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

Financial Performance

Net income attributable to equity holders of the Company for the fourth quarter of 2017 amounted to $39.6 million or 61 cents in earnings per share (EPS), surpassing the 2016 corresponding result of $28.6 million or 44 cents per share by 38.7 percent. The exceptional result was influenced by the immediate impact of the United States tax reform enacted in December 2017, whereby the Company was required to recalculate the deferred tax asset and liability amounts pertaining to the temporary differences within its US subsidiaries. This resulted in a one-time income tax recovery of $11,090 or 17.0 cents per share. A higher relative gross profit margin enhanced EPS by 1.0 cent per share. Foreign exchange and the increase in net finance expense both lowered EPS by 0.5 cents.

For the year ended December 31, 2017, net income attributable to equity holders of the Company of $119.3 million or $1.84 per share exceeded the prior year record net income of $104.3 million or $1.61 per share by 14.3 percent. Excluding the impact of the income tax recovery due to the US tax reform, the growth was respectable at 3.7 percent. Of the normalized increase in EPS of 6 cents, the main factor was solid organic volume growth which contributed 10.0 cents. This was augmented by favorable foreign exchange, accounting for an additional 2.5 cents. Furthermore, other reductions in income taxes and controlled growth in operating expenses each provided 1.5 cents to EPS, while a smaller proportion of net income attributable to non-controlling interests enhanced EPS by 0.5 cents. Conversely, a sizeable drop in gross profit margin lowered EPS by 8.5 cents. The increase in net finance expense reduced EPS by 1.5 cents.

The fiscal year of the Company ends on the last Sunday of the calendar year and is usually 52 weeks in duration. However, the 2017 fiscal year consisted 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 between 1.0 to 2.0 percent to 2017 sales volumes and net income results.

Revenue

Revenue in the fourth quarter of 2017 of $222.3 million surpassed the 2016 final quarter level of $215.6 million by 3.1 percent. Volumes were essentially flat with the prior year comparable quarter, declining by less than 1.0 percent. Influenced by customer order patterns and tempered demand levels, volumes were restrained. All product groups were somewhat affected, with the greatest impact evident in rigid containers and lidding. Indexed selling prices have followed the increase in raw material costs that have been experienced over the past year, raising fourth quarter revenue by 3.4 percent while foreign exchange increased reported revenue by a further 0.5 percent.

For 2017, revenue expanded to $886.8 million, an increase of $64.2 million or 7.8 percent compared to 2016 revenue of $822.5 million. Volumes strengthened by 6.1 percent and after accounting for the additional week in the first quarter of 2017, volume growth was approximately 4.5 percent. More than 80 percent of the Company's growth was concentrated within the rigid container and modified atmosphere packaging product groups. Rigid container volumes progressed by 8.0 percent due to gains made with specialty beverage, meat tray, condiment and retort applications. Sizeable growth in the modified atmosphere packaging business at some of North America's largest meat companies drove volume enhancement in the mid-single-digit range. Compared to 2016, selling price and mix changes had a positive effect on revenue of 1.4 percent. The average value of the Canadian dollar, in comparison to its US counterpart during 2017, was relatively unchanged from 2016. Accordingly, foreign exchange had virtually no impact on reported revenue.

Gross profit margins

Although gross profit margins contracted to 31.3 percent of revenue in the current quarter from the 32.2 percent of revenue recorded in the fourth quarter of 2016, it represented a full percentage point improvement over the third quarter of 2017. Compared to 2016, selling price increases were in line with the corresponding increase in raw material costs. In addition, manufacturing efficiencies improved as the need to supplement capacity constraints with outsourced material has abated. Another contributing factor was the progress made in limiting production waste. Based on the foregoing, gross profit in dollar terms rose by 0.4 percent, in contrast to the slight decrease in sales volumes, resulting in a modest increase in EPS.

For the current year, gross profit margins attained a level of 31.2 percent of revenue, falling short of the 32.7 percent realized in 2016, culminating in a decrease in EPS of 8.5 cents. The escalation of raw material costs, in combination with competitive pricing conditions with specific customers, narrowed 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	4/17	3/17	2/17	1/17	4/16	3/16	2/16	1/16	4/15
Purchase Price Index	157.2	153.1	154.4	147.8	143.9	140.2	138.1	136.4	139.1

After the slight decline in the third quarter, the purchase price index resumed an upward trend, increasing by 2.7 percent versus the previous quarter. Certain commodity-type resins experienced a more significant increase than the average, whereas the specialty resins were stable throughout the period. In comparison to a year earlier, the index has climbed by 9.2 percent.

