

MANAGEMENT'S DISCUSSION AND ANALYSIS

Certain statements made in the following Management's Discussion and Analysis contain forward-looking statements including, but not limited to, statements concerning possible or assumed future results of operations of the Company. Forward-looking statements represent the Company's intentions, plans, expectations and beliefs, and are not guarantees of future performance. Such forward-looking statements represent Winpak's current views based on information as at the date of this report. They involve risks, uncertainties and assumptions and the Company's actual results could differ, which in some cases may be material, from those anticipated in these forward-looking statements. Unless otherwise required by applicable securities law, Winpak disclaims any intention or obligation to publicly update or revise this information, whether as a result of new information, future events or otherwise. The Company cautions investors not to place undue reliance upon forward-looking statements.

General Information

The following discussion and analysis dated February 18, 2016 was prepared by management and should be read in conjunction with the consolidated financial statements prepared in accordance with Canadian generally accepted accounting principles as set out in Part 1 of the Handbook of the Chartered Professional Accountants (CPA) of Canada. The following discussion and analysis is presented in US dollars except where otherwise noted. The consolidated financial statements include the accounts of all subsidiaries. The Company's functional and reporting currency is the US dollar. The Company has filed a separate Management's Discussion and Analysis for its fourth quarter of 2015, which is available on SEDAR at www.sedar.com.

The fiscal year of the Company ends on the last Sunday of the calendar year. Both the 2015 and 2014 fiscal years comprised 52 weeks.

Company Overview

Winpak is an integrated converter operating in the packaging materials segment. The Company utilizes manufacturing technology focused on the core competency of sophisticated extrusion and conversion of plastic and aluminum foil materials. The business encompasses three product groups produced in ten manufacturing facilities located in North America. Winpak distributes products to customers primarily in North America for use in the packaging of perishable foods, beverages and in healthcare applications.

Selected Financial Information

Millions of US dollars, except per share and margin amounts	2015	2014	2013
Net income attributable to equity holders of the Company	99.2	78.4	71.4
Income from operations	147.3	115.1	104.8
Revenue	797.2	786.8	714.9
Gross profit margin	32.3%	28.5%	29.1%
Earnings per share (cents)	153	121	110
Dividends declared per common share (Canadian cents)	12	12	12
Special dividend paid per common share (Canadian cents)	150	100	-
Total assets	766.1	734.3	713.2
Cash and cash equivalents	165.0	143.8	161.1
<u>Reconciliation of EBITDA</u>			
Net income	101.8	79.7	72.1
Income tax expense	45.5	35.5	32.3
Net finance expense (income)	0.1	(0.1)	0.4
Depreciation and amortization	31.8	30.5	26.7
EBITDA	179.2	145.6	131.5



Overall Performance

- △ *Revenue* reached an all-time high of \$797.2 million, advancing by \$10.4 million or 1.3 percent compared to 2014. Increased volumes added \$33.5 million to revenue but price/mix declines and a weaker Canadian dollar detracted from revenue by \$10.7 million and \$12.4 million respectively.
- △ *Gross profit margins* expanded by 3.8 percentage points from the prior year to 32.3 percent of revenue. A widening of the spread between selling prices and raw material costs due to declining resin prices was the main catalyst.
- △ *Net income attributable to equity holders of the Company* eclipsed the 2014 record result by \$20.9 million or 26.7 percent, to finish at \$99.2 million. Higher sales volumes, expanded gross profit margins and favorable foreign exchange all contributed to the excellent outcome.
- △ *Cash and cash equivalents* ended the year at \$165.0 million, despite the declaration of a special dividend of \$73.8 million (\$97.5 million Canadian or \$1.50 Canadian per share) in the third quarter of 2015 and plant and equipment additions of \$53.7 million. The Company has no short-term borrowings or long-term debt outstanding.

