



## NEWS RELEASE

### Winpak Reports 2017 Second Quarter Results

Winnipeg, Manitoba, July 27, 2017 - Winpak Ltd. (WPK) today reports consolidated results in US dollars for the second quarter of 2017, which ended on July 2, 2017.

	Quarter Ended (1)		Year-To-Date Ended (1)	
	July 2 2017	June 26 2016	July 2 2017	June 26 2016
<i>(thousands of US dollars, except per share amounts)</i>				
Revenue	217,752	204,129	446,103	402,283
Net income	26,621	26,164	55,870	53,464
Income tax expense	11,466	13,315	25,221	25,625
Net finance expense	470	24	603	5
Depreciation and amortization	9,122	8,391	18,247	16,722
EBITDA (2)	47,679	47,894	99,941	95,816
Net income attributable to equity holders of the Company	25,745	25,166	54,297	51,730
Net income attributable to non-controlling interests	876	998	1,573	1,734
Net income	26,621	26,164	55,870	53,464
Basic and diluted earnings per share (cents)	40	39	84	80

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.

For further information: L.A. Warelis, Vice President and CFO, (204) 831-2254; O.Y. Muggli, Executive Vice President and COO, (204) 831-2214

<sup>1</sup> 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.

<sup>2</sup> 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 second quarter of 2017 of \$25.7 million or 40 cents in earnings per share (EPS) compared to \$25.2 million or 39 cents per share in the corresponding quarter of 2016, an increase of 2.3 percent. Continued organic volume growth contributed 3.0 cents in EPS. This, however, was more than offset by a reduction in gross profit margins, negatively impacting EPS by 5.0 cents. Lower income taxes and favorable foreign exchange augmented EPS by 2.5 cents and 1.0 cent respectively. The higher net finance expense had the opposite effect, decreasing EPS by 0.5 cents.

For the six months ended July 2, 2017, net income attributable to equity holders of the Company amounted to \$54.3 million or 84 cents per share which surpassed the 2016 first half result of \$51.7 million or 80 cents per share by 5.0 percent. Greater sales volumes in 2017 enhanced EPS by 9.5 cents and was supplemented by favorable foreign exchange, adding a further 2.5 cents. Reduced income taxes and controlled growth in operating expenses each contributed 1.5 cents to EPS. On the other hand, a compressed gross profit margin lowered EPS by 10.5 cents. The increase in net finance expense reduced EPS by 0.5 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 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 3 percent to 2017 first half volumes and net income results.

### Revenue

Revenue in the second quarter of 2017 reached \$217.8 million versus \$204.1 million in the same quarter of 2016, an increase of 6.7 percent. Volume growth remained on a steady pace at 7.0 percent compared to the second quarter of 2016. Revenue performance varied across product groups. Similar to the experience of the first quarter, rigid container volumes had the greatest influence on the Company's growth, advancing by 11 percent. Sheet and tray sales were particularly brisk. Modified atmosphere packaging volumes continued to progress in the high single-digit range, most notably at major US meat processors. Lidding volumes grew in the mid-single-digit range with gains realized in both die-cut yogurt and condiment lids. Meanwhile, volumes in the specialty films and biaxially oriented nylon product groups were essentially unchanged from the prior year. Packaging machinery continued to progress at a healthy pace, eclipsing the prior year quarter by more than 10 percent. Changes in selling prices and product mix, along with foreign exchange, had a negligible effect on revenue.

For the first half of 2017, revenue rose by \$43.8 million or 10.9 percent to \$446.1 million from \$402.3 million recorded in the first six months of 2016. Volume growth was substantial at 11.5 percent and even after accounting for the additional week in the first quarter of 2017, volume growth was approximately 8 percent. Demand was strongest in rigid containers where growth of 16 percent was experienced, led by specialty beverage, condiment and tray packaging sales. Modified atmosphere packaging volumes were also heightened, progressing in the high single-digit percentage range. Gains at major US protein processors drove success for this product group. Biaxially oriented nylon shipments expanded in the mid-single-digit range as did lidding sales with die-cut yogurt and condiment lids advancing. Weakened demand for specialty films resulted in volumes receding in the mid-single-digit percentage range. Packaging machinery growth exceeded 20 percent, although this product group represents less than 3 percent of total revenue. Lower overall selling prices and change in product mix resulted in a decrease in revenue of 0.6 percent compared to 2016. Foreign exchange had little impact on revenue in relation to the corresponding prior year period.

### Gross profit margins

Gross profit margins for the second quarter of 2017 fell 2.1 percentage points to 31.2 percent of revenue from the 33.3 percent recorded in the same quarter of 2016. Significantly higher raw material costs, compared to those incurred a year earlier, were responsible for the margin erosion and the resulting decrease in EPS of 5.0 cents. The selling price increases with respect to indexed customer accounts typically lag the change in raw material costs by approximately three months, leading to a contraction in margins during the interim period.



