014 | 2013 |
| Foreign exchange (loss) gain | (872) | 317 | (1,053) | (471) |
| Cash flow hedge losses transferred from other comprehensive income | (82) | (341) | (1,351) | (408) |
| Multiemployer defined benefit pension plan withdrawal liability (expense) income | (11) | - | (200) | 403 |
| | (965) | (24) | (2,604) | (476) |

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

At September 28, 2014, the Company has commitments to purchase property, plant and equipment of $13,959 (September 29, 2013 - $21,656). No impairment losses or impairment reversals were recognized during the year-to-date period ended September 28, 2014 or September 29, 2013.

## 9. Dividends

During the third quarter of 2014, dividends in Canadian dollars of 3 cents per common share were declared (2013 - 3 cents) and on a year-to-date basis, 9 cents per common share were declared (2013 - 9 cents). In addition, the Company paid a special dividend in Canadian dollars of one dollar per common share on March 20, 2014.

## 10. Earnings Per Share

| | Quarter Ended | | Year-To-Date Ended | |
|---|---|---|---|---|
| | September 28 | September 29 | September 28 | September 29 |
| | 2014 | 2013 | 2014 | 2013 |
| Net income attributable to equity holders of the Company | 19,448 | 17,362 | 55,017 | 50,446 |
| Weighted average shares outstanding (000's) | 65,000 | 65,000 | 65,000 | 65,000 |
| Basic and diluted earnings per share - cents | 30 | 27 | 85 | 78 |

## 11. Determination of Fair Values

The Company measures assets and liabilities under the following fair value hierarchy in accordance with IFRS. The different levels have been defined as follows:

Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 - inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 - inputs that are not based on observable market data.

The fair value of cash and cash equivalents, trade and other receivables, trade payables and other liabilities approximate their carrying value because of the short-term maturity of these instruments. The fair value of foreign currency forward contracts, designated as cash flow hedges, have been determined by valuing those contracts to market against prevailing forward foreign exchange rates as at the reporting date.

The following table presents assets and liabilities within the fair value hierarchy as at September 28, 2014:

| Assets (Liabilities) | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Foreign currency forward contracts - net | - | (420) | - | (420) |

## 12. Financial Instruments

When the Company has a legally enforceable right to set off supplier rebates receivable against supplier trade payables and intends to settle the amount on a net basis or simultaneously, the balance is presented as an offset within Trade Payables and Other Liabilities on the condensed consolidated balance sheet. At September 28, 2014, the supplier rebate receivable balance that was offset was $4,640 (December 29, 2013 - $3,575).

## 13. Financial Risk Management

In the normal course of business, the Company has risk exposures consisting primarily of foreign exchange risk, interest rate risk, commodity price risk, liquidity risk, and credit risk. The Company manages its risks and risk exposures through a combination of derivative financial instruments, insurance, a system of internal and disclosure controls and sound business practices. The Company does not purchase any derivative financial instruments for speculative purposes.

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

*Foreign Exchange Risk*

Translation differences arise when foreign currency monetary assets and liabilities are translated at foreign exchange rates that change over time. These foreign exchange gains and losses are recorded in other expenses. As a result of the Company's CDN dollar net asset monetary position as at September 28, 2014, a one-cent change in the period-end foreign exchange rate from 0.8965 to 0.8865 (CDN to US dollars) would have decreased net income by $98 for the third quarter of 2014. Conversely, a one-cent change in the period-end foreign exchange rate from 0.8965 to 0.9065 (CDN to US dollars) would have increased net income by $98 for the third quarter of 2014.

The Company's Foreign Exchange Policy requires that between 50 and 80 percent of the Company's net requirement of CDN dollars for the ensuing 9 to 15 months will be hedged at all times with a combination of cash and cash equivalents and forward or zero-cost option foreign currency contracts. The Company may also enter into forward foreign currency contracts when equipment purchases will be settled in other foreign currencies. Transactions are only conducted with certain approved Schedule I Canadian financial institutions. All foreign currency contracts are designated as cash flow hedges. Certain foreign currency contracts matured during the third quarter of 2014 and the Company realized pre-tax foreign exchange losses of $82 (year-to-date - realized pre-tax foreign exchange losses of $1,351) which were recorded in other expenses. During the third quarter of 2013, the Company realized pre-tax foreign exchange losses of $341 (year-to-date - realized pre-tax foreign exchange losses of $358). Of these foreign exchange differences, losses of $341 were recorded in other expenses (year-to-date losses - $408) and no amounts were recorded in property, plant and equipment (year-to-date gains - $50).

As at September 28, 2014, the Company had US to CDN dollar foreign currency forward contracts outstanding with a notional amount of US $20.0 million at an average exchange rate of 1.096 maturing between October 2014 and July 2015. The fair value of these financial instruments was negative $420 US and the corresponding unrealized loss has been recorded in other comprehensive income.