Highlights

- △ *Raw materials:* In 2015, the cost of raw materials, which are primarily petrochemical based, dropped significantly from a year ago following the decline in world oil and natural gas prices.
- △ *Operating expenses:* Greater compensation costs contributed to a higher level of operating expenses, reducing earnings per share by 2.5 cents. In commemoration of the 40th anniversary of the Company's incorporation, every Wopak employee received \$1,000 Canadian in recognition of their contribution to the organization's success.
- △ *Foreign exchange:* In 2015, the average exchange rate of the Canadian dollar depreciated against its US counterpart by 13.3 percent, when compared to the prior year. The result was a gain on the translation of net Canadian dollar expenses into US funds and was primarily responsible for a favorable foreign exchange impact on earnings per share of 6.5 cents.
- △ *Capital expenditures:* Capital expenditures in 2015 totaled \$53.7 million or 6.7 percent of revenue, equipping the Company with the capacity necessary to continue above-average organic growth.
- △ *Financing and investing:* In 2015, Wopak generated \$156.0 million in cash flow from operating activities, which was more than sufficient to fund a special dividend of \$73.8 million, \$53.7 million in capital projects, \$6.3 million in regular dividends, and \$0.9 million of other items, resulting in an improvement in the net cash position of \$21.3 million. The Company will utilize its cash resources on hand and generate additional cash flow from operations to fund its investing and financing activities in 2016. In addition, management will continue to evaluate strategic acquisition opportunities in concert with implementing the organic capital investment program, all focused on enhancing long-term shareholder value.

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Results of Operations

Components of total increase in earnings per share

	2015	2014	2013
Organic growth	5.5	11.5	8.0
Gross profit margins	24.0	(4.5)	(5.5)
Expenses, income taxes and non-controlling interests	(4.0)	3.5	(1.0)
Foreign exchange	6.5	0.5	(1.5)
Total increase in earnings per share (cents)	32.0	11.0	0.0

Ongoing operations

Organic growth is the impact on net income due exclusively to increased sales volume and excludes the influence of acquisitions, divestitures and foreign exchange. In 2015, this resulted in earnings per share growth of 5.5 cents in comparison to the prior year.

Gross profit margins swelled in relation to 2014, primarily due to an increase in the spread between selling prices and raw material costs as the latter decreased significantly due to the fall in oil and natural gas prices. This caused an expansion in earnings per share of 24.0 cents.

Greater compensation costs and reduced research and development tax credits drove operating expenses higher and reduced earnings per share by 2.5 cents compared to 2014. An increase in earnings attributable to non-controlling interests further reduced earnings per share by 2.0 cents and was only partially offset by a lower effective income tax rate, excluding permanent differences, which improved earnings per share by 0.5 cents.

Foreign exchange had a net favorable impact of 6.5 cents on earnings per share versus the previous year. The weaker Canadian dollar versus its US counterpart in the current year was responsible for the positive result.

Revenue

Revenue Change	Millions of US dollars		
	2015	2014	2013
Volume increase	33.5	70.8	48.1
Price and mix (losses) gains	(10.7)	7.1	(0.6)
Foreign exchange loss	(12.4)	(6.0)	(2.7)
Total increase in revenue	10.4	71.9	44.8

Revenue in 2015 of \$797.2 million surpassed the prior year amount of \$786.8 million by \$10.4 million or 1.3 percent, despite the headwinds of foreign exchange and price-indexing linked to lower raw material costs. Volumes increased by 4.3 percent, while modest, still outpaced the organic growth of most of Winpak's major competitors. All product groups advanced, led by modified atmosphere packaging, which exceeded prior year volumes by more than 10 percent due to increased sales of sophisticated packaging for processed meat and cheese applications. Biaxially oriented nylon film, and packaging machinery and part sales volumes progressed in the mid-single-digit percentage range with the latter reaching new heights in revenue. Rigid container and lidding shipments, after advancing by approximately 15 percent in the prior year, registered growth in low single-digit percentage terms in 2015 but are poised to return to more accelerated levels in the upcoming year. Specialty films shipments also grew in low single-digit percentages and were constrained by capacity-related challenges in its shrink bag operations. In comparison to 2014, selling price/mix changes in 2015 had an unfavorable impact on revenues of \$10.7 million or 1.4 percent due in large part to the pass-through of lower raw material costs to indexed customers. Foreign exchange further reduced reported revenues by \$12.4 million or 1.6 percent on the conversion of Canadian dollar sales into US funds at a lower average exchange rate in 2015 versus the prior year.



