



NEWS RELEASE

Winpak Reports 2017 Third Quarter Results

Winnipeg, Manitoba, October 26, 2017 - Winpak Ltd. (WPK) today reports consolidated results in US dollars for the third quarter of 2017, which ended on October 1, 2017.

| | Quarter Ended (1) | | Year-To-Date Ended (1) | |
|--|-------------------|----------------------|------------------------|----------------------|
| | October 1 2017 | September 25 2016 | October 1 2017 | September 25 2016 |
| <i>(thousands of US dollars, except per share amounts)</i> | | | | |
| Revenue | 218,348 | 204,699 | 664,451 | 606,982 |
| Net income | 26,379 | 25,126 | 82,249 | 78,590 |
| Income tax expense | 11,277 | 11,004 | 36,498 | 36,629 |
| Net finance expense (income) | 281 | (80) | 884 | (75) |
| Depreciation and amortization | 9,469 | 8,607 | 27,716 | 25,329 |
| EBITDA (2) | 47,406 | 44,657 | 147,347 | 140,473 |
| Net income attributable to equity holders of the Company | 25,368 | 24,036 | 79,665 | 75,766 |
| Net income attributable to non-controlling interests | 1,011 | 1,090 | 2,584 | 2,824 |
| Net income | 26,379 | 25,126 | 82,249 | 78,590 |
| Basic and diluted earnings per share (cents) | 39 | 37 | 123 | 117 |

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 The 2017 fiscal year comprises 53 weeks and the 2016 fiscal year comprised 52 weeks. Each quarter of 2017 and 2016 comprises 13 weeks with the exception of the first quarter of 2017, which comprised 14 weeks.

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



Management's Discussion and Analysis

(presented in US dollars)

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

Financial Performance

Net income attributable to equity holders of the Company for the third quarter of 2017 of \$25.4 million or 39 cents in earnings per share (EPS) surpassed the comparable 2016 quarter by \$1.3 million or 2 cents per share, an advancement of 5.5 percent. Organic volume growth and favorable foreign exchange both enhanced EPS by 1.0 cent. This was supplemented by the impact of higher gross profit margins of 0.5 cents per share. The increase in net finance expense lowered EPS by 0.5 cents.

For the nine months ended October 1, 2017, net income attributed to equity holders of the Company climbed to \$79.7 million or \$1.23 per share, exceeding the 2016 corresponding result of \$75.8 million or \$1.17 per share by 5.1 percent. Organic volume growth in 2017 was the main factor, advancing EPS by 10.5 cents, while foreign exchange added a further 3.0 cents. This was augmented by reduced income taxes and restrained growth in operating expenses of 2.0 cents and 1.5 cents respectively in EPS. Conversely, a significant drop in gross profit margin lowered EPS by 10.0 cents. The increase in net finance expense reduced EPS by 1.0 cent.

The fiscal year of the Company ends on the last Sunday of the calendar year and is usually 52 weeks in duration. However, the 2017 fiscal year consists of 53 weeks, with the first quarter comprising 14 weeks, one more week than the prior year. The additional week included in the 2017 first quarter was essentially the last week of the 2016 calendar year which contained several statutory holidays. Consequently, it is estimated that this additional week contributed 2 percent to 2017 year-to-date volumes and net income results.

Revenue

Revenue in the third quarter of 2017 of \$218.3 million exceeded the prior year level of \$204.7 million by 6.7 percent. Volumes, in total, were up marginally from the prior year comparable quarter, increasing by 2.8 percent. Organic growth varied across product groups. Modified atmosphere packaging volumes were modest, advancing in the mid-single-digit range in comparison to a very strong third quarter of 2016. After experiencing negative growth in the first half of 2017, specialty film volumes rebounded and out-distanced the prior year's third quarter by 4 percent. Lidding volumes increased in the low single-digit range with increases realized in both specialty beverage and condiment lids. Rigid container volumes also progressed in the low single-digit range as strong sheet and tray sales were largely offset by a decline in specialty beverage shipments. Biaxially oriented nylon volumes were similar to the prior year. Although packaging machinery recorded a volume decline of 6 percent, the order backlog is substantial heading into the fourth quarter. Selling price and mix changes had a favorable influence on third quarter revenue of 3.5 percent as indexed selling prices followed the increase in raw material costs that have taken place over the past twelve months. The appreciation of the Canadian dollar in comparison to its US counterpart had a minor 0.4 percent positive effect on revenue versus the comparable prior year quarter.

