

REPORTING

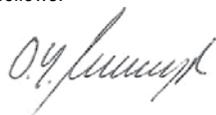
Management's Report to the Shareholders

The accompanying consolidated financial statements, management's discussion and analysis (MD&A) and other information in the Annual Report are the responsibility of management. The consolidated financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these statements in accordance with International Financial Reporting Standards. The MD&A and financial information contained in this Annual Report are consistent with the consolidated financial statements.

To provide reasonable assurance that assets are safeguarded and that relevant and reliable financial information is being reported, management has developed and maintains a system of internal controls. An integral part of the system is the requirement that employees maintain the highest standard of ethics in their activities. Business reviews and internal audits are performed by corporate executives and an internal audit team to evaluate internal controls, systems and procedures.

The Board of Directors, acting through the Audit Committee, is responsible for determining that management fulfills its responsibilities in the preparation of the consolidated financial statements and MD&A, and in the financial control of operations. The Board recommends the appointment of the independent auditors to the shareholders. The Audit Committee meets regularly with financial management and the independent auditors to discuss internal controls, auditing matters and financial reporting issues and presents its findings to the Board. The Audit Committee reviews the consolidated financial statements, MD&A and material financial announcements with management and the external auditors prior to submission to the Board for approval.

The consolidated financial statements have been audited on behalf of the shareholders by the independent external auditors, KPMG LLP, whose report follows.



O.Y. Muggli
President and Chief Executive Officer
February 22, 2018



L.A. Warelis
Vice President and Chief Financial Officer
February 22, 2018

Auditors' Report to the Shareholders

Independent Auditors' Report

To the Shareholders of Winpak Ltd.

We have audited the accompanying consolidated financial statements of Winpak Ltd. and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2017 and December 25, 2016 and the consolidated statements of income, comprehensive income, changes in equity, and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Winpak Ltd. as at December 31, 2017 and December 25, 2016 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.



Chartered Professional Accountants
February 22, 2018
Winnipeg, Canada

CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31, 2017 and December 25, 2016

(thousands of US dollars, except per share amounts)

	Note	2017	2016
Revenue		886,774	822,532
Cost of sales		(609,748)	(553,233)
Gross profit		277,026	269,299
Sales, marketing and distribution expenses		(67,190)	(63,247)
General and administrative expenses		(32,725)	(27,979)
Research and technical expenses		(15,602)	(17,168)
Pre-production expenses		(446)	(1,439)
Other income (expenses)	9	1,668	(1,669)
Income from operations		162,731	157,797
Finance income	10	1,974	670
Finance expense	10	(3,164)	(453)
Income before income taxes		161,541	158,014
Income tax expense	11	(38,831)	(49,813)
Net income for the year		122,710	108,201
Attributable to:			
Equity holders of the Company		119,298	104,344
Non-controlling interests		3,412	3,857
		122,710	108,201
Basic and diluted earnings per share - cents	22	184	161

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended December 31, 2017 and December 25, 2016

(thousands of US dollars)

		2017	2016
Net income for the year		122,710	108,201
<u>Items that will not be reclassified to the statements of income:</u>			
Cash flow hedge gains (losses) recognized		133	(3)
Cash flow hedge losses transferred to property, plant and equipment		-	19
Employee benefit plan remeasurements	17	(56)	2,516
Income tax effect	11	(1,003)	(847)
		(926)	1,685
<u>Items that are or may be reclassified subsequently to the statements of income:</u>			
Cash flow hedge gains recognized		2,089	961
Cash flow hedge (gains) losses transferred to the statements of income	9	(1,417)	626
Income tax effect	11	(180)	(424)
		492	1,163
Other comprehensive (loss) income for the year - net of income tax		(434)	2,848
Comprehensive income for the year		122,276	111,049
Attributable to:			
Equity holders of the Company		118,864	107,192
Non-controlling interests		3,412	3,857
		122,276	111,049

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

(thousands of US dollars)

	Note	December 31 2017	December 25 2016
Assets			
Current assets:			
Cash and cash equivalents	12	291,959	211,225
Trade and other receivables	13	116,955	124,148
Income taxes receivable		1,994	564
Inventories	14	116,720	103,516
Prepaid expenses		2,320	3,024
Derivative financial instruments		863	308
		<u>530,811</u>	<u>442,785</u>
Non-current assets:			
Property, plant and equipment	15	422,989	409,147
Intangible assets	16	14,444	14,501
Employee benefit plan assets	17	6,935	6,721
Deferred tax assets	18	818	1,060
		<u>445,186</u>	<u>431,429</u>
Total assets		<u>975,997</u>	<u>874,214</u>
Equity and Liabilities			
Current liabilities:			
Trade payables and other liabilities	19	63,670	71,448
Income taxes payable		1,555	6,226
Derivative financial instruments		98	348
		<u>65,323</u>	<u>78,022</u>
Non-current liabilities:			
Employee benefit plan liabilities	17	10,522	9,253
Deferred income		15,272	15,424
Provisions		760	760
Deferred tax liabilities	18	40,656	43,486
		<u>67,210</u>	<u>68,923</u>
Total liabilities		<u>132,533</u>	<u>146,945</u>
Equity:			
Share capital	21	29,195	29,195
Reserves	21	596	(29)
Retained earnings		788,636	676,478
		<u>818,427</u>	<u>705,644</u>
Total equity attributable to equity holders of the Company		<u>818,427</u>	<u>705,644</u>
Non-controlling interests		<u>25,037</u>	<u>21,625</u>
Total equity		<u>843,464</u>	<u>727,269</u>
Total equity and liabilities		<u>975,997</u>	<u>874,214</u>

See accompanying notes to consolidated financial statements.

On behalf of the Board:



Director



Director

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(thousands of US dollars)

	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 year							
Cash flow hedge gains, net of tax		-	745	-	745	-	745
Cash flow hedge losses transferred to the statements of income, net of tax		-	415	-	415	-	415
Cash flow hedge losses transferred to property, plant and equipment		-	19	-	19	-	19
Employee benefit plan remeasurements, net of tax		-	-	1,669	1,669	-	1,669
Other comprehensive income		-	1,179	1,669	2,848	-	2,848
Net income for the year		-	-	104,344	104,344	3,857	108,201
Comprehensive income for the year		-	1,179	106,013	107,192	3,857	111,049
Dividends	21	-	-	(5,894)	(5,894)	(1,277)	(7,171)
Balance at December 25, 2016		29,195	(29)	676,478	705,644	21,625	727,269
Balance at December 26, 2016		29,195	(29)	676,478	705,644	21,625	727,269
Comprehensive income for the year							
Cash flow hedge gains, net of tax		-	1,664	-	1,664	-	1,664
Cash flow hedge gains transferred to the statements of income, net of tax		-	(1,039)	-	(1,039)	-	(1,039)
Employee benefit plan remeasurements, net of tax		-	-	(1,059)	(1,059)	-	(1,059)
Other comprehensive income (loss)		-	625	(1,059)	(434)	-	(434)
Net income for the year		-	-	119,298	119,298	3,412	122,710
Comprehensive income for the year		-	625	118,239	118,864	3,412	122,276
Dividends	21	-	-	(6,081)	(6,081)	-	(6,081)
Balance at December 31, 2017		29,195	596	788,636	818,427	25,037	843,464

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2017 and December 25, 2016

(thousands of US dollars)

	Note	2017	2016
Cash provided by (used in):			
Operating activities:			
Net income for the year		122,710	108,201
Items not involving cash:			
Depreciation	15	38,565	35,054
Amortization - deferred income		(1,704)	(1,536)
Amortization - intangible assets	16	632	666
Employee defined benefit plan expenses	17	3,346	3,219
Net finance expense (income)	10	1,190	(217)
Income tax expense	11	38,831	49,813
Other		(3,675)	(3,552)
Cash flow from operating activities before the following		199,895	191,648
Change in working capital:			
Trade and other receivables		7,193	(16,343)
Inventories		(13,204)	(7,018)
Prepaid expenses		704	387
Trade payables and other liabilities		(7,893)	2,874
Employee defined benefit plan contributions	17	(2,093)	(1,532)
Income tax paid		(45,276)	(44,491)
Interest received		1,856	549
Interest paid		(2,816)	(67)
Net cash from operating activities		138,366	126,007
Investing activities:			
Acquisition of property, plant and equipment - net		(51,084)	(72,240)
Acquisition of intangible assets	16	(575)	(430)
		(51,659)	(72,670)
Financing activities:			
Dividends paid	21	(5,973)	(5,862)
Dividend paid to non-controlling interests in subsidiary		-	(1,277)
		(5,973)	(7,139)
Change in cash and cash equivalents		80,734	46,198
Cash and cash equivalents, beginning of year		211,225	165,027
Cash and cash equivalents, end of year	12	291,959	211,225

See accompanying notes to consolidated financial statements.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(thousands of US dollars, unless otherwise indicated)

1. General:

Wapak 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. The ultimate controlling party of Wapak Ltd. is Wihuri International Oy of Helsinki, Finland, a privately held company.