Gross profit margins

In 2015, gross profit margins reached an all-time high at 32.3 percent of revenue, eclipsing the 2014 level of 28.5 percent by a sizeable 3.8 percentage points. The result was an addition to earnings per share of 24.0 cents. As the vast majority of the Company's raw materials are petrochemical based, the significant decline in oil and natural gas prices during the year lowered the cost of certain resins and resulted in a widening of the gap between raw material costs and selling prices. However, much of the resin cost decline was passed through to customers as approximately 70 percent of Wipac's revenues are indexed to changes in raw material prices, albeit with a time lag of approximately 90 days. This time lag, though, has elevated gross profit margins to some extent as raw material cost decreases in the latter part of the year will not be reflected in selling price declines until 2016. Margins were also aided by the fact that market conditions did not dictate significant price adjustments for non-indexed accounts. Offsetting some of the benefit of reduced material costs on gross profit margins were elevated manufacturing variances which continued to persist in parts of the business where capacity was constrained. Much effort is being placed in this area to reduce bottlenecks and in mid-2016 will be further aided by new capacity coming on stream.

Wipac's raw material index, which represents the weighted cost of a basket of the Company's eight principal raw materials, dropped by 16.4 percent, on average, during the past 12 months. However, not all raw materials experienced such substantial declines as specialty resins displayed relative stability during this period. Although resin supply and demand in North America was in relative balance as 2015 ended, with the exception of polypropylene where supply was tight, it is difficult to determine what impact the most recent collapse in world oil prices will have on future costs.

Raw Material Index

	2015	2014	2013
Average annual index: weighted cost of a basket of Wipac's eight principal raw materials, where base year 2001 = 100	148.0	177.0	174.6
(Decrease) increase in index compared to prior year	(16.4%)	1.4%	1.5%

Expenses

Operating expenses, adjusted for foreign exchange impacts, advanced by just over 2 percentage points more than the growth in sales volumes over the prior year, resulting in a reduction in earnings per share of 2.5 cents. Higher compensation costs were the main factor as an approximate 40 percent increase in the Company's share price impacted equity-based incentive costs in addition to a one-time \$1,000 CAD payment made to each of the Company's over 2,200 employees in the third quarter of 2015 on the occasion of the 40th anniversary of the founding of Wipac. Lower research and development tax credits in 2015 versus the previous year also added to higher operating expenses. A greater proportion of earnings attributable to non-controlling interests in the current year decreased earnings per share by a further 2.0 cents relative to 2014. On a positive note, due in large part to income being earned in more favorable income tax jurisdictions in the current year, a lower effective income tax rate excluding permanent differences resulted in a supplement to earnings per share of approximately 0.5 cents.

Foreign Exchange

	2015	2014	2013
Year-end exchange rate of CDN dollar to US dollar	0.722	0.860	0.934
Year-end exchange rate of US dollar to CDN dollar	1.385	1.162	1.070
Depreciation of CDN dollar vs. US dollar year-end exchange rate compared to the prior year	(16.0%)	(7.9%)	(7.0%)
Average exchange rate of CDN dollar to US dollar	0.789	0.910	0.972
Average exchange rate of US dollar to CDN dollar	1.267	1.099	1.029
Depreciation of CDN dollar vs. US dollar average exchange rate compared to the prior year	(13.3%)	(6.4%)	(2.7%)

Wipac utilizes the US currency as both its reporting and functional currency. However, with more than half of its production capacity located in Canada, it is exposed to foreign exchange risks and records foreign currency differences on transactions and translations denominated in Canadian dollars as well as other foreign currencies. With a small production facility located in Mexico, the Company is also exposed to foreign exchange risks on costs denominated in Mexican pesos but these are negligible.