For the first three quarters of 2017, revenue ascended by \$57.5 million or 9.5 percent to \$664.5 million from \$607.0 million recorded in the corresponding prior year period. Volumes grew by a sizeable 8.6 percent and even after accounting for the additional week in the first quarter of 2017, volume growth was approximately 7 percent. Rigid containers led the Company, exceeding prior year volumes by more than 10 percent due to increased sales of specialty beverage, tray and condiment packaging. Due to higher sales of sophisticated packaging for processed meat and cheese applications, modified atmosphere packaging achieved healthy volume growth in the high single-digit range. Following the gains made with die-cut yogurt and condiment lids, mid-single-digit lidding growth was realized. Capacity constraints within the biaxially oriented nylon product group limited volume growth to the mid-single-digit range. Demand for specialty films was lower, causing a slight decline in shipments. Packaging machinery and part sales were robust, growing by 12 percent from the first three quarters of 2016. In comparison to 2016, selling price and mix changes in 2017 favorably influenced revenues by 0.7 percent while foreign exchange had virtually no impact on reported revenue.



Gross profit margins

Gross profit margins contracted in the current quarter to 30.3 percent of revenue from the 31.3 percent of revenue recorded in the third quarter of 2016. However, selling price increases were slightly higher than the corresponding increase in raw material costs. Consequently, gross profit in dollar terms rose by 3.2 percent, keeping up with the increase in sales volume of 2.8 percent, resulting in a slight increase in EPS.

For the first three quarters of 2017, gross profit margins of 31.2 percent of revenue dropped by 1.7 percentage points from the 2016 year-to-date level of 32.9 percent. This caused a decrease in EPS of 10.0 cents. The sustained rise in raw material costs, along with competitive pricing conditions with certain 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 26, 2016 to reflect the mix of the eight primary raw materials purchased in 2016.

| Quarter and Year | 3/17 | 2/17 | 1/17 | 4/16 | 3/16 | 2/16 | 1/16 | 4/15 | 3/15 |
|----------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Purchase Price Index | 153.1 | 154.4 | 147.8 | 143.9 | 140.2 | 138.1 | 136.4 | 139.1 | 147.7 |

The purchase price index declined slightly by 0.8 percent versus the previous quarter. The decrease would have been even greater were it not for the temporary disruption in resin supply caused by the hurricane in the gulf coast of the United States. Over the past twelve months, the index increased by 9.2 percent, reflecting the tightness of resin supply in the market place during this time period. During the third quarter, nylon resin experienced the most significant increase of 6 percent while polypropylene recorded a more modest increase of 2 percent. In contrast, resin price drops were realized on polystyrene and polyethylene of 6 percent and 3 percent respectively.

Expenses and Other

Operating expenses, exclusive of foreign exchange impact, increased at a similar overall rate relative to the corresponding increase in sales volumes, thereby having a negligible impact on EPS. The maturation of foreign exchange forward contracts at more favorable rates compared to the third quarter of 2016 more than offset the negative impact of the stronger Canadian dollar in the current quarter. Consequently, foreign exchange raised EPS by 1.0 cent. The Company entered into an agreement in January 2017 to sell certain extended term accounts receivable without recourse to a financial institution in exchange for cash. Accordingly, net finance expense increased and lowered EPS by 0.5 cents.

On a year-to-date basis, operating expenses, adjusted for foreign exchange, increased by 7.0 percent in contrast to the 8.6 percent advancement in sales volumes. Although share-based incentive expenses were heightened, disciplined spending in other operating expense categories, in addition to lower pre-production expenses, more than offset those costs, leading to incremental EPS of 1.5 cents. Additionally, foreign exchange had a positive effect on EPS of 3.0 cents as the pre-tax gains realized on the maturing foreign exchange forward contracts in 2017 represented a \$1.9 million turnaround from the prior year. The effective income tax rate dropped by more than 1 percentage point, adding 2.0 cents to EPS. Lastly, net finance expense reduced EPS by 1.0 cent.

Summary of Quarterly Results

| | Thousands of US dollars, except per share amounts (US cents) | | | | | | | |
|--|--|------------|------------|------------|------------|------------|------------|------------|
| | Q3 2017 | Q2 2017 | Q1 2017 | Q4 2016 | Q3 2016 | Q2 2016 | Q1 2016 | Q4 2015 |
| Revenue | 218,348 | 217,752 | 228,351 | 215,550 | 204,699 | 204,129 | 198,154 | 205,746 |
| Net income attributable to equity holders of the Company | 25,368 | 25,745 | 28,552 | 28,578 | 24,036 | 25,166 | 26,564 | 27,635 |
| EPS | 39 | 40 | 44 | 44 | 37 | 39 | 41 | 43 |

