WINPAK

NEWS RELEASE

Winpak Reports 2016 Fourth Quarter Results

Winnipeg, Manitoba, February 16, 2017 - Winpak Ltd. (WPK) today reports consolidated results in US dollars for the fourth quarter of 2016, which ended on December 25, 2016.

	Quarter Ended		Year Ended	
	December 25 2016	December 27 2015	December 25 2016	December 27 2015
(thousands of US dollars, except per share amounts)				
Revenue	215,550	205,746	822,532	797,169
Net income	29,611	28,377	108,201	101,803
Income tax expense	13,184	11,775	49,813	45,474
Net finance (income) expense	(142)	15	(217)	50
Depreciation and amortization	8,855	8,240	34,184	31,879
EBITDA (1)	51,508	48,407	191,981	179,206
Net income attributable to equity holders of the Company	28,578	27,635	104,344	99,248
Net income attributable to non-controlling interests	1,033	742	3,857	2,555
Net income	29,611	28,377	108,201	101,803
Basic and diluted earnings per share (cents)	44	43	161	153

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

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[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.

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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 fourth quarter of 2016 amounted to $28.6 million or 44 cents in earnings per share (EPS), surpassing the 2015 corresponding result of $27.6 million or 43 cents per share by 3.4 percent. This represented the highest earnings performance of any quarter in the Company's 40-year history. Organic volume growth provided the impetus by advancing EPS by 3.0 cents and was aided by a further 3.0 cents for reduced operating expenses and 1.0 cent due to favorable foreign exchange impacts. This was offset in part by a lower relative gross profit margin which reduced EPS by 4.5 cents while higher income taxes and a greater proportion of net income attributable to non-controlling interests subtracted 1.0 cent and 0.5 cents from EPS respectively.

For the year ended December 25, 2016, net income attributable to equity holders of the Company of $104.3 million or $1.61 per share eclipsed the prior year record net income of $99.2 million or $1.53 per share by a respectable 5.1 percent. Organic volume growth propelled EPS forward by 11.0 cents while foreign exchange and reduced operating expenses added a further 5.0 cents and 2.5 cents respectively. A reduced rate of growth in gross profit in relation to sales volumes negatively impacted EPS by 7.0 cents. Furthermore, a larger proportion of net income attributable to non-controlling interests and higher income taxes reduced EPS by 2.0 cents and 1.5 cents correspondingly.

Revenue

Revenue in the fourth quarter of 2016 of $215.6 million set new heights and exceeded the 2015 final quarter level of $205.7 million by 4.8 percent. Volumes continued where they left off at the end of the first three quarters, advancing by 6.9 percent in the fourth quarter, when compared to the same period in 2015. On a percentage basis, biaxially oriented nylon volumes led the way, accelerating by over 30 percent followed by packaging machinery and parts sales which rebounded from a slower third quarter of the year. Specialty film shipments also recovered from their decline in the previous quarter by moving forward in low double-digit percentage terms as bottlenecks within the operation continued to be addressed. Modified atmosphere packaging volumes ascended in the high single-digit percentage range as ongoing progress was made at securing additional business at major US protein customers. After a particularly strong third quarter, rigid container and lidding volumes advanced by low single-digit percentage increases over the 2015 final quarter. Custom container shipments, including specialty beverage, along with condiment packaging and trays for home meal replacements bolstered volume growth. Lidding for yogurt applications provided further gains. Selling price/mix changes had an unfavorable impact of 2.1 percent on 2016 fourth quarter revenues compared to the prior year corresponding period while the effect of foreign exchange on those revenues was negligible.