Expenses and Other

Operating expenses in the current quarter, exclusive of foreign exchange impact, receded at a similar overall rate relative to the corresponding decrease in sales volumes, thereby having a minimal impact on EPS. Foreign exchange was responsible for a decline in EPS of 0.5 cents as there was a loss on conversion of the Company's net Canadian dollar expenses into US funds at a higher average exchange rate. The Company entered into agreements during 2017 to sell certain extended term accounts receivable without recourse to financial institutions in exchange for cash. Consequently, net finance expense increased and lowered EPS by 0.5 cents.

For the 2017 fiscal year, operating expenses, adjusted for foreign exchange, increased by 4.7 percent in contrast to the 6.1 percent progression in sales volumes. Spending was contained in the other operating expense categories, in tandem with lower pre-production expenses, which more than offset the heightened share-based incentive expenses, generating incremental EPS of 1.5 cents. The maturation of foreign exchange forward contracts at more advantageous rates in 2017 supplemented EPS by 2.5 cents. In addition to the substantial 17.0 cents in EPS that was attributed to the income tax recovery from the recently enacted US tax reform, the effective income tax rate dropped by more than half a percentage point, adding 1.5 cents to EPS. A lower proportion of earnings attributable to non-controlling interests further elevated EPS by 0.5 cents. Partially offsetting these positive effects was net finance expense which subtracted 1.5 cents from EPS.

Summary of Quarterly Results

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

	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Revenue	222,323	218,348	217,752	228,351	215,550	204,699	204,129	198,154
Net income attributable to equity holders of the Company	39,633	25,368	25,745	28,552	28,578	24,036	25,166	26,564
EPS	61	39	40	44	44	37	39	41

Capital Resources, Cash Flow and Liquidity

The Company's cash and cash equivalents balance ended the current year at $292.0 million, an increase of $28.6 million from the end of the third quarter. Winpak continued to generate strong and consistent cash flow from operating activities before changes in working capital of $53.4 million, surpassing the corresponding quarter of the prior year by $3.3 million. Cash was utilized for net working capital additions of $4.2 million as trade payables and other liabilities decreased by $4.1 million due to the timing of supplier payments. Other uses of cash included $10.5 million in property, plant and equipment additions, income tax payments of $7.2 million, dividends of $1.6 million and other items amounting to $1.3 million.

For the year, the cash and cash equivalents balance advanced by $80.7 million, fueled by the significant cash flow generated from operating activities before changes in working capital of $199.9 million. Working capital additions utilized cash of $13.2 million. Due to the significant rise in raw material costs, along with the growth of the business, inventories increased by $13.2 million. Additionally, trade payables and other liabilities declined by $7.9 million. With the retirement of the previous President and CEO, the liability with respect to the share-based incentive plan was settled. Conversely, trade and other receivables fell by $7.2 million as the Company sold certain accounts receivable to financial institutions for cash. Uses of cash included property, plant and equipment additions of $51.1 million, income tax payments of $45.3 million, dividends of $6.0 million and other items totaling $3.6 million. The plant and equipment expenditures included building expansions at the Company's specialty films operation in Senoia, Georgia and the rigid container facility in Sauk Village, Illinois. Additionally, new extrusion capacity at the Sauk Village, Illinois plant and converting capacity at the Senoia, Georgia and Vaudreuil, Quebec operations came on stream during 2017.