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On a net basis, foreign exchange had a favorable impact on earnings per share of approximately 6.5 cents in 2015 compared to the prior year. Approximately 11 percent of revenues in the current year were denominated in Canadian dollars and approximately 22 percent of costs were incurred in the same currency. The net outflow of Canadian dollars exposes Winpak to transaction differences arising from exchange rate fluctuations. The depreciation in the average exchange rate of the Canadian dollar in relation to the US dollar in 2015 increased earnings per share by approximately 7.0 cents compared to 2014. Furthermore, translation differences, which arise when primarily Canadian dollar monetary assets and liabilities are translated at exchange rates that change over time, augmented earnings per share in the current year by an additional 1.0 cent in comparison to 2014. This was partially offset by losses realized on the maturation of foreign exchange contracts entered into as part of the Company's foreign exchange policy, which decreased earnings per share by 1.5 cents in 2015 versus the prior year.

Summary of quarterly results

Thousands of US dollars, except earnings per share (e.p.s.) amounts (cents)

Quarter ended	2015			Quarter ended	2014		
	Revenue	Net income*	e.p.s.		Revenue	Net income*	e.p.s.
March 29	199,440	22,463	35	March 30	188,077	16,163	25
June 28	198,257	26,845	41	June 29	199,426	19,406	30
September 27	193,726	22,305	34	September 28	192,982	19,448	30
December 27	205,746	27,635	43	December 28	206,269	23,343	36
	<u>797,169</u>	<u>99,248</u>	<u>153</u>		<u>786,754</u>	<u>78,360</u>	<u>121</u>

*attributable to equity holders of the Company

Various factors affect timing of the Company's earnings during the course of a year. Typically, seasonal factors contribute to stronger revenue and net income in the second and fourth quarters compared to the first and third quarters. Factors influencing seasonal trends are the higher demand for certain food products in advance of the summer season and the greater number of holidays in the fourth quarter. During the third quarter, revenue and net income are typically lower due to reduced order levels and plant maintenance shutdowns scheduled to coincide with the summer. Sudden and substantial changes in the rate of exchange between the Canadian and US dollars from one quarter to another may cause revenue and net income to vary from the historic trend. Similarly, sudden and significant changes in the cost of raw materials consumed from one quarter to another can be expected to increase or decrease net income in a manner that does not conform to the normal pattern. Furthermore, unexpected adverse weather conditions could influence the supply and price of raw materials or customer order levels, and the timing of startup of new manufacturing equipment can cause revenue and net income to depart from established trends.

The historical pattern essentially held true for both 2015 and 2014 except that the first quarter revenue was slightly stronger in 2015 and third quarter net income in 2014 was marginally higher than the second quarter, deviating somewhat from the normal trend.

Cash Flow, Liquidity and Capital Resources

At December 27, 2015, Winpak's cash and cash equivalents amounted to \$165.0 million, advancing by \$21.3 million from a year prior. This increase resulted from cash provided by operating activities of \$156.0 million less disbursements for investing activities of \$54.0 million and financing activities of \$80.7 million.