For 2016, revenue reached an all-time high of $822.5 million, up by 3.2 percent from the $797.2 million recorded in the previous year despite customer selling price-indexing and foreign exchange headwinds. Volumes grew by a notable 6.8 percent with all major product groups progressing. Consistent with the quarterly result, biaxially oriented nylon volumes had the highest percentage achievement versus the prior year. Lidding shipments followed with high single-digit percentage gains due to new customers in foil rollstock applications along with sustained progress in die-cut lidding including retort products. Rigid container along with specialty films and modified atmosphere packaging volumes all expanded in the mid single-digit percentage range as the areas of growth experienced in the fourth quarter were present throughout much of the year. Although packaging machinery shipments were down from the prior year, spare part sales were robust in 2016. Partially offsetting the positive impact of organic volume growth on annual revenues was a reduction of 3.1 percent due to selling price/mix changes as indexed selling prices fell in response to reduced raw material costs, with an approximate 90-day lag. Likewise, the decline in the value of the Canadian dollar in comparison to its US counterpart was responsible for a decline in revenues of 0.5 percent.

Gross profit margins

Gross profit margins of 32.2 percent of revenue in the fourth quarter of 2016 fell short of the 33.5 percent of the corresponding quarter of 2015. This resulted in a decrease in EPS of 4.5 cents and was due to a combination of factors. Rising raw material costs provided a squeeze on margins at non-indexed accounts as well as indexed accounts where the lag in selling prices responding to raw material cost changes resulted in a temporary contraction in gross profit. In addition, gross profit margins were impacted by sales mix as well as elevated manufacturing variances resulting from ongoing challenges in the production of new products and certain capacity constraints. There has been some recent progress in these areas although further improvement is required and anticipated.

For the current year, gross profit margins attained a level of 32.7 percent of revenue versus the 32.3 percent reached in 2015. While volumes advanced by 6.8 percent in 2016, gross profit only grew by 4.5 percent from $257.8 million in 2015 to $269.3 million in the present year, resulting in a reduction in EPS of 7.0 cents. The operational challenges mentioned previously were largely responsible for the curtailed gross profit performance.

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 28, 2015 to reflect the mix of the eight primary raw materials purchased in 2015.

Quarter and Year	4/16	3/16	2/16	1/16	4/15	3/15	2/15	1/15	4/14
Purchase Price Index	143.9	140.2	138.1	136.4	139.1	147.7	152.1	156.9	175.1

The purchase price index has been on the rise for the last three quarters, increasing by 2.6 percent in the final three months of 2016 compared to the third quarter and 3.5 percent higher than a year earlier. The Company's most widely used resins all experienced escalations and with the recent ascent in the price of oil, the near-term trend is also upward.

Expenses and Other

Despite an increase in sales volume in the fourth quarter of 2016 of 6.9 percent in comparison to the corresponding quarter of 2015, operating expenses actually declined in the current quarter. This resulted in a 3.0 cent increment in EPS with lower employee incentive expenses, including share-based compensation, playing a large role in the favorable result. Foreign exchange was responsible for an additional 1.0 cent in EPS, primarily due to the maturation, at more favorable rates, of foreign exchange forward contracts that are an integral part of the Company's foreign exchange policy. In contrast, a higher effective income tax rate in the final three months of 2016 in comparison to the same period in the prior year generated a decline in EPS of 1.0 cent. Lastly, a greater proportion of net income attributable to non-controlling interests resulted in a further reduction of 0.5 cents in EPS in relation to the final quarter of 2015.

For the 2016 fiscal year, operating expenses, exclusive of foreign exchange impacts, increased by only 4.8 percent from the prior year in contrast to the expansion in sales volume of 6.8 percent, resulting in an addition to EPS of 2.5 cents. With the moderate incline in the Company's share price during the current year versus the nearly 40 percent surge which occurred in the previous year, the result was a significant reduction in share-based incentive expenses. This, when combined with a one-time $1,000 CAD 40th anniversary payment made to each of the Company's over 2,200 employees in the third quarter of 2015, was more than enough to offset increases in research, technical and pre-production costs primarily related to new products and processes. Foreign exchange had a favorable impact of 5.0 cents on EPS due to a combination of a gain on conversion of the Company's net Canadian dollar expenses into US funds at a lower average exchange rate in 2016 versus 2015 as well as the maturation of foreign exchange forward contracts at more favorable rates than the prior year. Partially offsetting these positive effects, a larger proportion of net income attributable to non-controlling interests and a higher average income tax rate subtracted 2.0 cents and 1.5 cents from EPS respectively.