Capital Resources, Cash Flow and Liquidity

The Company's cash and cash equivalents balance ended the third quarter of 2017 at \$263.3 million, a modest increase of \$12.8 million from the end of the previous quarter. Winpak continued to generate robust cash flows from operating activities before changes in working capital of \$47.5 million. Working capital consumed \$11.6 million in cash as trade payables and other liabilities declined by \$12.7 million. Coinciding with the retirement of the previous President and CEO, the liability with respect to the share-based incentive plan was settled. Cash was utilized for plant and equipment additions of \$11.6 million, income tax payments of \$9.6 million, dividends of \$1.5 million and other items totaling \$0.4 million.



For the first nine months of 2017, the cash and cash equivalents balance rose by \$52.1 million from the start of the year. Cash flows generated from operating activities before change in working capital were exceptional at \$146.5 million. The net investment in working capital amounted to \$9.0 million. In support of the organic sales volume growth and because of the significant rise in raw material costs, inventories grew by \$10.0 million. On the other hand, trade and other receivables receded by \$5.8 million as the Company sold certain accounts receivable to a financial institution for cash. Other uses of cash included plant and equipment additions of \$40.6 million, income tax payments of \$38.1 million, dividends of \$4.4 million and other items amounting to \$2.3 million.

Looking Forward

The Company remains positive for growth in sales volume and earnings for the remainder of 2017. Sales volumes are anticipated to grow at a pace similar to that of the third quarter. From a gross profit margin perspective, customer indexed selling price increases implemented during the third quarter and at the start of the fourth quarter, following the raw material cost increases over the past six months, will expand gross profit margins for the next quarter. Due to the temporary disruption in resin supply caused by the hurricane in the gulf coast of the United States, resin prices for polyethylene, polypropylene, polystyrene and certain specialty resins increased in the latter part of the third quarter and the initial stages of the fourth quarter. These higher resin prices will elevate cost of goods sold in the upcoming quarter and put downward pressure on gross profit margins. As a result of the foregoing factors, gross profit margins are expected to tighten further from the levels realized in the third quarter. In the short term, there is uncertainty in the industry as to when these resin price increases may possibly start to recede. In regards to continued sales volume growth, Winpak will need to secure new business as well as maintain and increase volumes with current customers when renewing contracts. Competitive pressure for lower selling prices in the Company's product markets has intensified and this environment will possibly result in a contraction in gross profit margins from present levels by as much as one to two percentage points in 2018. To counteract the likely reduction in gross profit margins, the Company will focus on improving manufacturing performance to elevate production competencies and efficiencies as well as optimizing operating expense leverage.

The building expansions at the Company's specialty films operation in Senoia, Georgia and rigid container facility in Sauk Village, Illinois were completed in the preceding quarter. New extrusion capacity at the Sauk Village, Illinois plant and converting capacity at the Senoia, Georgia and Vaudreuil, Quebec operations will commence in the fourth quarter. Extrusion capacity at the Senoia, Georgia location will come on stream in the first quarter of 2018. Capital spending for the first nine months reached \$40.6 million and is expected to be approximately \$60 million for 2017. Winpak remains focused on organic growth with capital investment in its infrastructure and new technologies to expand upon current product offerings and lower production costs. The Company will continue to assess acquisition opportunities when the proper strategic fit and price are present and complement Winpak's core competencies in sophisticated packaging for food and healthcare applications to add 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 on its consolidated financial statements. IFRS 9 and IFRS 15 will be adopted in 2018 and the Company does not intend to early adopt IFRS 16.

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

IFRIC Interpretation 23 "Uncertainty over Income Tax Treatments" was issued in June 2017. The Interpretation is effective for annual periods beginning on or after January 1, 2019. While the Company is currently assessing the impact of this change, management does not expect the Interpretation to have a significant impact on the Company's consolidated financial statements and does not intend to early adopt the Interpretation.



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 October 1, 2017 to provide reasonable assurance that the information being disclosed is recorded, summarized and reported as required.

Internal Controls Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Internal control systems, no matter how well designed, have inherent limitations and therefore can only provide reasonable assurance as to the effectiveness of internal controls over financial reporting, including the possibility of human error and the circumvention or overriding of the controls and procedures. Management used the Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013) as the control framework in designing its internal controls over financial reporting. Based on management's design of the Company's internal controls over financial reporting, the Company's Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures are designed as of October 1, 2017 to provide reasonable assurance that the financial information being reported is materially accurate. During the third quarter ended October 1, 2017, there have been no changes to the design of the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.