For the first six months of 2017, gross profit margins of 31.6 percent of revenue fell short of 2016 year-to-date levels of 33.7 percent by 2.1 percentage points. This translated into a decrease in earnings per share of 10.5 cents. The overriding factor was the narrowing in 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	2/17	1/17	4/16	3/16	2/16	1/16	4/15	3/15	2/15
Purchase Price Index	154.4	147.8	143.9	140.2	138.1	136.4	139.1	147.7	152.1

The purchase price index advanced by 4.5 percent compared to the first quarter of 2017. While most of the Company's major raw materials experienced increases ranging between mid-single-digit and low double-digit, polypropylene resin prices dropped by over 9 percent in the quarter. The index has increased by 11.8 percent over the past twelve months and is directly related to the rise in the price of oil in the latter half of 2016 and the tightness of resin supply in the market place during this time period.

### Expenses and Other

Operating expenses in the second quarter of 2017, after eliminating the impact of foreign exchange, increased by 6.4 percent, virtually the same as the growth in sales volumes of 7.0 percent over the same period. Higher share-based incentive expenses were offset by lower research and technical expenses, reflecting the high level of activity that was undertaken during the second quarter of 2016 in support of new product initiatives. Foreign exchange had a favorable effect on EPS of approximately 1.0 cent. The weaker Canadian dollar in the second quarter of 2017 versus the comparative period in 2016 had a positive impact on earnings as expenses exceeded revenues in that currency. 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. Consequently, net finance expense increased and lowered EPS by 0.5 cents. Due to a larger proportion of earnings being realized in lower income tax rate jurisdictions, a drop in the effective income tax rate was experienced, which increased EPS by 2.5 cents.

On a year-to-date basis, operating expenses, adjusted for foreign exchange, advanced at a rate of 8.9 percent while sales volumes expanded by 11.5 percent. Despite the significant rise in share-based incentive expenses, controlled spending in other expenses more than offset those costs, resulting in additional EPS of 1.5 cents. Furthermore, foreign exchange had a favorable effect on EPS of 2.5 cents in the first six months of 2017 in comparison to the equivalent time-frame in 2016 as the gains realized on the maturing foreign exchange forward contracts in 2017 contrasted with the losses recorded in the prior year. Net finance expense had an unfavorable impact of EPS of 0.5 cents, but was more than offset by the lower effective income tax rate, which increased EPS by 1.5 cents.

### Summary of Quarterly Results

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

	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
Revenue	217,752	228,351	215,550	204,699	204,129	198,154	205,746	193,726
Net income attributable to equity holders of the Company	25,745	28,552	28,578	24,036	25,166	26,564	27,635	22,305
EPS	40	44	44	37	39	41	43	34

### Capital Resources, Cash Flow and Liquidity

The Company's cash and cash equivalents balance ended the second quarter of 2017 at \$250.5 million, an increase of \$18.8 million from the end of the previous quarter. Winpak continued to generate strong cash flows from operating activities before changes in working capital of \$47.6 million. Working capital was virtually unchanged, decreasing by just \$0.7 million. Cash was used for income tax payments of \$16.6 million, plant and equipment additions of \$10.8 million, dividends of \$1.5 million and other items amounting to \$0.6 million.

For the first half of 2017, the cash and cash equivalents balance advanced by \$39.3 million to \$250.5 million as a result of the significant cash flow provided by operating activities before changes in working capital of \$99.0 million. Working capital provided an additional \$2.6 million in cash. Trade payables and other liabilities grew by \$8.9 million due to the level and timing of inventory purchases and the increase in the liability pertaining to the share-based incentive plan. Additionally, trade and other receivables generated \$8.8 million as the Company sold certain accounts receivable to a financial institution for cash. Conversely, inventory expanded by \$13.4 million, reflecting the investment driven by the



organic sales volume growth as well as the rise in raw material costs. Other uses of cash included plant and equipment additions of \$29.0 million, income tax payments of \$28.5 million, dividends of \$2.9 million and other items totaling \$1.9 million.