Summary of Quarterly Results

	Thousands of US dollars, except per share amounts (US cents)							
	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Revenue	215,550	204,699	204,129	198,154	205,746	193,726	198,257	199,440
Net income attributable to equity holders of the Company	28,578	24,036	25,166	26,564	27,635	22,305	26,845	22,463
EPS	44	37	39	41	43	34	41	35

Capital Resources, Cash Flow and Liquidity

The Company's cash and cash equivalents balance ended the current year at $211.2 million, an increase of $13.5 million from the end of the third quarter. Winpak continued to generate strong and consistent cash flows from operating activities before changes in working capital of $50.0 million, surpassing the corresponding quarter of the prior year by $1.1 million. Cash was utilized for net working capital additions of $3.9 million, of which $3.6 million pertained to reductions in trade payables and other liabilities as progress payments relating to capital expenditures incurred in the third quarter were paid in the current period. Other uses of cash included $24.1 million in plant and equipment additions primarily related to the facility expansions in Sauk Village, Illinois and Senoia, Georgia; income tax payments of $6.7 million; dividends of $1.5 million; and other items totalling $0.3 million. The Company's world-class 13-layer cast coextrusion line at its Winnipeg modified atmosphere packaging facility became commercialized in December 2016.

For the year, the cash and cash equivalents balance climbed by $46.2 million, led by the significant cash flow generation from operating activities before changes in working capital of $191.6 million. Working capital additions utilized $20.1 million of cash primarily in trade receivables and inventories. In addition to the increase in these two assets that paralleled the growth of the business, trade receivables were further impacted by extended payment terms at certain customers as part of contract negotiations. Inventories were also affected by the rise in raw material costs during the year. Cash was further utilized for plant and equipment additions of $72.2 million, income tax payments of $44.5 million, dividends to equity holders of the Company of $5.9 million, and other items totaling $2.7 million. The plant and equipment expenditures were at an all-time high for Winpak as the Company embarked on two significant building expansions in the year as well as a substantial investment in the latest extrusion and printing technology to support the continued advancement of organic volume growth, a consistent pillar of the corporate strategy for the past decade. The Company remains debt-free and has unutilized operating lines of $38 million, which should be sufficient to meet all anticipated cash requirements for the foreseeable future, with the ability to increase borrowing capacity further should the need arise.

Looking Forward

Following a strong finish to 2016, the Company remains optimistic as it enters 2017 in terms of volume and earnings advancement. Winpak continues its strategic focus on organic growth with opportunities in the sales pipeline progressing on the road to new revenue for the corporation. In particular, additional business from North America's major food processors continue to bear fruit as these companies gain increased confidence in Winpak's capabilities and become entrenched in the outstanding customer service for which the Company has become known. From a raw material standpoint, the prices of many of the Company's widely used resins have escalated as of late due to tightness in supply and the rise of world oil prices and while the future is uncertain, the near term trend is decidedly upward. This should not have a significant impact on gross profit margins as nearly 70 percent of the Company's revenues are indexed to the price of raw materials, albeit with an approximate 90-day time lag. As in 2016, the Company will remain focused on improving operational performance, particularly in those areas where capacity constraints have presented challenges and where new products and processes require more experience to optimize production. Of note, the massive cast coextrusion line at the Company's modified atmosphere packaging plant in Winnipeg was declared commercial in the fourth quarter of the year and 2017 will see added refinements and enhancements to further improve its operation. Capital spending for 2017 is expected to be diminished from the record-high level experienced in the current year to an amount of between $55 to $65 million, as the majority of the work on the building expansions at the Company's specialty film operations in Senoia, Georgia and its rigid container facility in Sauk Village, Illinois has been completed. The Company will continue to invest in organic growth opportunities while pursuing acquisition prospects that fit strategically with Winpak's core competencies in sophisticated packaging for food, beverage and healthcare applications. With Winpak's solid financial footing, it has the resources at its disposal to complete an acquisition when the proper strategic fit and price are present to provide long-term shareholder value.