Winpak Ltd.
Interim Condensed Consolidated Financial Statements
Third Quarter Ended: October 1, 2017

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



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

| | Note | October 1 2017 | December 25 2016 |
|---|------|-------------------|---------------------|
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalents | | 263,313 | 211,225 |
| Trade and other receivables | 12 | 118,337 | 124,148 |
| Income taxes receivable | | 2,693 | 564 |
| Inventories | 5 | 113,541 | 103,516 |
| Prepaid expenses | | 4,013 | 3,024 |
| Derivative financial instruments | | 1,178 | 308 |
| | | <u>503,075</u> | <u>442,785</u> |
| Non-current assets: | | | |
| Property, plant and equipment | 7 | 422,554 | 409,147 |
| Intangible assets | 7 | 14,442 | 14,501 |
| Employee benefit plan assets | | 7,059 | 6,721 |
| Deferred tax assets | | 878 | 1,060 |
| | | <u>444,933</u> | <u>431,429</u> |
| Total assets | | <u>948,008</u> | <u>874,214</u> |
| Equity and Liabilities | | | |
| Current liabilities: | | | |
| Trade payables and other liabilities | | 67,776 | 71,448 |
| Income taxes payable | | 17 | 6,226 |
| Derivative financial instruments | | 79 | 348 |
| | | <u>67,872</u> | <u>78,022</u> |
| Non-current liabilities: | | | |
| Employee benefit plan liabilities | | 10,700 | 9,253 |
| Deferred income | | 15,635 | 15,424 |
| Provisions | | 760 | 760 |
| Deferred tax liabilities | | 47,220 | 43,486 |
| | | <u>74,315</u> | <u>68,923</u> |
| Total liabilities | | <u>142,187</u> | <u>146,945</u> |
| Equity: | | | |
| Share capital | | 29,195 | 29,195 |
| Reserves | | 805 | (29) |
| Retained earnings | | 751,612 | 676,478 |
| | | <u>781,612</u> | <u>705,644</u> |
| Total equity attributable to equity holders of the Company | | <u>781,612</u> | <u>705,644</u> |
| Non-controlling interests | | <u>24,209</u> | <u>21,625</u> |
| Total equity | | <u>805,821</u> | <u>727,269</u> |
| Total equity and liabilities | | <u>948,008</u> | <u>874,214</u> |

See accompanying notes to condensed consolidated financial statements.



Winpak Ltd.

Condensed Consolidated Statements of Income

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

| | Note | Quarter Ended (Note 2) | | Year-To-Date Ended (Note 2) | |
|---|------|------------------------|----------------------|-----------------------------|----------------------|
| | | October 1 2017 | September 25 2016 | October 1 2017 | September 25 2016 |
| Revenue | | 218,348 | 204,699 | 664,451 | 606,982 |
| Cost of sales | | (152,168) | (140,568) | (457,119) | (407,133) |
| Gross profit | | 66,180 | 64,131 | 207,332 | 199,849 |
| Sales, marketing and distribution expenses | | (16,876) | (16,107) | (51,063) | (46,985) |
| General and administrative expenses | | (8,183) | (6,869) | (26,241) | (22,055) |
| Research and technical expenses | | (4,007) | (4,308) | (11,694) | (12,924) |
| Pre-production expenses | | (244) | (782) | (369) | (1,138) |
| Other income (expenses) | 6 | 1,067 | (15) | 1,666 | (1,603) |
| Income from operations | | 37,937 | 36,050 | 119,631 | 115,144 |
| Finance income | | 585 | 177 | 1,314 | 434 |
| Finance expense | | (866) | (97) | (2,198) | (359) |
| Income before income taxes | | 37,656 | 36,130 | 118,747 | 115,219 |
| Income tax expense | | (11,277) | (11,004) | (36,498) | (36,629) |
| Net income for the period | | 26,379 | 25,126 | 82,249 | 78,590 |
| Attributable to: | | | | | |
| Equity holders of the Company | | 25,368 | 24,036 | 79,665 | 75,766 |
| Non-controlling interests | | 1,011 | 1,090 | 2,584 | 2,824 |
| | | <u>26,379</u> | <u>25,126</u> | <u>82,249</u> | <u>78,590</u> |
| Basic and diluted earnings per share - cents | 9 | <u>39</u> | <u>37</u> | <u>123</u> | <u>117</u> |