### Looking Forward

Continuing on the momentum created in the first half of the year, the Company remains positive regarding sales volume growth and earnings advancement in the second half of 2017. In this regard, Wipak will have to continue to retain sales volumes with existing customers by executing contracts as they come up for renewal and realize new business with customers. From a raw material perspective, the prices of the Company's widely used resins have risen in the first six months of the year due mostly to tightness of supply in the North American market. Price increases announced in the first half of the year, for most resins, will likely keep gross profit margins at levels similar to those realized in the first six months of the year as elevated resin costs make their way into cost of goods sold before they are reflected in higher indexed selling prices in the upcoming quarters. The supply and demand in the North American market for resins is relatively balanced and it appears changes in raw material costs in aggregate should not vary significantly in the third quarter. To enhance gross profit margins, the Company will concentrate on improving manufacturing results where new product offerings and equipment require more knowledge and experience to elevate production competencies and productivity. 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 second quarter of 2017. New extrusion capacity at the two aforementioned plants are expected to be in place by the end of 2017. In addition, converting capacity will be coming on stream at the Senoia, Georgia and Vaudreuil, Quebec operations. Capital spending for the first six months has reached \$29 million and is expected to be between \$60 to \$70 million for the current year. The Company remains focused on organic growth through capital investment and will continue to pursue acquisition opportunities in Wipak's core competencies in sophisticated food and healthcare packaging executing a transaction when the proper price and fit are present to add long-term shareholder value.



**Winpak Ltd.**  
**Interim Condensed Consolidated Financial Statements**  
**Second Quarter Ended: July 2, 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](http://www.sedar.com) or the Company's website, [www.winpak.com](http://www.winpak.com).



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

	July 2 2017	December 25 2016
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	250,482	211,225
Trade and other receivables	115,392	124,148
Income taxes receivable	3,056	564
Inventories	116,928	103,516
Prepaid expenses	4,623	3,024
Derivative financial instruments	988	308
	<u>491,469</u>	<u>442,785</u>
<b>Non-current assets:</b>		
Property, plant and equipment	420,336	409,147
Intangible assets	14,568	14,501
Employee benefit plan assets	7,162	6,721
Deferred tax assets	940	1,060
	<u>443,006</u>	<u>431,429</u>
<b>Total assets</b>	<u>934,475</u>	<u>874,214</u>
<b>Equity and Liabilities</b>		
<b>Current liabilities:</b>		
Trade payables and other liabilities	80,395	71,448
Income taxes payable	122	6,226
Derivative financial instruments	-	348
	<u>80,517</u>	<u>78,022</u>
<b>Non-current liabilities:</b>		
Employee benefit plan liabilities	10,256	9,253
Deferred income	15,569	15,424
Provisions	760	760
Deferred tax liabilities	46,450	43,486
	<u>73,035</u>	<u>68,923</u>
<b>Total liabilities</b>	<u>153,552</u>	<u>146,945</u>
<b>Equity:</b>		
Share capital	29,195	29,195
Reserves	724	(29)
Retained earnings	727,806	676,478
<b>Total equity attributable to equity holders of the Company</b>	<u>757,725</u>	<u>705,644</u>
<b>Non-controlling interests</b>	23,198	21,625
<b>Total equity</b>	<u>780,923</u>	<u>727,269</u>
<b>Total equity and liabilities</b>	<u>934,475</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	
	July 2 2017	June 26 2016	July 2 2017	June 26 2016
Revenue	217,752	204,129	446,103	402,283
Cost of sales	(149,878)	(136,178)	(304,951)	(266,565)
Gross profit	67,874	67,951	141,152	135,718
Sales, marketing and distribution expenses	(16,563)	(15,646)	(34,187)	(30,878)
General and administrative expenses	(8,919)	(7,240)	(18,058)	(15,186)
Research and technical expenses	(3,913)	(4,871)	(7,687)	(8,616)
Pre-production expenses	-	(187)	(125)	(356)
Other income (expenses)	78	(504)	599	(1,588)
<b>Income from operations</b>	<b>38,557</b>	<b>39,503</b>	<b>81,694</b>	<b>79,094</b>
Finance income	413	124	729	257
Finance expense	(883)	(148)	(1,332)	(262)
Income before income taxes	38,087	39,479	81,091	79,089
Income tax expense	(11,466)	(13,315)	(25,221)	(25,625)
<b>Net income for the period</b>	<b>26,621</b>	<b>26,164</b>	<b>55,870</b>	<b>53,464</b>
<b>Attributable to:</b>				
Equity holders of the Company	25,745	25,166	54,297	51,730
Non-controlling interests	876	998	1,573	1,734
	26,621	26,164	55,870	53,464
<b>Basic and diluted earnings per share - cents</b>	<b>40</b>	<b>39</b>	<b>84</b>	<b>80</b>

**Condensed Consolidated Statements of Comprehensive Income**

(thousands of US dollars) (unaudited)