Future Changes to Accounting Standards

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

In addition, amendments to IAS 7 "Statement of Cash Flows" were issued in January 2016 and IFRIC Interpretation 22 "Foreign Currency Transactions and Advance Consideration" was issued in December 2016. These are effective for annual periods beginning on or after January 1, 2017 and January 1, 2018 respectively. While the Company is currently assessing the impact of these changes, management does not expect them to have a significant impact on the Company's consolidated financial statements and does not intend to early adopt them.

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 December 25, 2016 to provide reasonable assurance that the information being disclosed is recorded, summarized and reported as required.

Internal Controls Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Internal control systems, no matter how well designed, have inherent limitations and therefore can only provide reasonable assurance as to the effectiveness of internal controls over financial reporting, including the possibility of human error and the circumvention or overriding of the controls and procedures. Management used the Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013) as the control framework in designing its internal controls over financial reporting. Based on management's design of the Company's internal controls over financial reporting, the Company's Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures are designed as of December 25, 2016 to provide reasonable assurance that the financial information being reported is materially accurate. During the fourth quarter ended December 25, 2016, 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
Fourth Quarter Ended: December 25, 2016

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

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

	Note	December 25 2016	December 27 2015
Assets			
Current assets:			
Cash and cash equivalents		211,225	165,027
Trade and other receivables	12	124,148	107,805
Income taxes receivable		564	2,050
Inventories	5	103,516	96,498
Prepaid expenses		3,024	3,411
Derivative financial instruments		308	40
		442,785	374,831
Non-current assets:			
Property, plant and equipment	7	409,147	369,436
Intangible assets	7	14,501	14,745
Employee benefit plan assets		6,721	5,723
Deferred tax assets		1,060	1,408
		431,429	391,312
Total assets		874,214	766,143
Equity and Liabilities			
Current liabilities:			
Trade payables and other liabilities		71,448	68,534
Income taxes payable		6,226	10,569
Derivative financial instruments		348	1,683
		78,022	80,786
Non-current liabilities:			
Employee benefit plan liabilities		9,253	8,885
Deferred income		15,424	14,071
Provisions		760	760
Deferred tax liabilities		43,486	38,250
		68,923	61,966
Total liabilities		146,945	142,752
Equity:			
Share capital		29,195	29,195
Reserves		(29)	(1,208)
Retained earnings		676,478	576,359
Total equity attributable to equity holders of the Company		705,644	604,346
Non-controlling interests		21,625	19,045
Total equity		727,269	623,391
Total equity and liabilities		874,214	766,143

See accompanying notes to condensed consolidated financial statements.

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

	Note	Quarter Ended		Year Ended	
		December 25 2016	December 27 2015	December 25 2016	December 27 2015
Revenue		215,550	205,746	822,532	797,169
Cost of sales		(146,100)	(136,803)	(553,233)	(539,347)
Gross profit		69,450	68,943	269,299	257,822
Sales, marketing and distribution expenses		(16,262)	(15,101)	(63,247)	(59,823)
General and administrative expenses		(5,924)	(8,445)	(27,979)	(32,236)
Research and technical expenses		(4,244)	(3,856)	(17,168)	(15,362)
Pre-production expenses		(301)	(368)	(1,439)	(1,158)
Other expenses	6	(66)	(1,006)	(1,669)	(1,916)
Income from operations		42,653	40,167	157,797	147,327
Finance income		236	69	670	342
Finance expense		(94)	(84)	(453)	(392)
Income before income taxes		42,795	40,152	158,014	147,277
Income tax expense		(13,184)	(11,775)	(49,813)	(45,474)
Net income for the period		29,611	28,377	108,201	101,803
Attributable to:					
Equity holders of the Company		28,578	27,635	104,344	99,248
Non-controlling interests		1,033	742	3,857	2,555
		29,611	28,377	108,201	101,803
Basic and diluted earnings per share - cents	9	44	43	161	153