Condensed Consolidated Statements of Comprehensive Income

(thousands of US dollars) (unaudited)

| | Note | Quarter Ended (Note 2) | | Year-To-Date Ended (Note 2) | |
|--|------|------------------------|----------------------|-----------------------------|----------------------|
| | | October 1 2017 | September 25 2016 | October 1 2017 | September 25 2016 |
| Net income for the period | | 26,379 | 25,126 | 82,249 | 78,590 |
| <u>Items that will not be reclassified to the statements of income:</u> | | | | | |
| Cash flow hedge losses recognized | | - | (23) | - | (3) |
| Cash flow hedge (gains) losses transferred to property, plant and equipment | | - | (33) | - | 19 |
| Income tax effect | | - | - | - | - |
| | | <u>-</u> | <u>(56)</u> | <u>-</u> | <u>16</u> |
| <u>Items that are or may be reclassified subsequently to the statements of income:</u> | | | | | |
| Cash flow hedge gains (losses) recognized | | 768 | (387) | 2,205 | 1,629 |
| Cash flow hedge (gains) losses transferred to the statements of income | 6 | (657) | (86) | (1,066) | 804 |
| Income tax effect | | (30) | 127 | (305) | (650) |
| | | <u>81</u> | <u>(346)</u> | <u>834</u> | <u>1,783</u> |
| Other comprehensive income (loss) for the period - net of income tax | | 81 | (402) | 834 | 1,799 |
| Comprehensive income for the period | | 26,460 | 24,724 | 83,083 | 80,389 |
| Attributable to: | | | | | |
| Equity holders of the Company | | 25,449 | 23,634 | 80,499 | 77,565 |
| Non-controlling interests | | 1,011 | 1,090 | 2,584 | 2,824 |
| | | <u>26,460</u> | <u>24,724</u> | <u>83,083</u> | <u>80,389</u> |

See accompanying notes to condensed consolidated financial statements.



Winpak Ltd.

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

| | Attributable to equity holders of the Company | | | | | | |
|--|---|---------------|----------|-------------------|---------|---------------------------|--------------|
| | Note | Share capital | Reserves | Retained earnings | Total | Non-controlling interests | Total equity |
| Balance at December 28, 2015 | | 29,195 | (1,208) | 576,359 | 604,346 | 19,045 | 623,391 |
| Comprehensive income for the period | | | | | | | |
| Cash flow hedge gains, net of tax | | - | 1,234 | - | 1,234 | - | 1,234 |
| Cash flow hedge losses transferred to the statements of income, net of tax | | - | 19 | - | 19 | - | 19 |
| Cash flow hedge losses transferred to property, plant and equipment | | - | 546 | - | 546 | - | 546 |
| Other comprehensive income | | - | 1,799 | - | 1,799 | - | 1,799 |
| Net income for the period | | - | - | 75,766 | 75,766 | 2,824 | 78,590 |
| Comprehensive income for the period | | - | 1,799 | 75,766 | 77,565 | 2,824 | 80,389 |
| Dividends | 8 | - | - | (4,453) | (4,453) | (1,277) | (5,730) |
| Balance at September 25, 2016 | | 29,195 | 591 | 647,672 | 677,458 | 20,592 | 698,050 |
| Balance at December 26, 2016 | | 29,195 | (29) | 676,478 | 705,644 | 21,625 | 727,269 |
| Comprehensive income for the period | | | | | | | |
| Cash flow hedge gains, net of tax | | - | 1,615 | - | 1,615 | - | 1,615 |
| Cash flow hedge gains transferred to the statements of income, net of tax | | - | (781) | - | (781) | - | (781) |
| Other comprehensive income | | - | 834 | - | 834 | - | 834 |
| Net income for the period | | - | - | 79,665 | 79,665 | 2,584 | 82,249 |
| Comprehensive income for the period | | - | 834 | 79,665 | 80,499 | 2,584 | 83,083 |
| Dividends | 8 | - | - | (4,531) | (4,531) | - | (4,531) |
| Balance at October 1, 2017 | | 29,195 | 805 | 751,612 | 781,612 | 24,209 | 805,821 |

See accompanying notes to condensed consolidated financial statements.



Winpak Ltd.