*Interest Rate Risk*

The Company's interest rate risk arises from interest rate fluctuations on the finance income that it earns on its cash invested in money market accounts and short-term deposits. The Company developed and implemented an investment policy, which was approved by the Company's Board of Directors, with the primary objective to preserve capital, minimize risk and provide liquidity. Regarding the September 28, 2014 cash and cash equivalents balance of $130.4 million, a 1.0 percent increase/decrease in interest rate fluctuations would increase/decrease income before income taxes by $1,304 annually.

*Commodity Price Risk*

The Company's manufacturing costs are affected by the price of raw materials, namely petroleum-based and natural gas-based plastic resins and aluminum. In order to manage its risk, the Company has entered into selling price-indexing programs with certain customers. Changes in raw material prices for these customers are reflected in selling price adjustments but there is a slight time lag. For the year-to-date period ended September 28, 2014, 68 percent of revenue was generated from customers with selling price-indexing programs. For all other customers, the Company's preferred practice is to match raw material cost changes with selling price adjustments, albeit with a slight time lag. This matching is not always possible, as customers react to selling price pressures related to raw material cost fluctuations according to conditions pertaining to their markets.

*Liquidity Risk*

Liquidity risk is the risk that the Company would not be able to meet its financial obligations as they come due. Management believes that the liquidity risk is low due to the strong financial condition of the Company. This risk assessment is based on the following: (a) cash and cash equivalents amounts of $130.4 million, (b) no outstanding bank loans, (c) unused credit facilities comprised of unsecured operating lines of $38 million, (d) the ability to obtain term-loan financing to fund an acquisition, if needed, (e) an informal investment grade credit rating, and (f) the Company's ability to generate positive cash flows from ongoing operations. Management believes that the Company's cash flows are more than sufficient to cover its operating costs, working capital requirements, capital expenditures and dividend payments in 2014. The Company's trade payables and other liabilities and derivative financial instrument liabilities are virtually all due within twelve months.

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

*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:

| | September 28 2014 | December 29 2013 |
|---|---|---|
| Cash and cash equivalents | 130,439 | 161,090 |
| Trade and other receivables | 104,580 | 98,408 |
| Foreign currency forward contracts | 13 | - |
| | 235,032 | 259,498 |

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

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

As at September 28, 2014, the Company believes that the credit risk for trade and other receivables is mitigated due to the following: a) a broad customer base which is dispersed across varying market sectors and geographic locations, b) 98 percent of the gross trade and other receivables balance is outstanding for less than 60 days, and c) 24 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 36 percent of the total trade and other receivables balance.

The carrying amount of trade and other receivables is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of income within general and administrative expenses. When a receivable balance is considered uncollectible, it is written off against the allowance for doubtful accounts. Subsequent recoveries of amounts previously written off are credited against general and administrative expenses in the statement of income.

The following table sets out the aging details of the Company's trade and other receivables balances outstanding based on the status of the receivable in relation to when the receivable was due and payable and related allowance for doubtful accounts:

| | September 28 2014 | December 29 2013 |
|---|---|---|
| Current - neither impaired nor past due | 83,484 | 78,113 |
| Not impaired but past the due date: | | |
| Within 30 days | 19,686 | 19,399 |
| 31 - 60 days | 1,940 | 1,931 |
| Over 60 days | 694 | 162 |
| | 105,804 | 99,605 |
| Less: Allowance for doubtful accounts | (1,224) | (1,197) |
| Total trade and other receivables, net | 104,580 | 98,408 |

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

## 14. Segment Reporting

The Company operates in one reportable segment being the manufacture and sale of packaging materials. The Company operates principally in Canada and the United States. The following summary presents key information by geographic segment:

| | United States | Canada | Other | Consolidated |
|---|---|---|---|---|
| For The Quarter Ended September 28, 2014 | | | | |
| Revenue | 153,024 | 26,329 | 13,629 | 192,982 |
| Property, plant and equipment and intangible assets | 161,561 | 195,748 | 1,359 | 358,668 |
| For The Quarter Ended September 29, 2013 | | | | |
| Revenue | 143,465 | 25,270 | 11,191 | 179,926 |
| Property, plant and equipment and intangible assets | 146,529 | 186,578 | 1,452 | 334,559 |
| For The Year-To-Date Period Ended September 28, 2014 | | | | |
| Revenue | 465,334 | 77,231 | 37,920 | 580,485 |
| For The Year-To-Date Period September 29, 2013 | | | | |
| Revenue | 419,419 | 75,164 | 32,324 | 526,907 |

## 15. Seasonality

The Company experiences seasonal variation in revenue, with revenue typically being the highest in the second and fourth quarters, and lowest in the first quarter.