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

	Note	Quarter Ended		Year Ended	
		December 25 2016	December 27 2015	December 25 2016	December 27 2015
Net income for the period		29,611	28,377	108,201	101,803
Items that will not be reclassified to the statements of income:					
Cash flow hedge losses recognized		-	(162)	(3)	(652)
Cash flow hedge losses transferred to property, plant and equipment		-	-	19	4
Employee benefit plan remeasurements		2,516	1,743	2,516	1,743
Income tax effect		(847)	(470)	(847)	(470)
		1,669	1,111	1,685	625
Items that are or may be reclassified subsequently to the statements of income:					
Cash flow hedge (losses) gains recognized		(668)	(818)	961	(3,728)
Cash flow hedge (gains) losses transferred to the statements of income	6	(178)	1,109	626	2,976
Income tax effect		226	(78)	(424)	201
		(620)	213	1,163	(551)
Other comprehensive income for the period - net of income tax		1,049	1,324	2,848	74
Comprehensive income for the period		30,660	29,701	111,049	101,877
Attributable to:					
Equity holders of the Company		29,627	28,959	107,192	99,322
Non-controlling interests		1,033	742	3,857	2,555
		30,660	29,701	111,049	101,877

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					
	Note	Share capital	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at December 29, 2014		29,195	(641)	555,697	584,251	17,136	601,387
Comprehensive (loss) income for the period							
Cash flow hedge losses, net of tax		-	(2,752)	(632)	(3,384)	-	(3,384)
Cash flow hedge losses transferred to the statements of income, net of tax		-	2,181	-	2,181	-	2,181
Cash flow hedge losses transferred to property, plant and equipment		-	4	-	4	-	4
Employee benefit plan remeasurements, net of tax		-	-	1,273	1,273	-	1,273
Other comprehensive (loss) income		-	(567)	641	74	-	74
Net income for the period		-	-	99,248	99,248	2,555	101,803
Comprehensive (loss) income for the period		-	(567)	99,889	99,322	2,555	101,877
Dividends	8	-	-	(79,227)	(79,227)	(646)	(79,873)
Balance at December 27, 2015		29,195	(1,208)	576,359	604,346	19,045	623,391
Balance at December 28, 2015		29,195	(1,208)	576,359	604,346	19,045	623,391
Comprehensive income for the period							
Cash flow hedge gains, net of tax		-	745	-	745	-	745
Cash flow hedge losses transferred to the statements of income, net of tax		-	415	-	415	-	415
Cash flow hedge losses transferred to property, plant and equipment		-	19	-	19	-	19
Employee benefit plan remeasurements, net of tax		-	-	1,669	1,669	-	1,669
Other comprehensive income		-	1,179	1,669	2,848	-	2,848
Net income for the period		-	-	104,344	104,344	3,857	108,201
Comprehensive income for the period		-	1,179	106,013	107,192	3,857	111,049
Dividends	8	-	-	(5,894)	(5,894)	(1,277)	(7,171)
Balance at December 25, 2016		29,195	(29)	676,478	705,644	21,625	727,269

See accompanying notes to condensed consolidated financial statements.