Looking Forward

Business Outlook

Entering 2018 the Company anticipates continued growth in terms of sales volumes albeit at levels less than realized in recent years. To achieve volume growth, Winpak will need to maintain and grow business with existing customers and succeed in realizing new customer revenue streams. Competitive pressures for lower selling prices in the Company's product markets is expected to persist in 2018 and apply pressure on gross profit margins. From a raw material perspective, the costs for the Company's widely used resins remain elevated with increases in pricing on certain resins being incurred in the fourth quarter of 2017 and early in 2018. These pricing movements reflect a tightness in supply for select resins due to supplier production constraints resulting from severe weather events in the US and increases in volumes being exported outside of North America along with the rise of world oil prices. The Company expects this to weigh on gross profit margins in the first quarter of 2018. This will be mitigated as approximately 70% of the Company's revenues are indexed to the price of raw materials, albeit with an approximate 90 to 120-day time lag. Current market sentiment is that there will probably be no relief in resin prices until the second half of 2018. To lessen the effects of higher raw material costs, the Company will continue to focus on improving operational performance and strive for lower production costs. The Canadian dollar remains at a higher level versus its US counterpart from a year ago and this will be unfavorable to the Company's earnings in the current year as Canadian dollar costs exceed revenues in that currency. In addition, negative effects on earnings will be evident in 2018 as foreign currency forward contracts that are part of the Company's foreign exchange hedging policy matured at more favorable rates in 2017. Capital spending of $60 to $70 million is expected in 2018. Extrusion capacity at the Senoia, Georgia and Sauk Village, Illinois operations will be coming on line in the first quarter and at the Winnipeg, Manitoba facility in the third quarter. The Company has acquired land and building adjacent to the Winnipeg, Manitoba plant to accommodate future expansion capabilities. Winpak remains focused on capital investment for organic growth including new technologies and expanded product offerings and will continue to evaluate acquisition opportunities that fit strategically with the Company's core competencies in sophisticated packaging for food, beverage and healthcare applications to add long-term shareholder value.

United States Tax Reform

As a result of US tax reform enacted in December 2017, the Company expects a reduction in the consolidated effective income tax rate. Winpak's consolidated effective income tax rate prior to US tax reform ranged from 30.5% to 31.5%. Given the US federal statutory income tax rate decreased from 35% to 21%, the Company's consolidated effective income tax rate for 2018 and subsequent years is expected to be in the range of 26% to 28% which includes the US federal and state statutory income tax rates. The Base Erosion Anti-Abuse Tax (BEAT) includes provisions that limit certain tax-deductible payments made to foreign affiliates which could impose additional taxes on corporations. The Company is currently assessing the potential exposures, if any, with respect to the BEAT.

NAFTA

The Company's operations encompass three product groups produced in ten manufacturing facilities located in North America. The majority of Winpak's products are sold to customers in the US followed by Canada and Mexico. Approximately 61% of production costs occur in Canada and the export sales from these manufacturing facilities into the US represents about 40% of the Company's total revenues. Under the current NAFTA agreement, all packaging materials move across the borders between Canada, the US and Mexico free of duties. The effect of any border tax adjustment due to potential amendments to NAFTA for imported cost of goods sold from foreign entities could have a significant financial impact to the Company. The magnitude of exposures to the Company regarding any amendments to NAFTA cannot be determined as insufficient information exists currently. The possible future impact of risks relating to NAFTA are anticipated to be mitigated by increased levels of production capabilities in the US manufacturing operations, if required.

Future Changes to Accounting Standards

The International Accounting Standards Board (IASB) issued the following standards that have not been applied in preparing the interim condensed consolidated financial statements and notes thereto, for the year ended December 31, 2017 as their effective dates fall within annual periods beginning subsequent to the current reporting period: IFRS 9 "Financial Instruments", IFRS 15 "Revenue From Contracts With Customers" and IFRS 16 "Leases".

In July 2014, the final version of IFRS 9 “Financial Instruments” was issued which includes updates to the classification and measurement of financial assets and liabilities, an expected loss impairment model that will require more timely recognition of expected credit losses, and a simplified model for hedge accounting. IFRS 9 is effective for annual and interim reporting periods beginning on or after January 1, 2018. The standard will be implemented by the Company in 2018. The Company does not anticipate a significant impact on the consolidated financial statements.

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 and interim periods beginning on or after January 1, 2018 and is to be applied retrospectively. The Company has undertaken a detailed review of contracts entered with key customers and other forms of agreements with customers and has evaluated the provisions under the five-step model specified by the new guidance. In addition, the Company continues to monitor additional interpretive guidance related to the new standard as it becomes available, as well as comparing the conclusions made on specific interpretative issues to other peers in the packaging industry, to the extent that such information is available. The standard will be implemented by the Company in 2018. The Company expects the new revenue recognition guidance will not have a material impact on the consolidated financial statements. The Company intends to adopt the standard retrospectively with the cumulative effect of initially applying the standard recognized at January 1, 2018 in opening retained earnings.

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 and interim reporting 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.

In addition, Interpretation 22 “Foreign Currency Transactions and Advance Consideration” was issued in December 2016 and IFRIC Interpretation 23 “Uncertainty over Income Tax Treatments” was issued in June 2017. These are effective for annual and interim reporting periods beginning on or after January 1, 2018 and January 1, 2019 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 31, 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 December 31, 2017 to provide reasonable assurance that the financial information being reported is materially accurate. During the fourth quarter ended December 31, 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.