Condensed Consolidated Statements of Cash Flows

(thousands of US dollars) (unaudited)

| | Note | Quarter Ended (Note 2) | | Year-To-Date Ended (Note 2) | |
|--|------|------------------------|----------------------|-----------------------------|----------------------|
| | | October 1 2017 | September 25 2016 | October 1 2017 | September 25 2016 |
| Cash provided by (used in): | | | | | |
| Operating activities: | | | | | |
| Net income for the period | | 26,379 | 25,126 | 82,249 | 78,590 |
| Items not involving cash: | | | | | |
| Depreciation | | 9,730 | 8,834 | 28,487 | 25,995 |
| Amortization - deferred income | | (419) | (390) | (1,249) | (1,164) |
| Amortization - intangible assets | | 158 | 163 | 478 | 498 |
| Employee defined benefit plan expenses | | 830 | 793 | 2,673 | 2,615 |
| Net finance expense (income) | | 281 | (80) | 884 | (75) |
| Income tax expense | | 11,277 | 11,004 | 36,498 | 36,629 |
| Other | | (720) | 11 | (3,505) | (1,477) |
| Cash flow from operating activities before the following | | 47,516 | 45,461 | 146,515 | 141,611 |
| Change in working capital: | | | | | |
| Trade and other receivables | | (2,945) | (3,408) | 5,811 | (13,317) |
| Inventories | | 3,387 | (1,156) | (10,025) | (8,805) |
| Prepaid expenses | | 610 | 797 | (989) | (566) |
| Trade payables and other liabilities | | (12,693) | 10,446 | (3,819) | 6,456 |
| Employee defined benefit plan contributions | | (100) | (101) | (1,204) | (1,138) |
| Income tax paid | | (9,618) | (9,263) | (38,077) | (37,837) |
| Interest received | | 586 | 148 | 1,259 | 346 |
| Interest paid | | (794) | (2) | (1,943) | (64) |
| Net cash from operating activities | | 25,949 | 42,922 | 97,528 | 86,686 |
| Investing activities: | | | | | |
| Acquisition of plant and equipment - net | | (11,584) | (20,002) | (40,612) | (48,163) |
| Acquisition of intangible assets | | (31) | (42) | (418) | (171) |
| | | (11,615) | (20,044) | (41,030) | (48,334) |
| Financing activities: | | | | | |
| Dividends paid | 8 | (1,503) | (1,500) | (4,410) | (4,381) |
| Dividend paid to non-controlling interests in subsidiary | | - | - | - | (1,277) |
| | | (1,503) | (1,500) | (4,410) | (5,658) |
| Change in cash and cash equivalents | | 12,831 | 21,378 | 52,088 | 32,694 |
| Cash and cash equivalents, beginning of period | | 250,482 | 176,343 | 211,225 | 165,027 |
| Cash and cash equivalents, end of period | | 263,313 | 197,721 | 263,313 | 197,721 |

See accompanying notes to condensed consolidated financial statements.

1. General

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

2. Basis of Presentation

The unaudited interim condensed consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), using the same accounting policies as those used in the Company's consolidated financial statements for the year ended December 25, 2016, except as disclosed in note 3. The unaudited interim condensed consolidated financial statements are in compliance with IAS 34. Accordingly, certain information and note disclosure normally included in annual consolidated financial statements prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB) have been omitted or condensed. These unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 25, 2016, which are included in the Company's 2016 Annual Report.

The fiscal year of the Company ends on the last Sunday of the calendar year. As a result, the Company's fiscal year is usually 52 weeks in duration, but includes a 53rd week every five to six years. The 2017 fiscal year comprises 53 weeks and the 2016 fiscal year comprised 52 weeks. Each quarter of 2017 and 2016 comprises 13 weeks with the exception of the first quarter of 2017, which comprised 14 weeks.

The unaudited interim condensed consolidated financial statements were approved by the Audit Committee on behalf of the Board of Directors on October 26, 2017.

3. Accounting Standards and Policies Implemented in 2017

(a) Statements of Cash Flows:

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

(b) Customer Financing and Trade Receivables:

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

4. Future Accounting Standards

(a) Financial Instruments:

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

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

(b) Revenue From Contracts With Customers:

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

(c) Leases:

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

(d) Foreign Currency Transactions and Advance Consideration:

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

(e) Uncertainty over Income Tax Treatments:

In June 2017, IFRIC Interpretation 23 "Uncertainty over Income Tax Treatments" was issued and aims to reduce diversity in how companies recognize and measure a tax liability or tax asset when there is uncertainty over income tax treatments. The Interpretation is effective for annual periods beginning on or after January 1, 2019 and is to be applied retrospectively. Early adoption is permitted. While the Company is currently assessing the impact of the Interpretation, management does not expect IFRIC 23 to have a significant impact on the Company's consolidated financial statements and does not expect to early adopt the Interpretation.