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

	Note	Quarter Ended December 25 2016	Quarter Ended December 27 2015	Year Ended December 25 2016	Year Ended December 27 2015
Cash provided by (used in):					
Operating activities:					
Net income for the period		29,611	28,377	108,201	101,803
Items not involving cash:					
Depreciation		9,059	8,452	35,054	32,836
Amortization - deferred income		(372)	(366)	(1,536)	(1,559)
Amortization - intangible assets		168	154	666	602
Employee defined benefit plan expenses		604	696	3,219	3,190
Multiemployer defined benefit pension plan withdrawal liability settlement gain	6	-	-	-	(1,815)
Net finance (income) expense		(142)	15	(217)	50
Income tax expense		13,184	11,775	49,813	45,474
Other		(2,075)	(120)	(3,552)	(1,565)
Cash flow from operating activities before the following		50,037	48,983	191,648	179,016
Change in working capital:					
Trade and other receivables		(3,026)	(537)	(16,343)	4,649
Inventories		1,787	1,135	(7,018)	4,088
Prepaid expenses		953	1,472	387	933
Trade payables and other liabilities		(3,582)	2,860	2,874	(294)
Provisions		-	-	-	(4,467)
Employee defined benefit plan contributions		(394)	(427)	(1,532)	(1,681)
Income tax paid		(6,654)	(6,675)	(44,491)	(26,456)
Interest received		203	46	549	253
Interest paid		(3)	(5)	(67)	(21)
Net cash from operating activities		39,321	46,852	126,007	156,020
Investing activities:					
Acquisition of plant and equipment - net		(24,077)	(16,859)	(72,240)	(53,678)
Acquisition of intangible assets		(259)	(77)	(430)	(303)
		(24,336)	(16,936)	(72,670)	(53,981)
Financing activities:					
Dividends paid	8	(1,481)	(75,318)	(5,862)	(80,127)
Dividend paid to non-controlling interests in subsidiary		-	-	(1,277)	(646)
		(1,481)	(75,318)	(7,139)	(80,773)
Change in cash and cash equivalents		13,504	(45,402)	46,198	21,266
Cash and cash equivalents, beginning of period		197,721	210,429	165,027	143,761
Cash and cash equivalents, end of period		211,225	165,027	211,225	165,027

See accompanying notes to condensed consolidated financial statements.

1. General

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

2. Basis of Presentation

The unaudited interim condensed consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), using the same accounting policies as those used in the Company's consolidated financial statements for the year ended December 27, 2015, except as disclosed in note 3. The unaudited interim condensed consolidated financial statements are in compliance with IAS 34. Accordingly, certain information and note disclosure normally included in annual consolidated financial statements prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB) have been omitted or condensed. These unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 27, 2015, which are included in the Company's 2015 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 2016 and 2015 fiscal years are both comprised of 52 weeks and each quarter of 2016 and 2015 are comprised of 13 weeks.

The unaudited interim condensed consolidated financial statements were approved by the Board of Directors on February 16, 2017.

3. Accounting Standards Implemented in 2016

(a) Property, Plant and Equipment and Intangibles:
The amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" prohibit the use of revenue-based depreciation for plant and equipment and significantly limits the use of revenue-based amortization for intangible assets. These amendments were implemented in the first quarter of 2016 with prospective application and had no impact on the Company's unaudited interim condensed consolidated financial statements.

(b) Financial Statement Presentation:
The amendments to IAS 1 "Presentation of Financial Statements" were issued as part of the IASB's major initiative to improve presentation and disclosure in financial reports. These amendments were implemented in the first quarter of 2016 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.

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.

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

(b) Revenue From Contracts With Customers:
IFRS 15 “Revenue From Contracts With Customers” was issued in May 2014, specifying the steps and timing for recognizing revenue. The new standard also requires more informative, relevant disclosures. IFRS 15 supersedes IAS 11 “Construction Contracts” and IAS 18 “Revenue”, as well as various IFRIC and SIC interpretations regarding revenue. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively. Early adoption is permitted. The Company is currently assessing the impact of this new standard and does not intend to early adopt IFRS 15 in its consolidated financial statements.