	Quarter Ended		Year-To-Date Ended	
	July 2 2017	June 26 2016	July 2 2017	June 26 2016
<b>Net income for the period</b>	<b>26,621</b>	<b>26,164</b>	<b>55,870</b>	<b>53,464</b>
<u>Items that will not be reclassified to the statements of income:</u>				
Cash flow hedge (losses) gains recognized	-	(12)	-	20
Cash flow hedge losses transferred to property, plant and equipment	-	-	-	52
Income tax effect	-	-	-	-
	-	(12)	-	72
<u>Items that are or may be reclassified subsequently to the statements of income:</u>				
Cash flow hedge gains recognized	999	604	1,437	2,016
Cash flow hedge losses (gains) transferred to the statements of income	22	166	(409)	890
Income tax effect	(273)	(206)	(275)	(777)
	748	564	753	2,129
<b>Other comprehensive income for the period - net of income tax</b>	<b>748</b>	<b>552</b>	<b>753</b>	<b>2,201</b>
<b>Comprehensive income for the period</b>	<b>27,369</b>	<b>26,716</b>	<b>56,623</b>	<b>55,665</b>
<b>Attributable to:</b>				
Equity holders of the Company	26,493	25,718	55,050	53,931
Non-controlling interests	876	998	1,573	1,734
	27,369	26,716	56,623	55,665



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
<b>Balance at December 28, 2015</b>	29,195	(1,208)	576,359	604,346	19,045	623,391
<b>Comprehensive income for the period</b>						
Cash flow hedge gains, net of tax	-	1,497	-	1,497	-	1,497
Cash flow hedge losses transferred to the statements of income, net of tax	-	652	-	652	-	652
Cash flow hedge losses transferred to property, plant and equipment	-	52	-	52	-	52
<b>Other comprehensive income</b>	-	2,201	-	2,201	-	2,201
<b>Net income for the period</b>	-	-	51,730	51,730	1,734	53,464
<b>Comprehensive income for the period</b>	-	2,201	51,730	53,931	1,734	55,665
<b>Dividends</b>	-	-	(2,973)	(2,973)	(1,277)	(4,250)
<b>Balance at June 26, 2016</b>	29,195	993	625,116	655,304	19,502	674,806
<b>Balance at December 26, 2016</b>	29,195	(29)	676,478	705,644	21,625	727,269
<b>Comprehensive income for the period</b>						
Cash flow hedge gains, net of tax	-	1,053	-	1,053	-	1,053
Cash flow hedge gains transferred to the statements of income, net of tax	-	(300)	-	(300)	-	(300)
<b>Other comprehensive income</b>	-	753	-	753	-	753
<b>Net income for the period</b>	-	-	54,297	54,297	1,573	55,870
<b>Comprehensive income for the period</b>	-	753	54,297	55,050	1,573	56,623
<b>Dividends</b>	-	-	(2,969)	(2,969)	-	(2,969)
<b>Balance at July 2, 2017</b>	29,195	724	727,806	757,725	23,198	780,923



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

	Quarter Ended		Year-To-Date Ended	
	July 2 2017	June 26 2016	July 2 2017	June 26 2016
<b>Cash provided by (used in):</b>				
<b>Operating activities:</b>				
Net income for the period	26,621	26,164	55,870	53,464
Items not involving cash:				
Depreciation	9,374	8,606	18,757	17,161
Amortization - deferred income	(414)	(380)	(830)	(774)
Amortization - intangible assets	162	165	320	335
Employee defined benefit plan expenses	927	944	1,843	1,822
Net finance expense	470	24	603	5
Income tax expense	11,466	13,315	25,221	25,625
Other	(1,015)	(111)	(2,785)	(1,488)
Cash flow from operating activities before the following	47,591	48,727	98,999	96,150
Change in working capital:				
Trade and other receivables	210	(8,554)	8,756	(9,909)
Inventories	(1,749)	(6,605)	(13,412)	(7,649)
Prepaid expenses	378	(57)	(1,599)	(1,363)
Trade payables and other liabilities	1,816	2,691	8,874	(3,990)
Employee defined benefit plan contributions	(99)	(90)	(1,104)	(1,037)
Income tax paid	(16,595)	(13,389)	(28,459)	(28,574)
Interest received	394	147	673	198
Interest paid	(772)	(58)	(1,149)	(62)
Net cash from operating activities	31,174	22,812	71,579	43,764
<b>Investing activities:</b>				
Acquisition of plant and equipment - net	(10,781)	(13,100)	(29,028)	(28,161)
Acquisition of intangible assets	(136)	(119)	(387)	(129)
	(10,917)	(13,219)	(29,415)	(28,290)
<b>Financing activities:</b>				
Dividends paid	(1,466)	(1,473)	(2,907)	(2,881)
Dividend paid to non-controlling interests in subsidiary	-	(1,277)	-	(1,277)
	(1,466)	(2,750)	(2,907)	(4,158)
Change in cash and cash equivalents	18,791	6,843	39,257	11,316
Cash and cash equivalents, beginning of period	231,691	169,500	211,225	165,027
Cash and cash equivalents, end of period	250,482	176,343	250,482	176,343