5. Inventories

| | October 1 2017 | December 25 2016 |
|-----------------|-------------------|---------------------|
| Raw materials | 29,235 | 27,559 |
| Work-in-process | 18,325 | 18,113 |
| Finished goods | 56,506 | 49,254 |
| Spare parts | 9,475 | 8,590 |
| | <u>113,541</u> | <u>103,516</u> |

During the third quarter of 2017, the Company recorded, within cost of sales, inventory write-downs for slow-moving and obsolete inventory of \$1,844 (2016 - \$1,412) and reversals of previously written-down items of \$95 (2016 - \$277). On a year-to-date basis, the Company recorded, within cost of sales, inventory write-downs for slow-moving and obsolete inventory of \$6,601 (2016 - \$5,620) and reversals of previously written-down items of \$2,110 (2016 - \$2,310).

6. Other Income (Expenses)

| | Quarter Ended | | Year-To-Date Ended | |
|--|-------------------|----------------------|--------------------|----------------------|
| | October 1 2017 | September 25 2016 | October 1 2017 | September 25 2016 |
| Amounts shown on a net basis | | | | |
| Foreign exchange gain (loss) | 410 | (101) | 600 | (799) |
| Cash flow hedge gains (losses) transferred from other comprehensive income | 657 | 86 | 1,066 | (804) |
| | <u>1,067</u> | <u>(15)</u> | <u>1,666</u> | <u>(1,603)</u> |

7. Property, Plant and Equipment and Intangible Assets

At October 1, 2017, the Company has commitments to purchase plant and equipment of \$9,319 (December 25, 2016 - \$26,766). No impairment losses or impairment reversals were recognized during the year-to-date periods ended October 1, 2017 or September 25, 2016.

8. Dividends

During the third quarter of 2017, dividends in Canadian dollars of 3 cents per common share were declared (2016 - 3 cents) and on a year-to-date basis, 9 cents per common share were declared (2016 - 9 cents).

9. Earnings Per Share

| | Quarter Ended | | Year-To-Date Ended | |
|--|-------------------|----------------------|--------------------|----------------------|
| | October 1 2017 | September 25 2016 | October 1 2017 | September 25 2016 |
| Net income attributable to equity holders of the Company | 25,368 | 24,036 | 79,665 | 75,766 |
| Weighted average shares outstanding (000's) | 65,000 | 65,000 | 65,000 | 65,000 |
| Basic and diluted earnings per share - cents | 39 | 37 | 123 | 117 |

10. Determination of Fair Values

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

Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 - inputs that are not based on observable market data.

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

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

| Financial Assets (Liabilities) | Level 1 | Level 2 | Level 3 | Total |
|--|---------|---------|---------|-------|
| <u>At October 1, 2017</u> | | | | |
| Foreign currency forward contracts - net | - | 1,099 | - | 1,099 |
| <u>At December 25, 2016</u> | | | | |
| Foreign currency forward contracts - net | - | (40) | - | (40) |

11. Financial Instruments

When the Company has a legally enforceable right to set off supplier rebates receivable against supplier trade payables and intends to settle the amount on a net basis or simultaneously, the balance is presented as an offset within Trade Payables and Other Liabilities on the condensed consolidated balance sheet. At October 1, 2017, the supplier rebate receivable balance that was offset was \$4,452 (December 25, 2016 - \$5,064).

12. Financial Risk Management

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

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

Foreign Exchange Risk

Translation differences arise when foreign currency monetary assets and liabilities are translated at foreign exchange rates that change over time. These foreign exchange gains and losses are recorded in other income (expenses). As a result of the Company's CDN dollar net asset monetary position as at October 1, 2017, a one-cent change in the period-end foreign exchange rate from 0.8013 to 0.7913 (CDN to US dollars) would have decreased net income by \$78 for the third quarter of 2017. Conversely, a one-cent change in the period-end foreign exchange rate from 0.8013 to 0.8113 (CDN to US dollars) would have increased net income by \$78 for the third quarter of 2017.

The Company's Foreign Exchange Policy requires that between 50 and 80 percent of the Company's net requirement of CDN dollars for the ensuing 9 to 15 months will be hedged at all times with a combination of cash and cash equivalents and forward or zero-cost option foreign currency contracts. The Company may also enter into forward foreign currency contracts when equipment purchases and special dividend payments will be settled in foreign currencies. Transactions are only conducted with certain approved Schedule I Canadian financial institutions. All foreign currency contracts are designated as cash flow hedges. Certain foreign currency contracts matured during the third quarter of 2017 and the Company realized pre-tax foreign exchange gains of \$657 (year-to-date - realized foreign exchange gains of \$1,066). Of these foreign exchange differences, gains of \$657 were recorded in other income (expenses) (year-to-date gains - \$1,066) and \$0 was recorded in plant and equipment (year-to-date - \$0). During the third quarter of 2016, the Company realized pre-tax foreign exchange gains of \$119 (year-to-date - realized pre-tax foreign exchange losses of \$823). Of these foreign exchange differences, gains of \$86 were recorded in other income (expenses) (year-to-date losses - \$804) and gains of \$33 were recorded in plant and equipment (year-to-date losses - \$19).