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

(d) Statements of Cash Flows:
In January 2016, amendments to IAS 7 “Statement of Cash Flows” were issued to improve information provided to users of financial statements about an entity’s changes in liabilities arising from financing activities. These amendments are effective for annual periods beginning on or after January 1, 2017 with early adoption permitted. While the Company is currently assessing the impact of the amended standard, management does not expect the amendments to have a significant impact on the Company’s consolidated financial statements. The amended standard will be adopted by the Company in 2017.

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

5. Inventories

	December 25 2016	December 27 2015
Raw materials	27,559	27,263
Work-in-process	18,113	16,267
Finished goods	49,254	46,092
Spare parts	8,590	6,876
	103,516	96,498

During the fourth quarter of 2016, the Company recorded, within cost of sales, inventory write-downs for slow-moving and obsolete inventory of $1,973 (2015 - $1,428) and reversals of previously written-down items of $156 (2015 - $183). During 2016, the Company recorded, within cost of sales, inventory write-downs for slow-moving and obsolete inventory of $7,593 (2015 - $7,905) and reversals of previously written-down items of $2,466 (2015 - $2,112).

6. Other Expenses

	Quarter Ended		Year Ended	
Amounts shown on a net basis	December 25 2016	December 27 2015	December 25 2016	December 27 2015
Foreign exchange (loss) gain	(244)	103	(1,043)	(613)
Cash flow hedge gains (losses) transferred from other comprehensive income	178	(1,109)	(626)	(2,976)
Multiemployer defined benefit pension plan withdrawal liability settlement gain	-	-	-	1,815
Multiemployer defined benefit pension plan withdrawal liability expense - change in discount rates	-	-	-	(142)
	(66)	(1,006)	(1,669)	(1,916)

7. Property, Plant and Equipment and Intangible Assets

At December 25, 2016, the Company has commitments to purchase plant and equipment of $26,766 (2015 - $16,445). No impairment losses or impairment reversals were recognized during 2016 or 2015.

8. Dividends

During the fourth quarter of 2016, dividends in Canadian dollars of 3 cents per common share were declared (2015 - 3 cents) and on a year-to-date basis, 12 cents per common share were declared (2015 - 12 cents). In addition, the Company paid a special dividend in Canadian dollars of $1.50 per common share on October 15, 2015.

9. Earnings Per Share

	Quarter Ended		Year Ended	
	December 25 2016	December 27 2015	December 25 2016	December 27 2015
Net income attributable to equity holders of the Company	28,578	27,635	104,344	99,248
Weighted average shares outstanding (000's)	65,000	65,000	65,000	65,000
Basic and diluted earnings per share - cents	44	43	161	153

10. Determination of Fair Values

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

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

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

The following table presents assets and liabilities within the fair value hierarchy:

Financial Assets (Liabilities)	Level 1	Level 2	Level 3	Total
At December 25, 2016				
Foreign currency forward contracts - net	-	(40)	-	(40)
At December 27, 2015				
Foreign currency forward contracts - net	-	(1,643)	-	(1,643)

11. Financial Instruments

When the Company has a legally enforceable right to set off supplier rebates receivable against supplier trade payables and intends to settle the amount on a net basis or simultaneously, the balance is presented as an offset within Trade Payables and Other Liabilities on the condensed consolidated balance sheet. At December 25, 2016, the supplier rebate receivable balance that was offset was $5,064 (2015 - $5,073).

12. Financial Risk Management

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

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

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

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 December 25, 2016, a one-cent change in the period-end foreign exchange rate from 0.7388 to 0.7288 (CDN to US dollars) would have decreased net income by $6 for 2016. Conversely, a one-cent change in the period-end foreign exchange rate from 0.7388 to 0.7488 (CDN to US dollars) would have increased net income by $6 for 2016.