Operating activities

Cash provided by operating activities totaled \$156.0 million, surpassing the 2014 achievement by \$58.6 million or over 60 percent. A combination of a strong earnings performance along with a reduction in working capital were the main catalysts behind the enhancement. Cash generated from operating activities before changes in working capital amounted to \$179.0 million, a substantial appreciation of \$33.6 million compared to the prior year. This was further supplemented by a decline in the investment in working capital for the current year which fell by \$9.4 million. Inventories declined by \$4.1 million, primarily in raw materials as the price of many of the resins used by the Company dropped markedly from a year ago. This also impacted trade and other receivables to a certain extent as selling prices abated in response, and in conjunction with a reduction in the days sales outstanding to 45 days at year-end from 49 days at the close of the previous year, resulted in a reduction of \$4.6 million in net receivables. Income tax payments totaled \$26.5 million, up \$1.1 million from the previous year. Finally, employee defined benefit plan contributions of \$1.7 million were funded during the year along with a lump sum settlement payment of \$4.5 million to retire the remaining multiemployer defined benefit pension plan liability that resulted from the Company's withdrawal from that plan in 2011. The latter resulted in a gain on settlement of \$1.8 million. The Company remains well funded with regard to its defined benefit pension plans, with gross pension assets totalling over \$80 million and a net unfunded liability of only \$3.2 million on an accounting basis.



Investing activities

Investing activities in the current year totaled \$54.0 million, of which plant and equipment additions represented \$53.7 million. This exceeded the prior year expenditures by \$5.6 million and were focused on adding more extrusion capacity in rigid containers, modified atmosphere packaging and specialty films, which together made up two-thirds of the capital spending. The largest expenditure related to a state-of-the-art cast coextrusion line at the modified atmosphere packaging facility in Winnipeg which was still in process at the end of the year and is expected to be commissioned by mid-2016. Capital in progress at December 27, 2015 totaled \$33.7 million. Over the long term, Winpak's expenditures for equipment enhancements in maintaining existing capacity have averaged approximately 2 percent of revenue.

Financing activities

Financing activities in 2015 consisted of dividends to common shareholders totaling \$80.1 million, consisting of a special dividend paid in October of the current year of \$73.8 million (\$97.5 million Canadian) and regular dividends of \$6.3 million. This represented a dividend yield of 5.0 percent based on the opening share price of \$32.39 Canadian as at December 28, 2014 (2014 yield - 4.9 percent resulting from a special dividend of \$58.5 million and regular dividends of \$7.2 million). The Board of Directors of Winpak does not have any specific plans regarding the declaration of special dividends in future years but will make decisions in this regard as circumstances arise. In addition to dividends to equity holders of the Company, a dividend payment of \$0.6 million was paid to a non-controlling interest in a subsidiary.

Resources

Investments to drive growth can be sizeable, requiring substantial financial resources. A range of funding alternatives is available including cash and cash equivalents, cash flow provided by operations, additional debt, issuance of equity or a combination thereof. An informal investment grade credit rating allows the Company access to relatively low interest rates on debt. The Company currently has operating lines of \$38 million, which are believed adequate for liquidity purposes. None of the lines were utilized as at December 27, 2015. Based on formal and informal discussions with various financial institutions, Winpak believes that additional credit can be arranged from banks and other major lenders as the need arises. The Company is confident that all 2016 requirements for capital expenditures, working capital, and dividend payments can be financed from cash resources, cash provided by operating activities and unused credit facilities.

Risks and Financial Instruments

The Company recognizes that net income is exposed to changes in market interest rates, foreign exchange rates, prices of raw materials and risks regarding the financial condition of customers and financial counterparties. These market conditions are regularly monitored and actions are taken, when appropriate, according to Winpak's policies established for the purpose. Despite the methods employed to manage these risks, future fluctuations in interest rates, foreign exchange rates, raw material costs and counterparty financial condition can be expected to impact net income.

Winpak's policy regarding interest expense is to fix interest rates on between one- and two-thirds of any long-term debt outstanding. The Company may enter into derivative contracts or fixed-rate debt to minimize the risk associated with interest rate fluctuations. For the past six years, Winpak has not had any long-term debt outstanding.