As at October 1, 2017, the Company had US to CDN dollar foreign currency forward contracts outstanding with a notional amount of US \$25.0 million at an average exchange rate of 1.3019 maturing between October 2017 and July 2018. The fair value of these financial instruments was \$1,099 US and the corresponding unrealized gain 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 October 1, 2017 cash and cash equivalents balance of \$263.3 million, a 1.0 percent increase/decrease in interest rate fluctuations would increase/decrease income before income taxes by \$2,633 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 October 1, 2017, 71 percent of revenue was generated from customers with selling price-indexing programs. For all other customers, the Company's preferred practice is to match raw material cost changes with selling price adjustments, albeit with a slight time lag. This matching is not always possible, as customers react to selling price pressures related to raw material cost fluctuations according to conditions pertaining to their markets.

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 \$263.3 million, (b) no outstanding bank loans, (c) unused credit facilities comprised of unsecured operating lines of \$38 million, (d) the ability to obtain term-loan financing to fund an acquisition, if needed, (e) an informal investment grade credit rating, and (f) the Company's ability to generate positive cash flows from ongoing operations. Management believes that the Company's cash flows are more than sufficient to cover its operating costs, working capital requirements, capital expenditures and dividend payments in the next twelve months. The Company's trade payables and other liabilities and derivative financial instrument liabilities are virtually all due within twelve months.

Credit Risk

The Company is exposed to credit risk from its cash and cash equivalents held with banks and financial institutions, derivative financial instruments (foreign currency forward contracts), as well as credit exposure to customers, including outstanding trade and other receivable balances.

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

| | October 1 2017 | December 25 2016 |
|------------------------------------|-------------------|---------------------|
| Cash and cash equivalents | 263,313 | 211,225 |
| Trade and other receivables | 118,337 | 124,148 |
| Foreign currency forward contracts | 1,178 | 308 |
| | 382,828 | 335,681 |



Notes to Condensed Consolidated Financial Statements
For the periods ended October 1, 2017 and September 25, 2016
(thousands of US dollars, unless otherwise indicated) (Unaudited)

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.

In January 2017, the Company entered into an ongoing agreement to sell certain extended term trade receivables without recourse to a financial institution in exchange for cash. During the third quarter of 2017, the Company incurred costs on the sale of trade receivables of \$1,160 (year-to-date - \$2,845). Of these costs, \$769 was recorded in finance expense (year-to-date - \$1,853) and \$391 was recorded in general and administrative expenses (year-to-date - \$992).

As at October 1, 2017, the Company believes that the credit risk for trade and other receivables is mitigated due to the following: a) a broad customer base which is dispersed across varying market sectors and geographic locations, b) 98 percent of the gross trade and other receivables balance is within 30 days of the agreed upon payment terms with customers, c) the sale of certain extended term trade receivables without recourse, and d) 32 percent of the trade and other receivables balance is insured against credit losses. The Company's exposure to the ten largest customer balances, on aggregate, accounted for 40 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:

| | October 1 2017 | December 25 2016 |
|--|-------------------|---------------------|
| Current - neither impaired nor past due | 102,339 | 107,044 |
| <u>Not impaired but past the due date:</u> | | |
| Within 30 days | 14,476 | 15,658 |
| 31 - 60 days | 1,731 | 1,492 |
| Over 60 days | 681 | 749 |
| | <u>119,227</u> | <u>124,943</u> |
| Less: Allowance for doubtful accounts | <u>(890)</u> | <u>(795)</u> |
| Total trade and other receivables, net | <u>118,337</u> | <u>124,148</u> |

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 October 1, 2017 | 174,790 | 33,840 | 9,718 | 218,348 |
| Quarter ended September 25, 2016 | 167,111 | 27,075 | 10,513 | 204,699 |
| Year-to-date ended October 1, 2017 | 534,894 | 98,819 | 30,738 | 664,451 |
| Year-to-date ended September 25, 2016 | 502,312 | 74,448 | 30,222 | 606,982 |
| Property, Plant and Equipment and Intangible Assets | | | | |
| As at October 1, 2017 | 218,085 | 217,713 | 1,198 | 436,996 |
| As at September 25, 2016 | 189,723 | 215,021 | 1,235 | 405,979 |



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.