2. Basis of presentation:

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). 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 comprised 53 weeks and the 2016 fiscal year comprised 52 weeks.

The Company's functional and reporting currency is the US dollar. The US dollar is the reporting currency as more than 80 percent of the Company's business is conducted in US dollars and therefore management believes this increases transparency by significantly reducing volatility of reported results due to fluctuations in the rate of exchange between the Canadian and US currencies.

The consolidated financial statements have been prepared under the historical-cost convention, except that certain financial instruments, employee benefit plans and share-based payments are stated at their fair value.

The consolidated financial statements were approved by the Board of Directors on February 22, 2018.

3. Accounting standards implemented in 2017:

Statement 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 with prospective application and had no impact on the Company's consolidated financial statements.

4. Significant accounting policies:

(a) Principles of consolidation:

The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries: Wapak Portion Packaging Ltd.; Wapak Heat Seal Packaging Inc.; Wapak Holdings Ltd.; Wapak Inc.; Wapak Films Inc.; Wapak Portion Packaging, Inc.; Wapak Lane, Inc.; Wapak Heat Seal Corporation; Grupo Wapak de Mexico, S.A. de C.V.; Embalajes Wapak de Mexico, S.A. de C.V.; and Administracion Wapak de Mexico, S.A. de C.V.; and its majority-owned subsidiary American Biaxis Inc. Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is obtained until the date that control ceases. The financial statements of all subsidiaries are prepared as of the same reporting date using consistent accounting policies. All inter-company balances and transactions, including any unrealized income arising from inter-company transactions have been eliminated.

(b) Business combinations:

Business combinations are accounted for using the acquisition method of accounting. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities assumed from the former owners of the acquiree and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition costs incurred are expensed and included in general and administrative expenses. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with IAS 39 in the statement of income.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. Goodwill is initially measured as the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed. If this consideration is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the statement of income.

(c) Non-controlling interests:

Wapak Ltd. owns 51 percent of the equity interest in American Biaxis Inc., a subsidiary located in Winnipeg, Manitoba, Canada. Non-controlling interests represent the remaining 49 percent equity interest owned by third parties. The share of net assets attributable to non-controlling interests is presented as a component of equity. Their share of net income and other comprehensive income is recognized directly in equity.



(d) Foreign currency translation:

The financial statements for the Company and its subsidiaries are prepared using their functional currency, that being the US dollar. The functional currency is the currency of the primary economic environment in which the Company and its subsidiaries operate. Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Foreign currency differences arising on translation are recognized directly to the statement of income. Non-monetary assets and liabilities arising from transactions in foreign currencies are translated to the functional currency at the exchange rate prevailing at the date of the transaction.

(e) Revenue:

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, rebates and discounts. Revenue is recognized when the risks and rewards of ownership have transferred to the customer. No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, or there is continuing management involvement with the goods.

(f) Research and technical expenses:

Research and technical expenses are expensed in the period in which the costs are incurred.

(g) Government grants/tax credits:

Grants/tax credits from government are recognized at their fair value when there is a reasonable assurance that the grant/tax credit will be received and/or earned and any specified conditions will be met.

Grants/tax credits received in relation to the purchase and construction of plant and equipment are included in non-current liabilities as deferred income and are credited to the statement of income on a straight-line basis over the estimated useful life of the related asset. Grants/tax credits received in relation to research and development activities and labor creation programs are recorded to reduce these costs when it is determined there is reasonable assurance the grants/tax credits will be realized.

(h) Leases:

Rental income received from packaging machine operating leases is recognized on a straight-line basis over the term of the corresponding lease.

Payments made under operating leases are recognized in the statement of income on a straight-line basis over the term of the lease, while any lease incentive received is recognized as a reduction of the total lease expense, over the term of the lease.

(i) Inventories:

Inventories are stated at the lower of cost and net realizable value. The cost of inventories is based on the first-in first-out principle and includes expenditures incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories, cost includes an appropriate share of variable and fixed overheads based on normal operating capacity. Any excess, unallocated, fixed overhead costs are expensed as incurred. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(j) Cash and cash equivalents:

Cash and cash equivalents include cash on hand, cash invested in interest-bearing money market accounts and short-term deposits with maturities of less than three months. Cash equivalents are all highly liquid investments. Bank overdrafts are shown within current liabilities. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(k) Property, plant and equipment:

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. All costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management are included in the carrying value of the asset. When the Company has a legal or constructive obligation to restore a site on which an asset is located either through make-good provisions in lease agreements or decommissioning of environmental risks, the present value of the estimated costs of dismantling and removing the asset and restoring the site are included in the carrying value of the asset with a corresponding increase to provisions. Borrowing costs directly attributable to the acquisition, construction or production of qualifying property, plant and equipment that takes an extended period of time to be placed into service are added to the cost of the assets, until such time as the assets are substantially ready for their intended use. See note 4(o) on impairment.

When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components). The cost of replacing a component of an item of plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits of the item will occur and its cost can be measured reliably. The costs of day-to-day maintenance of plant and equipment are recognized directly in the statement of income.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, commencing the date the assets are ready for use as follows:

Buildings	20 - 40 years	Equipment	4 - 20 years	Packaging machines	3 - 7 years
-----------	---------------	-----------	--------------	--------------------	-------------

Depreciation methods, useful lives and residual values are reassessed annually or more frequently when there is an indication that they have changed.

The gain or loss on the retirement of an item of property, plant and equipment is the difference between the net sale proceeds and the carrying amount of the asset and is recognized in the statement of income.

(l) Pre-production expenses:

Pre-production costs relating to installations of major new production equipment are expensed in the period in which incurred.

(m) Intangible assets:

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses. See note 4(o) on impairment. Computer software that is integral to a related item of hardware is included with plant and equipment. All other computer software is treated as an intangible asset. The cost of intangible assets acquired in an acquisition is the fair value at the acquisition date. The cost of separately acquired intangible assets, including computer software, comprises the purchase price and any directly attributable costs of preparing the asset for use. Amortization is computed using the straight-line method over the estimated useful lives of the assets, as follows:

Patents	8 - 17 years	Customer-related	10 years	Computer software	3 - 12 years
---------	--------------	------------------	----------	-------------------	--------------

(n) Goodwill:

Goodwill represents the excess of the consideration transferred over the Company's interest in the fair value of the net identifiable assets, including intangible assets, and liabilities of the acquiree at the date of acquisition. At the date of acquisition, goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing. A CGU is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill is tested at least annually for impairment at the CGU level and is carried at cost less accumulated impairment losses (see note 4(o)).

(o) Impairment:

The carrying amount of the Company's property, plant and equipment and intangible assets (other than goodwill) are reviewed at each reporting date to determine whether there is any indication of impairment. Goodwill is tested for impairment annually or at any time if an indicator of impairment exists. If any such indication exists, the applicable asset's recoverable amount is estimated.

The recoverable amount of the Company's assets are calculated as the value-in-use, being the present value of future cash flows, using a pre-tax discount rate that reflects the current assessment of the time value of money, or the fair value less costs to sell, if greater. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the CGU to which it belongs. The Company bases its impairment calculation on detailed financial forecasts, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These financial forecasts are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

An impairment loss is recognized whenever the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses are recognized in the statement of income. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then, to reduce the carrying amount of other assets in the CGU on a pro rata basis. Impairment losses in respect of goodwill are not reversed. In respect of property, plant and equipment and intangible assets, an impairment loss is reversed if there has been an indication that an impairment loss recognized in prior periods may no longer exist or may have decreased. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been previously recognized.

(p) Income taxes:

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the statement of income except to the extent that it relates to items recorded directly to other comprehensive income or equity, in which case it is recognized directly in other comprehensive income or equity, respectively.

Current income tax comprises the expected income tax payable or receivable on the taxable income or loss for the period, using income tax rates enacted or substantively enacted in the jurisdictions the Company is required to pay income tax at the reporting date, and any adjustments to income taxes payable or receivable in respect of previous periods. Current income tax is adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and by the availability of unused income tax losses.