The Company's Foreign Exchange Policy requires that between 50 and 80 percent of the Company's net requirement of CDN dollars for the ensuing 9 to 15 months will be hedged at all times with a combination of cash and cash equivalents and forward or zero-cost option foreign currency contracts. The Company may also enter into forward foreign currency contracts when equipment purchases and special dividend payments will be settled in foreign currencies. Transactions are only conducted with certain approved Schedule I Canadian financial institutions. All foreign currency contracts are designated as cash flow hedges. Certain foreign currency contracts matured during the fourth quarter of 2016 and the Company realized pre-tax foreign exchange gains of $178 (year-to-date - realized foreign exchange losses of $645). Of these foreign exchange differences, gains of $178 were recorded in other expenses (year-to-date losses - $626) and $0 was recorded in plant and equipment (year-to-date losses - $19). During the fourth quarter of 2015, the Company realized pre-tax foreign exchange losses of $1,741 (year-to-date - realized pre-tax foreign exchange losses of $3,612). Of these foreign exchange differences, losses of $1,109 were recorded in other expenses (year-to-date losses - $2,976), $0 was recorded in plant and equipment (year-to-date losses - $4), and losses of $632 were recorded directly to equity (year-to-date losses - $632).

As at December 25, 2016, the Company had US to CDN dollar foreign currency forward contracts outstanding with a notional amount of US $23.0 million at an average exchange rate of 1.3500 maturing between January and June 2017. The fair value of these financial instruments was negative $40 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 December 25, 2016 cash and cash equivalents balance of $211.2 million, a 1.0 percent increase/decrease in interest rate fluctuations would increase/decrease income before income taxes by $2,112 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 ended December 25, 2016, 69 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 $211.2 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 2017. The Company's trade payables and other liabilities and derivative financial instrument liabilities are virtually all due within twelve months.

Operating Leases

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	2017	2018	2019	2020	2021	Thereafter	Total
Amount	973	624	468	157	-	-	2,222

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.

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

The following table details the maximum exposure to the Company's counterparty credit risk which represents the carrying value of the financial asset:

	December 25 2016	December 27 2015
Cash and cash equivalents	211,225	165,027
Trade and other receivables	124,148	107,805
Foreign currency forward contracts	308	40
	335,681	272,872

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

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

As at December 25, 2016, the Company believes that the credit risk for trade and other receivables is mitigated due to the following: a) a broad customer base which is dispersed across varying market sectors and geographic locations, b) 98 percent of the gross trade and other receivables balance is within 30 days of the agreed upon payment terms with customers, and c) 37 percent of the trade and other receivables balance is insured against credit losses. The Company's exposure to the ten largest customer balances, on aggregate, accounted for 45 percent of the total trade and other receivables balance.

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

	December 25 2016	December 27 2015
Current - neither impaired nor past due	107,044	86,268
Not impaired but past the due date:		
Within 30 days	15,658	18,877
31 - 60 days	1,492	2,797
Over 60 days	749	819
	124,943	108,761
Less: Allowance for doubtful accounts	(795)	(956)
Total trade and other receivables, net	124,148	107,805

The following table details the continuity of the allowance for doubtful accounts:

	2016	2015
Balance, beginning of year	(956)	(700)
Provisions for the year, net of recoveries	82	(536)
Uncollectible amounts written off	78	280
Foreign exchange impact	1	-
Balance, end of year	(795)	(956)

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

13. Segment Reporting

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

	United States	Canada	Other	Consolidated
Revenue				
Quarter ended December 25, 2016	173,950	29,703	11,897	215,550
Quarter ended December 27, 2015	167,914	25,324	12,508	205,746
Year ended December 25, 2016	676,262	104,151	42,119	822,532
Year ended December 27, 2015	648,953	97,716	50,500	797,169
Property, Plant and Equipment and Intangible Assets				
As at December 25, 2016	204,178	218,235	1,235	423,648
As at December 27, 2015	175,883	207,031	1,267	384,181

14. Seasonality

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