With respect to foreign exchange risk, Winpak employs hedging programs to minimize risks associated with changes in the value of the Canadian dollar relative to the US dollar. To the extent possible, the Company maximizes natural currency hedging by matching inflows from revenue in a currency with outflows of costs and expenses denominated in the same currency. For the remaining exposure, the Company's foreign exchange policy requires that between 50 and 80 percent of the Company's net requirement of Canadian dollars for the ensuing 9 to 15 months will be hedged at all times with forward or zero-cost option contracts. The Company may also enter into forward foreign currency contracts when equipment purchases will be settled in other foreign currencies. Purchases of foreign exchange products for the purpose of speculation are not permitted. Transactions are only conducted with certain approved Schedule I Canadian financial institutions.

Significant fluctuations in foreign exchange rates represent a material exposure for the Company's financial results. Hedging programs employed may mitigate a portion of exposures to short-term fluctuations in foreign currency exchange rates. However, the Company's financial results over the long-term will inevitably be affected by sizeable changes in the value of the Canadian dollar relative to the US dollar. Winpak estimates that each time the exchange rate strengthens or weakens by one Canadian cent against the US dollar, net income, with respect to transaction differences, will decrease or increase, respectively, by approximately three-quarters of a US cent per share.

During 2015, certain foreign currency forward contracts matured and the Company realized pre-tax foreign exchange losses of \$3.0 million. As at December 27, 2015, the Company had US to CDN dollar and US to Euro dollar foreign currency forward contracts outstanding with notional amounts of \$34.0 million and \$2.7 million respectively. The pre-tax unrealized foreign exchange loss on these contracts of \$1.6 million was recorded in other comprehensive income.

Winpak has not participated in any derivatives market for raw materials. Winpak is not aware of any instrument that fully mitigates fluctuations in raw material costs over the long term. To manage this risk, Winpak has entered into formal selling price-indexing agreements with certain customers whereby changes in raw material prices are reflected in selling price adjustments, albeit with a slight time lag. For 2015, approximately 70 percent of Winpak's revenues were governed by selling price-indexing agreements. For all other customers, the Company responds to changes in raw material costs by adjusting selling prices on a customer-by-customer basis. However, market conditions can have an impact on these price adjustments such that the combined impact of selling price adjustments and changes in raw material costs can be significant to Winpak's net income.

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Credit risk arises from cash and cash equivalents held with banks, derivative financial instruments (foreign currency forward and option contracts), as well as credit exposure to customers, including outstanding accounts receivable. The Company assesses the credit quality of counterparties, taking into account their financial position, past experience and other factors. Management regularly monitors customer credit limits, performs credit reviews and, in certain cases, insures accounts receivable balances against credit losses. The Company invests its excess cash on a short-term basis, to a maximum of six months, with financial institutions and/or governmental bodies that must be rated AA rated 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 Canadian federal or provincial government. Nonetheless, unexpected deterioration in the financial condition of a counterparty can have a negative impact on the Company's net income in the case of default.

The Company enters into contractual obligations in the normal course of business operations. These obligations, as at December 27, 2015, are summarized below.

Contractual Obligations	Payment due, by period (thousands of US dollars)				
	Total	1 year	2 - 3 years	4 - 5 Years	After 5 years
Operating leases	3,023	1,011	1,408	604	-
Purchase obligations	16,445	16,445	-	-	-
Total contractual obligations	19,468	17,456	1,408	604	-

Accounting Policy Changes

Future Accounting Changes

As more fully described in Note 5 to the Consolidated Financial Statements, three new accounting standards have been issued, IFRS 9 "Financial Instruments", IFRS 15 "Revenue from Contracts with Customers" and IFRS 16 "Leases". IFRS 9 and IFRS 15 are effective for annual periods beginning on or after January 1, 2018 while IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company is currently assessing the impact of these new standards and does not intend to early adopt these standards in its consolidated financial statements. In addition, amendments to the existing standards IAS 16 "Property, Plant and Equipment", IAS 38 "Intangible Assets", and IAS 1 "Presentation of Financial Statements" were issued and are effective for annual periods beginning on or after January 1, 2016. The amendments to IAS 16 and IAS 38 are not expected to have any impact on the Company's consolidated financial statements. The Company is currently assessing the impact of the amendments to IAS 1 and does not intend to early adopt amended IAS 1 in its consolidated financial statements.