Deferred tax is recognized using the balance sheet method in which temporary differences are calculated based on the carrying amounts of assets and liabilities for financial reporting purposes and the tax bases of assets and liabilities for income taxation purposes. Deferred tax is not recognized for the following temporary timing differences: the initial recognition for both goodwill and assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income; and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the income tax rates that are expected to be applied when the temporary difference reverses, that is, when the asset is realized or the liability is settled, based on the income tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets are recognized only to the extent that it is probable that future taxable income will be available against which the assets can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related income tax benefit will be realized.

Current tax assets and liabilities are offset when the Company and its subsidiaries have a legally enforceable right to offset the amounts and intend to either settle on a net basis, or to realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balance on a net basis.

Management periodically evaluates positions taken in income tax returns with respect to situations in which applicable income tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to income tax authorities.

(q) Employee benefit plans:

The Company maintains four funded non-contributory defined benefit pension plans in Canada and the US and one funded non-contributory supplementary income postretirement plan for certain CDN-based executives. A market discount rate is used to measure the benefit obligations based on the yield of high quality corporate bonds denominated in the same currency in which the benefits are expected to be paid and with terms to maturity that, on average, match the terms of the benefit obligations. The cost of providing the benefits is actuarially determined using the projected unit credit method. Actuarial valuations are conducted, at a minimum, on a triennial basis with interim valuations performed as deemed necessary. Consideration is given to any event that could impact the benefit plan assets or obligation up to the balance sheet date where interim valuations are performed. For financial reporting purposes, the Company measures the benefit obligations and fair value of assets for the defined benefit plans as of the year-end date. The amount recognized in the balance sheet at each year-end reporting date represents the present value of the benefit obligation, reduced by the fair value of benefit plan assets. Any recognized asset or surplus is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions. To the extent that there is uncertainty regarding entitlement to the surplus, no asset is recorded. Current service costs are charged to the statement of income and included in the same line items as the related compensation cost. The net finance cost is computed based on the application of the discount rate to the net defined benefit pension plan asset or liability at the start of the annual period, taking into account any anticipated changes during the upcoming year as a result of contributions and benefit payments and also reflects the impact of any pension plan asset ceiling adjustments. The net finance cost is shown within either finance income or finance expense within the statement of income depending on whether the defined benefit pension plan was in an asset or liability position at the start of the year. Remeasurements, which comprise actuarial gains and losses, the return on benefit plan assets and the effect of the pension plan asset ceiling adjustment, are recognized directly in equity within other comprehensive income. When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in the statement of income. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs in the statement of income. The Company's funding policy is in compliance with statutory regulations and amounts funded are deductible for income tax purposes.

One of the Company's subsidiaries maintains one unfunded contributory defined benefit postretirement plan for healthcare benefits for a limited group of US individuals. A market discount rate is used to measure the benefit obligation based on the yield of high quality corporate bonds denominated in the same currency in which the benefits are expected to be paid and with terms to maturity that, on average, match the terms of the benefit obligation. The cost of providing the benefits is actuarially determined using the projected unit credit method. The amount recognized in the balance sheet at each year-end reporting date represents the present value of the benefit obligation. Current service costs are charged to the statement of income as they accrue and are included in general and administrative expenses. Interest costs on the benefit obligation are charged to the statement of income as finance expense. Remeasurements are recognized directly in equity within other comprehensive income. When the benefits of the plan are changed or when the plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in the statement of income.

The Company maintains seven defined contribution pension plans in Canada and the US. The pension expense charged to the statement of income for these plans is the annual funding contribution by the Company.

Termination benefits are recognized as an expense in the statement of income at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognizes costs for a restructuring.

Short-term benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a legal or constructive obligation to pay this amount as a result of past service provided by the employee.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(r) Provisions:

A provision is recognized when there is a legal or constructive obligation as a result of a past event and it is probable that a future outlay of cash will be required to settle the obligation, and the amount can be reliably estimated. Provisions are determined by discounting the expected future cash flows at a pre-income tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When some or all of the monies required to settle a provision are expected to be recovered from a third party, the recovery is recognized as an asset when it is virtually certain that the recovery will be received.

When the Company has a legal or constructive obligation to restore a site on which an asset is located either through make-good provisions in lease agreements or decommissioning of environmental risks, the present value of the estimated costs of dismantling and removing the asset and restoring the site is recognized as a provision with a corresponding increase to the related item of property, plant and equipment. At each reporting date, the obligation is remeasured in line with changes in discount rates, estimated cash flows and the timing of those cash flows. Any changes in the obligation are added or deducted from the related asset. The change in the present value of the obligation due to the passage of time is recognized as a finance expense or finance income in the statement of income.

At each reporting date, other provisions are remeasured in line with changes in discount rates, estimated cash flows and the timing of those cash flows. Any changes in the provision are recognized in the statement of income. The change in the present value of the provision due to the passage of time is recognized as a finance expense or finance income in the statement of income.

(s) Financial assets and liabilities:

Derivative financial instruments are measured at fair value, even when they are part of a hedging relationship. The Company's financial instruments are classified as follows: a) cash and cash equivalents - loans and receivables, b) trade and other receivables - loans and receivables, c) trade payables and other liabilities - other financial liabilities and d) derivative financial instruments - derivatives designated as effective hedges. All financial instruments, including derivatives, are included in the consolidated balance sheet and are measured at fair value except loans and receivables and other financial liabilities, which are measured at amortized cost. All changes in fair value are recorded to the statement of income unless cash flow hedge accounting is used, in which case changes in fair value are recorded in other comprehensive income to the extent the derivatives are deemed to be effective hedges.

The Company has ongoing agreements in place with financial institutions 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.

(t) Derivative financial instruments:

The Company operates principally in Canada and the United States, which gives rise to risks that its income and cash flows may be adversely impacted by fluctuations in foreign exchange rates. The Company enters into foreign currency forward contracts to manage foreign exchange exposures on anticipated labor, operating costs, property, plant and equipment expenditures, and dividend payments to be incurred in Canadian dollars and equipment expenditures to be incurred in other foreign currencies.

All foreign currency forward contracts are designated as cash flow hedges. The fair value of each contract is included on the balance sheet within derivative financial instrument assets or liabilities, depending on whether the fair value was in an asset or liability position. In the case of labor and operating costs, changes in the fair value of these contracts are initially recorded in other comprehensive income and subsequently recorded in the statement of income when the hedged item affects income or loss. In the case of property, plant and equipment expenditures, changes in the fair value of these contracts are initially recorded in other comprehensive income and upon settlement of the contract, the gain or loss is included in the cost of the corresponding asset. For dividend payments, changes in the fair value of these contracts are recorded directly in equity.

(u) Share-based payments:

The Company maintained a share-based compensation plan, which provided restricted share units under the President's Incentive Plan. Units under the plan vested immediately, and were paid in cash during the fourth quarter of the third year or the first quarter of the fourth year after the date of grant based upon the quoted market value of the common shares of the Company on the day prior to the date of payment. The fair value of the units granted was recognized as a personnel expense, with a corresponding increase in liabilities, over the period that the units pertained. The liability was remeasured at each reporting date. Any changes in the fair value of the liability were recognized as a personnel expense in the statement of income. See note 20.

(v) Earnings per share:

Basic earnings per share are calculated by dividing the net income attributable to equity holders of the Company for the period by the weighted average number of common shares outstanding during the period. Diluted earnings per share are calculated on the same basis as there are no potentially dilutive common shares.

5. Critical accounting estimates and judgments:

The application of the Company's accounting policies requires management to use estimates and judgments that can have a significant effect on the revenues, expenses, comprehensive income, assets and liabilities recognized and disclosures made in the consolidated financial statements. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.



The following areas require management's most critical estimates and judgments.

(a) Employee benefit plans:

Accounting for employee benefit plans requires the use of actuarial assumptions. The assumptions include the discount rate, rate of compensation increase, mortality rate and healthcare costs. These assumptions depend on underlying factors such as economic conditions, government regulations and employee demographics. These assumptions could change in the future and may result in material adjustments to employee benefit plan assets or liabilities.

(b) Impairment of property, plant and equipment and intangible assets:

An integral component of impairment testing is determining the asset's recoverable amount. The determination of the recoverable amount involves significant management judgment, including projections of future cash flows and appropriate discount rates. The cash flows are derived from the financial forecast for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. Qualitative factors, including market presence and trends, strength of customer relationships, strength of local management, strength of debt and capital markets, and degree of variability in cash flows, as well as other factors, are considered when making assumptions with regard to future cash flows and the appropriate discount rate. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. A change in any of the significant assumptions or estimates could result in a material change in the recoverable amount. The Company has eight CGUs, of which the carrying values for two include goodwill and must be tested for impairment annually.

