



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.



(presented in US dollars)

Forward-looking statements: Certain statements made in the following report 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, 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 Wipak'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. Wipak 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.



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. For a complete set of notes to the condensed consolidated financial statements, refer to www.sedar.com or the Company's website, www.winpak.com.



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

	October 1 2017	December 25 2016
Assets		
Current assets:		
Cash and cash equivalents	263,313	211,225
Trade and other receivables	118,337	124,148
Income taxes receivable	2,693	564
Inventories	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	422,554	409,147
Intangible assets	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
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>



Winpak Ltd.

Condensed Consolidated Statements of Income

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

	Quarter Ended		Year-To-Date Ended	
	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)	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
	26,379	25,126	82,249	78,590
Basic and diluted earnings per share - cents	39	37	123	117

Condensed Consolidated Statements of Comprehensive Income

(thousands of US dollars) (unaudited)

	Quarter Ended		Year-To-Date Ended	
	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	-	-	-	-
	-	(56)	-	16
<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	(657)	(86)	(1,066)	804
Income tax effect	(30)	127	(305)	(650)
	81	(346)	834	1,783
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
	26,460	24,724	83,083	80,389



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

	Attributable to equity holders of the Company					
	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	-	-	(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	-	-	(4,531)	(4,531)	-	(4,531)
Balance at October 1, 2017	29,195	805	751,612	781,612	24,209	805,821



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

	Quarter Ended		Year-To-Date Ended	
	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	<u>47,516</u>	<u>45,461</u>	<u>146,515</u>	<u>141,611</u>
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	<u>25,949</u>	<u>42,922</u>	<u>97,528</u>	<u>86,686</u>
Investing activities:				
Acquisition of plant and equipment - net	(11,584)	(20,002)	(40,612)	(48,163)
Acquisition of intangible assets	(31)	(42)	(418)	(171)
	<u>(11,615)</u>	<u>(20,044)</u>	<u>(41,030)</u>	<u>(48,334)</u>
Financing activities:				
Dividends paid	(1,503)	(1,500)	(4,410)	(4,381)
Dividend paid to non-controlling interests in subsidiary	-	-	-	(1,277)
	<u>(1,503)</u>	<u>(1,500)</u>	<u>(4,410)</u>	<u>(5,658)</u>
Change in cash and cash equivalents	12,831	21,378	52,088	32,694
Cash and cash equivalents, beginning of period	<u>250,482</u>	<u>176,343</u>	<u>211,225</u>	<u>165,027</u>
Cash and cash equivalents, end of period	<u>263,313</u>	<u>197,721</u>	<u>263,313</u>	<u>197,721</u>