Looking Forward

As 2016 begins, the Company is optimistic with regard to the upcoming year. Opportunities in the sales pipeline are significant and should provide the impetus for expanding volumes in 2016 and beyond. There are several technical complexities that need to be conquered to bring certain of these opportunities to fruition but management is confident that these challenges will be met. Raw material pricing is expected to remain relatively stable in the near term as demand and fulfillment are in relative equilibrium, with the exception of polypropylene resin where tightness of supply is evident in the marketplace and may exert upward pressure on pricing going forward. However, with the further decline and volatility in world oil prices as of late, it is difficult to predict what impact this may have on future raw material prices. Gross profit margins will likely fall a couple of percentage points from elevated fourth quarter levels as the effect from recent declines in raw material costs on indexed selling prices will be realized in the early part of the upcoming year due to the lag period of approximately three months. Manufacturing performance will continue to remain a focus for the operations group in 2016 and improvement will be essential to alleviate bottlenecks in areas where capacity is currently constrained in order to achieve the Company's volume growth objectives. Of particular importance will be the commercialization of the massive technologically-advanced cast coextrusion line which is in the process of being installed at the Company's modified atmosphere packaging facility in Winnipeg. The weakness in the Canadian dollar versus its US counterpart, while reducing reported revenues, will continue to be favorable to the Company's earnings, as Canadian dollar denominated costs exceed revenues in that currency. Should the exchange rate stabilize at current levels, further positive effects will be evident in 2016 results due to the Company's foreign exchange hedging policy whereby between 50 and 80 percent of the net requirement of Canadian dollars for the ensuing 9 to 15 months are hedged at all times with forward or zero-option contracts. To some extent, this has muted the favorable effect of the weaker Canadian dollar on 2015's net income. Capital spending for 2016 should be somewhat higher than 2015's level of \$53.7 million as the rigid container operations in Chicago are planning to add a further 350,000 square feet to its existing Sauk Village facility which was constructed in 2012 and an addition of 85,000 square feet is budgeted for the Company's shrink bag operations in Georgia. The Company will continue to pursue acquisition opportunities in Winpak's core competencies of sophisticated packaging for food, beverage and healthcare applications while it remains committed to substantial organic growth through capital investment. With Winpak's solid financial position, it has the resources necessary to complete an acquisition when the proper fit and price are present to provide long-term shareholder value.



Critical Accounting Estimates

The Company believes the following accounting estimates are critical to determining and understanding the operating results and the financial position of the Company.

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 cash-generating unit (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.

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

Disclosure Controls and Internal Controls

Disclosure controls

Management is responsible for establishing and maintaining disclosure controls and procedures in order to provide reasonable assurance that material information relating to the Company is made known to them in a timely manner and that information required to be disclosed is reported within time periods prescribed by applicable securities legislation. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based on management's evaluation of the design and effectiveness of the Company's disclosure controls and procedures, the Company's Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures are designed and operating effectively as of December 27, 2015 to provide reasonable assurance that the information being disclosed is recorded, summarized and reported as required.

Internal controls over financial reporting

Management is responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles. Internal control systems, no matter how well designed, have inherent limitations and therefore can only provide reasonable assurance as to the effectiveness of internal controls over financial reporting, including the possibility of human error and the circumvention or overriding of the controls and procedures. Management used the Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013) as the control framework in designing its internal controls over financial reporting. Based on management's design and testing of the effectiveness of the Company's internal controls over financial reporting, the Company's Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures are designed and operating effectively as of December 27, 2015 to provide reasonable assurance that the financial information being reported is materially accurate. During the fourth quarter ended December 27, 2015, there have been no changes in the design of the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

Other

Additional information relating to the Company is available on SEDAR at www.sedar.com, including the Annual Information Form dated February 18, 2016.