(c) Aggregation of operating segments:

Management applies judgment in aggregating operating segments into a reportable segment. Aggregation occurs when the operating segments have similar economic characteristics and have similar products, production processes, types of customers, and distribution methods.

6. Future accounting standards:

(a) Financial instruments:

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.

(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 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.

(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 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.

(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 and interim reporting 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.

NOTES TO 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 and interim reporting 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.

	2017	2016
7. Expenses by nature:		
Raw materials and consumables used	(439,833)	(395,818)
Depreciation and amortization	(37,493)	(34,184)
Personnel expenses (note 8)	(180,131)	(164,753)
Freight	(23,669)	(22,232)
Other expenses	(44,585)	(46,079)
Foreign exchange and cash flow hedge gains (losses) transferred from other comprehensive income (note 9)	1,668	(1,669)
	<u>(724,043)</u>	<u>(664,735)</u>
8. Personnel expenses:		
Wages and salaries	(153,960)	(141,407)
Social security	(14,022)	(12,766)
Employee defined benefit plan expenses	(3,346)	(3,219)
Employee defined contribution plan expenses	(5,467)	(5,072)
Share-based payments	(3,336)	(2,289)
	<u>(180,131)</u>	<u>(164,753)</u>
9. Other income (expenses):		
Foreign exchange gain (loss)	251	(1,043)
Cash flow hedge gains (losses) transferred from other comprehensive income	1,417	(626)
	<u>1,668</u>	<u>(1,669)</u>
10. Finance income and expense:		
Finance income on cash and cash equivalents and other	1,827	561
Net finance income on defined benefit plans	147	109
Finance income	<u>1,974</u>	<u>670</u>
Finance expense on bank overdrafts and other	(80)	(85)
Finance expense on sale of extended term trade receivables	(2,713)	-
Net finance expense on defined benefit plans	(371)	(368)
Finance expense	<u>(3,164)</u>	<u>(453)</u>
Net finance (expense) income	<u>(1,190)</u>	<u>217</u>



11. Income tax expense:

	2017	2016
<u>Current tax expense</u>		
Current year	<u>(42,602)</u>	<u>(45,500)</u>
<u>Deferred tax recovery (expense)</u>		
Origination and reversal of temporary differences	<u>3,771</u>	<u>(4,313)</u>
Income tax expense	<u>(38,831)</u>	<u>(49,813)</u>
<u>Income tax expense recognized in other comprehensive income</u>		
Cash flow hedges	(180)	(424)
Employee benefit plan remeasurements	<u>(1,003)</u>	<u>(847)</u>
	<u>(1,183)</u>	<u>(1,271)</u>
<u>Reconciliation of effective income tax rate</u>		
Combined Canadian federal and provincial income tax rate	26.8%	26.8%
United States income taxed at rates higher than Canadian tax rates	5.2	5.5
Change in enacted United States federal income tax rate	(6.9)	-
Permanent differences and other	<u>(1.1)</u>	<u>(0.8)</u>
Effective income tax rate	<u>24.0%</u>	<u>31.5%</u>

As a result of United States tax reform in December 2017, the Company recalculated the deferred tax asset and liability amounts pertaining to the temporary differences within its US subsidiaries. This resulted in an income tax recovery of \$11,090, reducing the effective income tax rate by 6.9%. Going forward, the Company expects a reduction in the consolidated effective income tax rate. The Company'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 35.0% to 21.0%, the Company's consolidated effective income tax rate for 2018 and subsequent years is expected to be in the range of 26.0% to 28.0% 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 exposure, if any, with respect to the BEAT.

	December 31 2017	December 25 2016
--	---------------------	---------------------

12. Cash and cash equivalents:

Bank balances	13,533	29,753
Money market and short-term deposits	<u>278,426</u>	<u>181,472</u>
	<u>291,959</u>	<u>211,225</u>

13. Trade and other receivables:

Trade receivables	110,145	115,320
Less: Allowance for doubtful accounts	<u>(655)</u>	<u>(795)</u>
Net trade receivables	<u>109,490</u>	<u>114,525</u>
Other receivables	<u>7,465</u>	<u>9,623</u>
	<u>116,955</u>	<u>124,148</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Inventories:

	December 31 2017	December 25 2016
Raw materials	33,459	27,559
Work-in-process	16,496	18,113
Finished goods	57,053	49,254
Spare parts	9,712	8,590
	<u>116,720</u>	<u>103,516</u>

During 2017, the Company recorded, within cost of sales, inventory write-downs for slow-moving and obsolete inventory of \$7,887 (2016 - \$7,593) and reversals of previously written-down items of \$2,324 (2016 - \$2,466).

15. Property, plant and equipment:

	Land	Buildings	Equipment	Packaging Machines	Capital In Progress	Total
Net book value						
<u>At December 28, 2015</u>						
Cost	9,273	141,301	497,423	24,675	33,661	706,333
Accumulated depreciation	-	(41,610)	(271,592)	(23,695)	-	(336,897)
	<u>9,273</u>	<u>99,691</u>	<u>225,831</u>	<u>980</u>	<u>33,661</u>	<u>369,436</u>
<u>2016 Activity</u>						
Additions	-	1,459	24,834	185	48,696	75,174
Disposals	-	(62)	(345)	(2)	-	(409)
Transfers	-	2,166	26,373	-	(28,539)	-
Depreciation	-	(4,635)	(30,052)	(367)	-	(35,054)
At December 25, 2016	<u>9,273</u>	<u>98,619</u>	<u>246,641</u>	<u>796</u>	<u>53,818</u>	<u>409,147</u>
<u>At December 25, 2016</u>						
Cost	9,273	144,793	539,330	22,953	53,818	770,167
Accumulated depreciation	-	(46,174)	(292,689)	(22,157)	-	(361,020)
	<u>9,273</u>	<u>98,619</u>	<u>246,641</u>	<u>796</u>	<u>53,818</u>	<u>409,147</u>
Net book value						
<u>At December 26, 2016</u>						
Cost	9,273	144,793	539,330	22,953	53,818	770,167
Accumulated depreciation	-	(46,174)	(292,689)	(22,157)	-	(361,020)
	<u>9,273</u>	<u>98,619</u>	<u>246,641</u>	<u>796</u>	<u>53,818</u>	<u>409,147</u>
<u>2017 Activity</u>						
Additions	-	5,004	31,712	285	15,752	52,753
Disposals	-	(7)	(316)	(23)	-	(346)
Transfers	-	28,920	21,997	-	(50,917)	-
Depreciation	-	(5,146)	(33,096)	(323)	-	(38,565)
At December 31, 2017	<u>9,273</u>	<u>127,390</u>	<u>266,938</u>	<u>735</u>	<u>18,653</u>	<u>422,989</u>
<u>At December 31, 2017</u>						
Cost	9,273	178,676	588,530	23,159	18,653	818,291
Accumulated depreciation	-	(51,286)	(321,592)	(22,424)	-	(395,302)
	<u>9,273</u>	<u>127,390</u>	<u>266,938</u>	<u>735</u>	<u>18,653</u>	<u>422,989</u>



Government grants/tax credits in respect of property, plant and equipment were recognized within deferred income totaling \$1,553 in 2017 (2016 - \$2,888). No impairment losses or impairment reversals were recorded during 2017 and 2016. No borrowing costs were capitalized during 2017 and 2016.

16. Intangible assets:

	Goodwill	Software	Patents	Customer Related	Total
Net book value					
<u>At December 28, 2015</u>					
Cost	12,766	9,483	30	881	23,160
Accumulated amortization	-	(7,747)	(7)	(661)	(8,415)
	12,766	1,736	23	220	14,745
<u>2016 Activity</u>					
Additions	-	430	-	-	430
Disposals	-	-	(8)	-	(8)
Amortization	-	(576)	(3)	(87)	(666)
At December 25, 2016	12,766	1,590	12	133	14,501
<u>At December 25, 2016</u>					
Cost	12,766	9,803	20	881	23,470
Accumulated amortization	-	(8,213)	(8)	(748)	(8,969)
	12,766	1,590	12	133	14,501
Net book value					
<u>At December 26, 2016</u>					
Cost	12,766	9,803	20	881	23,470
Accumulated amortization	-	(8,213)	(8)	(748)	(8,969)
	12,766	1,590	12	133	14,501
<u>2017 Activity</u>					
Additions	-	569	6	-	575
Amortization	-	(543)	(1)	(88)	(632)
At December 31, 2017	12,766	1,616	17	45	14,444
<u>At December 31, 2017</u>					
Cost	12,766	10,371	26	881	24,044
Accumulated amortization	-	(8,755)	(9)	(836)	(9,600)
	12,766	1,616	17	45	14,444

The 2017 goodwill balance includes \$12,542 (2016 - \$12,542) related to the lidding CGU. The impairment testing for this CGU was conducted under the value-in-use approach, using a pre-tax discount rate of 9.3 percent (2016 - 10.0 percent). Cash flows were projected based on actual operating results and the five-year business plan. Average volume growth projected for the next five years was 6.0 percent (2016 - 4.7 percent) and the average gross profit percentage projected over the same time-frame was one percentage point higher (2016 - two percentage points lower) than the actual gross profit percentage attained in the current year. Cash flows after the five-year period were assumed to increase at a terminal growth rate of 1.5 percent (2016 - 1.5 percent).

As of December 31, 2017, there were no indefinite life intangible assets other than goodwill. The amortization of software and patents is included within general and administrative expenses and the amortization of customer related intangibles is included within sales, marketing and distribution expenses. No impairment losses or impairment reversals were recorded during 2017 and 2016.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17. Employee benefit plans:

The Company maintains four funded non-contributory defined benefit pension plans, one funded non-contributory supplementary income postretirement plan for certain CDN-based executives, one unfunded contributory defined benefit postretirement plan for healthcare benefits for a limited group of US individuals and seven defined contribution pension plans. Effective January 1, 2005, all defined benefit pension plans were frozen to new entrants except one, which was frozen effective January 1, 2009. All new CDN employees are required, and all new US employees have the option, to participate in defined contribution plans upon satisfaction of certain eligibility requirements.

The employee benefit plans are overseen by the Company Pension Committee (CPC) which is comprised of two members from senior management and one Board member. The CPC is responsible for determining and recommending the following items to the Company's Board of Directors for approval: (a) the benefit plan asset investment policies, (b) the Company's cash funding, and (c) the employee benefit entitlements within the respective benefit plans.

Total amounts paid by the Company on account of all benefit plans, consisting of: defined benefit pension plans, supplementary income postretirement plan, direct payments to beneficiaries for the unfunded postretirement plan and the defined contribution plans, amounted to \$7,494 (2016 - \$6,589).

Defined contribution pension plans

The Company maintains four defined contribution plans for employees in Canada and three savings retirement plans (401(k) Plans) for employees in the United States. The Company's total expense for these plans was \$5,467 (2016 - \$5,072).

Defined benefit plans

For financial reporting purposes, the Company measures the benefit obligations and fair value of the benefit plan assets as of the year-end date. The most recent actuarial valuations for funding purposes for the funded non-contributory plans were completed as at the following dates: January 1, 2017 for two plans, December 31, 2016 for one plan, and October 31, 2017 for one inactive plan. These actuarial valuations establish the minimum funding requirements. The most recent actuarial valuations for funding purposes for the supplementary income postretirement plan and the postretirement plan for healthcare benefits were dated December 31, 2017. The supplementary income postretirement plan has no minimum funding requirements. The next required actuarial valuations for all of the Company's active defined benefit plans are three years from the aforementioned dates. Based on the most recent actuarial valuations, the Company expects to contribute \$1,967 in cash to its defined benefit plans in 2018. The CPC also reviews the funding position of each plan on an annual basis and makes recommendations to the Company's Board of Directors regarding any additional cash funding by the Company deemed appropriate.

Regarding the funded non-contributory plans and the supplementary income postretirement plan, the normal retirement age is 65. The option to retire early and receive a reduced pension begins at age 55. For most plan members, the annual pension entitlement is based on years of credited service and the earnings attained in each of those years. However, for certain CDN-based executives, the annual pension entitlement is based on years of credited service and the highest average annual base compensation excluding incentive payments during the highest 36 consecutive months of earnings prior to retirement. At December 31, 2017 and December 25, 2016, the benefit obligation pertaining to these plan members represented less than 10 percent of the Company's total benefit obligation.

All equity and debt securities have quoted prices in active markets. The defined benefit pension plans do not invest in the shares of the Company. The objective of the benefit plan asset allocation policy is to manage the funded status of the benefit plans at an appropriate level of risk, giving consideration to the security of the assets and the potential volatility of market returns. The long-term rate of return is targeted to exceed the return indicated by a benchmark portfolio by at least 1 percent annually. The Company Pension Committee also pays attention to potential fluctuations in the benefit obligations. In the ideal case, benefit plan assets and obligations move in the same direction when interest rates change, creating a natural hedge against possible underfunding of the benefit plans.

The following presents the financial position of the Company's defined benefit pension plans and other postretirement benefits, which include the supplementary income plan and the postretirement plan for healthcare benefits:

	December 31 2017	December 25 2016
Funded status		
Present value of funded obligations	(100,306)	(85,691)
Fair value of benefit plan assets	99,762	85,420
Status of funded obligations	(544)	(271)
Present value of unfunded obligations	(2,048)	(2,188)
Total funded status of obligations	(2,592)	(2,459)
Benefit plan assets not recognized due to pension plan asset ceiling limit	(995)	(73)
	(3,587)	(2,532)



	December 31 2017	December 25 2016
<u>Amounts recognized in the balance sheet</u>		
Employee benefit plan assets	6,935	6,721
Employee benefit plan liabilities	<u>(10,522)</u>	<u>(9,253)</u>
	<u>(3,587)</u>	<u>(2,532)</u>
<u>Change in benefit obligation</u>		
Benefit obligation, beginning of year	87,879	83,128
Current service cost	3,035	2,911
Finance expense	3,547	3,312
Remeasurement losses (gains) recognized in other comprehensive income	6,634	(282)
Benefits paid	(2,798)	(2,489)
Foreign exchange	4,057	1,299
Benefit obligation, end of year	<u>102,354</u>	<u>87,879</u>
<u>Change in benefit plan assets</u>		
Fair value of benefit plan assets, beginning of year	85,420	80,048
Expected return on benefit plan assets	3,323	3,053
Remeasurement gains recognized in other comprehensive income	7,494	2,225
Employer contributions	2,093	1,532
Benefits paid	(2,798)	(2,489)
Benefit plan administration cost paid from the plan assets recognized in income	(311)	(308)
Foreign exchange	4,541	1,359
Fair value of benefit plan assets, end of year	<u>99,762</u>	<u>85,420</u>
<u>Change in benefit plan assets not recognized due to pension plan asset ceiling limit</u>		
Balance, beginning of year	73	82
Remeasurement losses (gains) recognized in other comprehensive income	916	(9)
Foreign exchange	6	-
Balance, end of year	<u>995</u>	<u>73</u>
<u>Benefit plan obligation</u>		
The following represents the geographical breakdown of the benefit obligation:		
Canada	(59,730)	(49,843)
United States	<u>(42,624)</u>	<u>(38,036)</u>
	<u>(102,354)</u>	<u>(87,879)</u>
The following represents the membership status breakdown of the benefit obligation:		
Active members	(59,782)	(57,088)
Retired members	(38,126)	(26,169)
Deferred vested members	(3,764)	(4,136)
Other	(682)	(486)
	<u>(102,354)</u>	<u>(87,879)</u>
<u>Benefit plan assets</u>		
The following represents the weighted average allocation of benefit plan assets:		
<u>Asset category</u>		
Equity securities	54%	55%
Debt securities	41%	41%
Cash	5%	4%
Total	<u>100%</u>	<u>100%</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	2017	2016
Net benefit plan expense		
Current service cost	(3,035)	(2,911)
Plan administration cost	(311)	(308)
	<u>(3,346)</u>	<u>(3,219)</u>
Net finance income	147	109
Net finance expense	(371)	(368)
	<u>(3,570)</u>	<u>(3,478)</u>
Actual return on benefit plan assets	<u>10,817</u>	<u>5,278</u>
Cumulative remeasurements recognized in other comprehensive income		
Cumulative amount, beginning of year	1,975	(541)
Annual activity		
Remeasurement of benefit obligation:		
Actuarial gains arising from changes in demographic assumptions	-	590
Actuarial losses arising from changes in financial assumptions	(6,838)	(1,098)
Actuarial gains arising from experience adjustments	204	790
	<u>(6,634)</u>	<u>282</u>
Remeasurement of benefit plan assets - actuarial gains arising from experience adjustments	7,494	2,225
Remeasurement of benefit plan assets not recognized due to pension plan asset ceiling limit	(916)	9
	<u>(56)</u>	<u>2,516</u>
Cumulative amount, end of year	<u>1,919</u>	<u>1,975</u>
	December 31	December 25
	2017	2016

Significant assumptions

The following weighted averages were used to value the benefit obligation:

Discount rate	3.6%	4.1%
Rate of compensation increase	3.6%	3.6%

Assumptions regarding future mortality were based on the following mortality tables: Canada - CPM - RPP2014 private generational (2016 - CPM - RPP2014 private generational) and United States - RP2016 (2016 - RP2016).

At December 31, 2017, the weighted average duration of the benefit obligations was 15.3 years (2016 - 14.8 years).

Sensitivity analysis

At December 31, 2017, the present value of the benefit obligation was \$102,354. Based on changes to the definitive actuarial assumptions, the benefit obligation would have been as follows:

	Increase	Decrease
Discount rate - one percentage point	89,068	118,982
Future mortality - one year	104,949	99,683
Rate of compensation increase - one percentage point	103,178	101,600



18. Deferred tax assets and liabilities:

The following are the components of the deferred tax assets and liabilities recognized by the Company:

	Assets		Liabilities		Net	
	December 31 2017	December 25 2016	December 31 2017	December 25 2016	December 31 2017	December 25 2016
Trade and other receivables	180	405	-	-	180	405
Inventories	3,149	4,504	-	-	3,149	4,504
Prepaid expenses	-	-	(85)	(68)	(85)	(68)
Derivative financial instruments	-	12	(168)	-	(168)	12
Property, plant and equipment	814	1,057	(43,344)	(50,602)	(42,530)	(49,545)
Intangible assets	4	3	(2,221)	(2,362)	(2,217)	(2,359)
Employee benefit plans	2,768	3,602	(1,786)	(1,724)	982	1,878
Trade payables and other liabilities	689	2,550	(82)	(47)	607	2,503
Provisions	244	244	-	-	244	244
Tax assets (liabilities)	7,848	12,377	(47,686)	(54,803)	(39,838)	(42,426)
Set off of tax	(7,030)	(11,317)	7,030	11,317	-	-
Net tax assets (liabilities)	818	1,060	(40,656)	(43,486)	(39,838)	(42,426)

Movement in deferred tax assets and liabilities:

	Opening Balance	Recognized In Income	Recognized In Equity	Ending Balance
<u>2016</u>				
Trade and other receivables	372	33	-	405
Inventories	4,450	54	-	4,504
Prepaid expenses	(92)	24	-	(68)
Derivative financial instruments	436	-	(424)	12
Property, plant and equipment	(45,088)	(4,457)	-	(49,545)
Intangible assets	(1,799)	(560)	-	(2,359)
Employee benefit plans	1,827	898	(847)	1,878
Trade payables and other liabilities	2,808	(305)	-	2,503
Provisions	244	-	-	244
	(36,842)	(4,313)	(1,271)	(42,426)
<u>2017</u>				
Trade and other receivables	405	(225)	-	180
Inventories	4,504	(1,355)	-	3,149
Prepaid expenses	(68)	(17)	-	(85)
Derivative financial instruments	12	-	(180)	(168)
Property, plant and equipment	(49,545)	7,015	-	(42,530)
Intangible assets	(2,359)	142	-	(2,217)
Employee benefit plans	1,878	107	(1,003)	982
Trade payables and other liabilities	2,503	(1,896)	-	607
Provisions	244	-	-	244
	(42,426)	3,771	(1,183)	(39,838)

Deferred tax assets have been recognized where it is probable that they will be recovered. In recognizing deferred tax assets, the Company has considered if it is probable that sufficient future income will be available to absorb temporary differences.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

No deferred tax liability has been recognized in respect of temporary differences associated with investments in subsidiaries where the Company controls the timing of the reversal and it is probable that such temporary differences will not reverse in the foreseeable future. The aggregate amount of temporary differences associated with investments in domestic and foreign subsidiaries for which a deferred tax liability has not been recognized is \$497,185 (2016 - \$420,068). Temporary differences relating to unremitted earnings of foreign subsidiaries which would be subject to withholding and other taxes totaled \$352,518 (2016 - \$299,688).

19. Trade payables and other liabilities:

	December 31 2017	December 25 2016
Trade payables	36,123	38,535
Other current liabilities and accrued expenses	27,547	32,913
	<u>63,670</u>	<u>71,448</u>

20. Share-based payments:

Effective January 1, 2004, the Board of Directors established the President's Incentive Plan (Plan), whereby the Company granted to the previous President & Chief Executive Officer, B.J. Berry, 60,000 restricted share units (RSUs) upon completion of each year of service. There was no cost to him for the RSUs and the RSUs vested immediately. The Company paid to B.J. Berry the cash value of the RSUs based on the closing share price on a date selected by him during the fourth quarter of the third year or the first quarter of the fourth year subsequent to the year the RSUs were granted. A date could not be selected during periods in which insiders were not allowed to trade Winpak shares. The cash value of a RSU was the market value of the common shares of the Company on the day prior to the date of payment. In addition, the Company was required to pay B.J. Berry an amount equal to the dividends paid on the common shares of the Company with respect to each RSU if, as and when, declared and paid.

Coinciding with the retirement of B.J. Berry, effective July 31, 2017, the outstanding liability with respect to the Plan was settled.

Details of RSUs issued and outstanding during the current and prior year are as follows:

	2017	2016
Outstanding, beginning of year	180,000	180,000
Settled	(214,849)	(60,000)
Granted	34,849	60,000
Outstanding, end of year	-	180,000
Available for settlement, end of year	-	-

The 180,000 RSUs outstanding at the end of 2016 were granted at 60,000 RSUs annually from 2014 through 2016.

The fair value of the RSUs at the grant date was based upon the market value of the Company's common shares.

The personnel expense recorded in the statement of income under the Plan was \$3,336 (2016 - \$2,289). The average settlement price in 2017 was \$45.80 US per RSU (2016 - \$34.40 US). At December 25, 2016, the carrying value of the liability, as well as the intrinsic value of the vested liability in respect of the Plan, was \$6,169.

21. Share capital and reserves:

Share capital

At December 31, 2017, the authorized voting common shares were unlimited (2016 - unlimited). The issued and fully paid voting common shares at December 31, 2017 were 65,000,000 (2016 - 65,000,000). The shares have no par value. The Company has no stock option plans in place.

Reserves

Reserves comprise the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to the hedged transactions that have not yet occurred.

Dividends

During 2017, dividends in Canadian dollars of 12 cents per common share were declared (2016 - 12 cents).



22. Earnings per share:

	2017	2016
Net income attributable to equity holders of the Company	119,298	104,344
Weighted average shares outstanding (000's)	<u>65,000</u>	<u>65,000</u>
Basic and diluted earnings per share - cents	<u>184</u>	<u>161</u>

23. Financial instruments:

The following sets out the classification and the carrying/fair value of financial instruments:

Assets (Liabilities)	Classification	Carrying / Fair Value
Cash and cash equivalents	Loans and receivables	291,959
Trade and other receivables	Loans and receivables	116,955
Derivative financial instrument assets	Derivatives designated as effective hedges	863
Trade payables and other liabilities	Other financial liabilities	(63,670)
Derivative financial instrument liabilities	Derivatives designated as effective hedges	(98)

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, have been determined by valuing those contracts to market against prevailing forward foreign exchange rates as at the year-end reporting date. The inputs used for fair value measurements, including their classification within the required three levels of the fair value hierarchy that prioritizes the inputs used for fair value measurement, are 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 following table presents the classification of financial instruments within the fair value hierarchy:

Financial Assets (Liabilities)	Level 1	Level 2	Level 3	Total
<u>At December 31, 2017</u>				
Foreign currency forward contracts - net	-	765	-	765
<u>At December 25, 2016</u>				
Foreign currency forward contracts - net	-	(40)	-	(40)

When the Company has a legally enforceable right to set off supplier rebates 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 consolidated balance sheet. At December 31, 2017, the supplier rebate receivable balance that was offset was \$6,191 (2016 - \$5,064).

24. Commitments and guarantees:

Commitments:

At December 31, 2017, the Company has commitments to purchase property, plant and equipment of \$14,336 (2016 - \$26,766).

The Company rents premises and equipment under operating leases that expire at various dates until April 30, 2020. The aggregate minimum rentals payable for these leases are as follows:

Year	2018	2019	2020	2021	2022	Thereafter	Total
Amount	1,003	651	165	-	-	-	1,819

During 2017, \$1,031 was recognized as an expense in the statement of income in respect of operating leases (2016 - \$1,018).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Guarantees:

Directors and officers

The Company and its subsidiaries have entered into indemnification agreements with their respective directors and officers to indemnify them, to the extent permitted by law, against any and all amounts paid in settlement and damages incurred by the directors and officers as a result of any lawsuit, or any judicial, administrative or investigative proceeding involving the directors and officers. Indemnification claims will be subject to any statutory or other legal limitation period. The Company has purchased directors' and officers' liability insurance to mitigate losses from any such claims.

Leased real property

The Company and its subsidiaries enter into operating leases in the ordinary course of business for real property. In certain instances, the Company and its subsidiaries have indemnified the landlord from any obligations that may arise from any occurrences of personal bodily injury, loss of life and property damages. The Company's property and liability insurance coverage mitigates losses from any such claims.

Pension plan

The Company has indemnified the Manitoba Pension Commission from any and all claims that may be made by any beneficiary under a certain defined benefit pension plan. The indemnity relates to the transfer of a portion of the surplus in the respective pension plan to a non-contributory supplementary income plan.

Given the nature of the aforementioned indemnification agreements, the Company is unable to reasonably estimate its maximum potential liability under these agreements. The Company believes the likelihood of a material payment pursuant to these indemnification agreements is remote. No amounts have been recorded in the consolidated financial statements with respect to these indemnification agreements.

25. 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, credit risk and liquidity 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 December 31, 2017, a one-cent change in the year-end foreign exchange rate from 0.7949 to 0.7849 (CDN to US dollars) would have decreased net income by \$152 for 2017. Conversely, a one-cent change in the year-end foreign exchange rate from 0.7949 to 0.8049 (CDN to US dollars) would have increased net income by \$152 for 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 other 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 forward contracts matured during the year and the Company realized pre-tax foreign exchange gains of \$1,417 (2016 losses - \$645). Of these foreign exchange differences, gains of \$1,417 (2016 losses - \$626) were recorded in other income (expenses) and \$0 was recorded in property, plant and equipment (2016 losses - \$19).

As at December 31, 2017, the Company had US to CDN dollar foreign currency forward contracts outstanding with a notional amount of US \$32.0 million at an average exchange rate of 1.2813 maturing between January and September 2018. The fair value of these financial instruments was \$765 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 December 31, 2017 cash and cash equivalents balance of \$292.0 million, a 1.0 percent increase/decrease in interest rate fluctuations would increase/decrease income before income taxes by \$2,920 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 2017, 71 percent (2016 - 69 percent) of revenue was generated from customers with selling price-indexing programs. For all other customers, the Company's preferred practice is to match raw material cost changes with selling price adjustments, albeit with a slight time lag. This matching is not always possible, as customers react to selling price pressures related to raw material cost fluctuations according to conditions pertaining to their markets.

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:

	December 31	December 25
	2017	2016
Cash and cash equivalents	291,959	211,225
Trade and other receivables	116,955	124,148
Foreign currency forward contracts	863	308
	409,777	335,681

Credit risk on cash and cash equivalents and 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 receivable balances against credit losses.

During 2017, the Company entered into ongoing agreements to sell certain extended term trade receivables without recourse to financial institutions in exchange for cash. During 2017, the Company incurred costs on the sale of trade receivables of \$4,094. Of these costs, \$2,713 was recorded in finance expense and \$1,381 was recorded in general and administrative expenses.

As at December 31, 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 (2016 - 98 percent) of the gross trade and other receivable 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 (2016 - 37 percent) of the trade and other receivables balance is insured against credit losses. The Company's exposure to the ten largest customer balances, on aggregate, accounted for 38 percent (2016 - 45 percent) of the total trade and other receivables balance.

The carrying amount of trade and other receivables is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of income within general and administrative expenses. When a receivable balance is considered uncollectible, it is written off against the allowance for doubtful accounts. Subsequent recoveries of amounts previously written off are credited against general and administrative expenses in the statement of income.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table sets out the aging details of the Company's trade and other receivables balances outstanding based on the status of the receivable in relation to when the receivable was due and payable and related allowance for doubtful accounts:

	December 31 2017	December 25 2016
Current - neither impaired nor past due	99,073	107,044
<u>Not impaired but past the due date:</u>		
Within 30 days	16,633	15,658
31 - 60 days	1,383	1,492
Over 60 days	521	749
	<u>117,610</u>	<u>124,943</u>
Less: Allowance for doubtful accounts	<u>(655)</u>	<u>(795)</u>
Total trade and other receivables, net	<u>116,955</u>	<u>124,148</u>

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 \$292.0 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 2018. The Company's trade payables and other liabilities and derivative financial instrument liabilities are virtually all due within twelve months.

Capital management

The Company's objectives in managing capital are to ensure the Company will continue as a going concern and have sufficient liquidity to pursue its strategy of organic growth combined with strategic acquisitions and to deploy capital to provide an appropriate return on investment to its shareholders. In the management of capital, the Company includes bank overdrafts, bank loans and shareholders' equity. The Board of Directors has established quantitative return on capital criteria for management and year-over-year sustainable earnings growth targets. The Board of Directors also reviews, on a regular basis, the level of dividends paid to the Company's shareholders.

The Company has externally imposed capital requirements as governed through its bank operating line credit facilities. The Company monitors capital on the basis of funded debt to EBITDA (income before interest, income taxes, depreciation and amortization) and debt service coverage. Funded debt is defined as the sum of bank loans and bank overdrafts less cash and cash equivalents. The funded debt to EBITDA is calculated as funded debt, as at the financial reporting date, over the 12-month rolling EBITDA. This ratio is to be maintained under 3.00:1. As at December 31, 2017, the ratio was 0.00:1. Debt service coverage is calculated as a 12-month rolling income from operations over debt service. Debt service is calculated as the sum of one-sixth of bank loans outstanding plus annualized finance expense and dividends. This ratio is to be maintained over 1.50:1. As at December 31, 2017, the ratio was 22.96:1.

There were no changes in the Company's approach to capital management during 2017.

26. Segment reporting:

The Company's operations are organized into six operating segments: modified atmosphere packaging, specialty films, rigid containers, lidding, biaxially oriented nylon, and packaging machinery. The modified atmosphere packaging, specialty films, rigid containers, and lidding operating segments have been aggregated as one reportable segment as they have similar economic characteristics, including long-term sales volume growth and long-term average gross profit margin and have similar products, production processes, types of customers, and distribution methods. In addition, the biaxially oriented nylon and packaging machinery operating segments have been aggregated with these four operating segments as their combined revenues and assets represents less than 8 percent of total Company revenues and assets.

Modified atmosphere packaging extends the shelf life of perishable foods, while at the same time maintains or improves the quality of the product. The packaging is used for a wide range of markets and applications, including fresh and processed meats, poultry, cheese, medical device packaging, high performance pouch applications and high-barrier films for converting applications.

Specialty films includes a full line of barrier and non-barrier films which are ideal for converting applications such as printing, laminating, and bag making, including shrink bags.

Rigid containers includes portion control and single-serve containers, as well as plastic sheet and custom and retort trays, which are used for applications such as food, pet food, beverage, dairy, industrial, and healthcare.



Lidding products are available in die-cut, daisy chain and rollstock formats and are used for applications such as food, dairy, beverage, industrial and healthcare.

The Company operates principally in Canada and the United States. The following summary presents key information by geographic segment:

	United States	Canada	Other	Consolidated
<u>2017</u>				
Revenue	713,947	131,730	41,097	886,774
Property, plant and equipment and intangible assets	218,540	217,695	1,198	437,433
<u>2016</u>				
Revenue	676,262	104,151	42,119	822,532
Property, plant and equipment and intangible assets	204,178	218,235	1,235	423,648

Major customer

During 2017, the Company reported revenue to one customer representing 18 percent of total revenue (2016 - 18 percent).

27. Contingencies:

In the normal course of business activities, the Company may be subject to various legal actions. Management contests these actions and believes resolution of the actions will not have a material adverse impact on the Company's financial condition.

28. Related party transactions:

The Company had purchases of \$2,386 (2016 - \$3,706) and commission income of \$576 (2016 - \$295) with its majority shareholder company. Trade and other receivables and trade payables and other liabilities include amounts of \$92 (2016 - \$205) and \$43 (2016 - \$83) respectively with the majority shareholder company. These transactions were completed at market values with normal payment terms.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Board of Directors and Executive Committee are key management personnel. The following table details the compensation earned by these key management personnel:

	2017	2016
Salaries, fees and short-term benefits	(4,297)	(4,652)
Post-employment benefits	(466)	(443)
Share-based payments	(3,336)	(2,289)
	<u>(8,099)</u>	<u>(7,384)</u>

No loans were advanced to key management personnel during the year.

The aggregate remuneration earned by the Board of Directors in 2017 was \$545 (2016 - \$541). As a group, the Board of Directors hold, directly or indirectly, 52.5 percent (2016 - 52.5 percent) of the outstanding shares of the Company. The members of the Executive Committee hold, directly or indirectly, 0.0 percent (2016 - 0.4 percent) of the outstanding shares of the Company.

CORPORATE INFORMATION

Annual Meeting

The Annual Meeting of Shareholders will be held on Thursday, April 26, 2018 at 4:30 p.m.
at The Fort Garry Hotel, Winnipeg, Canada

Listing

Winpak Ltd. shares are listed WPK on the Toronto Stock Exchange

Transfer Agent

Computershare Investor Services Inc.

Annual Information Form

The most recent version of the Annual Information Form for Winpak Ltd.
is available by contacting Winpak's Corporate Office
100 Saulteaux Crescent, Winnipeg, Canada R3J 3T3
info@winpak.com

Board of Directors

Chairman, *A.I. Aarnio-Wihuri (2)*, Kaarina, Finland; Chairman, Wihuri International Oy
Vice Chairman, *J.M. Hellgren (2)*, Lahti, Finland; President and Chief Executive Officer, Wihuri International Oy
M.H. Aarnio-Wihuri (2), Kaarina, Finland; Manager, Sustainability Program, Wihuri International Oy
K.A. Albrechtsen (1), Winnipeg, Canada
D.R.W. Chatterley (1), Winnipeg, Canada
D. Spiring (2), Winnipeg, Canada; President and Chief Executive Officer, Economic Development Winnipeg Inc.
I.T. Suominen (1), Helsinki, Finland; Vice President and Chief Financial Officer, Wihuri International Oy
(1) Member of the Audit Committee
(2) Member of the Compensation, Governance and Nominating Committee

Executive Committee

The Executive Committee, in consultation with the Board of Directors, establishes the objectives and the long-term direction of the Company. The Committee meets regularly throughout the year to review progress towards achievement of the Company's goals and to implement policies and procedures directed at optimizing performance.

K.M. Byers, President, Winpak Films Inc.
J.C. Holland, President, Winpak Division, a division of Winpak Ltd.
S.K. Hooper, Vice President, Human Resources, Winpak Ltd.
T.L. Johnson, President, Winpak Heat Seal Packaging
O.Y. Muggli, President and Chief Executive Officer, Winpak Ltd.
D.J. Stacey, President, Winpak Portion Packaging
L.A. Warelis, Vice President and Chief Financial Officer, Winpak Ltd.

Auditors

KPMG LLP, Winnipeg, Canada

Legal Counsel

Thompson Dorfman Sweatman LLP, Winnipeg, Canada
Bond Schoeneck & King PLLC, Buffalo, U.S.A.

PACKAGING SOLUTIONS



WINPAK LTD. CORPORATE OFFICE, 100 SAULTEAUX CRESCENT, WINNIPEG, MB, CANADA R3J 3T3
T: (204) 889-1015 F: (204) 888-7806
WWW.WINPAK.COM

WINPAK GROUP WWW.WINPAK.COM

WINPAK DIVISION,

A DIVISION OF WINPAK LTD.
100 SAULTEAUX CRESCENT
WINNIPEG MB R3J 3T3
CANADA
T: (204) 889-1015
F: (204) 832-7781

AMERICAN BIAxis INC.

100 SAULTEAUX CRESCENT
WINNIPEG MB R3J 3T3
CANADA
T: (204) 837-0650
F: (204) 837-0659

WINPAK INC.

P.O. Box 14748
MINNEAPOLIS MN 55414
U.S.A.
T: (204) 889-1015
F: (204) 832-7781

EMBALAJES WINPAK DE MÉXICO S.A. DE C.V.

AV. DE LA MONTAÑA #112, EDIFICIO MT1, MÓDULO 2
PARQUE INDUSTRIAL QUERÉTARO
SANTA ROSA JÁUREGUI. 76220
QUERÉTARO, QUERÉTARO. MÉXICO
T: (52) 442-256-1900

WINPAK PORTION PACKAGING LTD.

26 TIDEMORE AVENUE
TORONTO ON M9W 7A7
CANADA
T: (416) 741-6182
F: (416) 741-2918

WINPAK PORTION PACKAGING, INC.

3345 BUTLER AVENUE
SOUTH CHICAGO HEIGHTS IL 60411-5590
U.S.A.
T: (708) 755-4483
F: (708) 755-7257

WINPAK PORTION PACKAGING, INC.

828A NEWTOWN-YARDLEY ROAD, SUITE 101
NEWTOWN PA 18940-1785
U.S.A.
T: (267) 685-8200
F: (267) 685-8243

WINPAK PORTION PACKAGING, INC.

1111 WINPAK WAY
SAUK VILLAGE IL 60411
U.S.A.
T: (708) 753-5700
F: (708) 757-2447

WINPAK HEAT SEAL PACKAGING INC.

21919 DUMBERRY ROAD
VAUDREUIL-DORION QC J7V 8P7
CANADA
T: (450) 424-0191
F: (450) 424-0563

WINPAK HEAT SEAL CORPORATION

1821 RIVERWAY DRIVE
PEKIN IL 61554
U.S.A.
T: (309) 477-6600
F: (309) 477-6699

WINPAK FILMS INC.

100 WIHURI PARKWAY
SENDIA GA 30276-9703
U.S.A.
T: (770) 599-6656
F: (770) 599-8387

WINPAK LANE, INC.

998 S. SIERRA WAY
SAN BERNARDINO CA 92408
U.S.A.
T: (909) 885-0715
F: (909) 381-1934

WIHURI GROUP, HEAD OFFICE, WIHURINAUKIO 2, FI-00570 HELSINKI, FINLAND
T: +358 20 510 10 F: +358 20 510 2658
WWW.WIHURI.COM

WIPAK GROUP WWW.WIPAK.COM

WIPAK OY

WIPAKTIE 2
FI-15560 NASTOLA
FINLAND
T: +358 20 510 311
F: +358 20 510 3300

WIPAK OY

KAIVOLANKATU 5
FI-37630 VALKEAKOSKI
FINLAND
T: +358 20 510 311
F: +358 20 510 3444

WIPAK BORDI S.R.L.

VIA UNGARETTI, 3
IT-20912 CAORSO
ITALY
T: +39 523 821 382
F: +39 523 822 185

WIPAK WALSRÖDE GmbH & CO. KG

BAHNHOFSTRASSE 13
DE-29699 BOMLITZ
GERMANY
T: +49 5161 4880 0
F: +49 5161 4880 100

WIPAK GRYSPEERT SAS

ZONE DES BOIS, CS 20006
59558 BOUSBECQUE
FRANCE
T: +33 320 115 656
F: +33 320 115 670

WIPAK UK LTD.

UNIT 3, BUTTINGTON BUSINESS PARK
UK-WELSHPOOL, POWYS SY21 8SL
GREAT BRITAIN
T: +44 1938 555 255
F: +44 1938 555 277

WIPAK POLSKA Sp. z o.o.

UL. SMAKOW 10
PL-49-318 SKARBIMIERZ OSIEDLE
POLAND
T: +48 77 404 2000

WIPAK B.V.

NIEUWSTADTERWEG 17
NL-6136 KN SITTARD
NETHERLANDS
T: +31 46 420 2999
F: +31 46 458 1311

WIPAK IBERICA 2003, S.L.

C/ SANT CELONI, Nº76
P.I. CAN PRAT
08450 LLINARS DEL VALLÉS
BARCELONA
SPAIN
T: +34 937 812 020
F: +34 937 812 033

WIPAK PACKAGING

[CHANGSHU] CO. LTD.
NO. 88 FUCHUNJIANG ROAD
CHANGSHU NEW & HI-TECH
INDUSTRIAL DEVELOPMENT ZONE
CN-215533 JIANGSU, CHINA
T: +86 512 82365958
F: +86 512 82365957

BIAXIS OY LTD.

TEKNIKONKATU 2
FI-15520 LAHTI
FINLAND
T: +358 20 510 312
F: +358 20 510 3500



WINPAK