Management's Discussion and Analysis

(presented in US dollars)

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

Financial Performance

Net income attributable to equity holders of the Company for the fourth quarter of 2016 amounted to $28.6 million or 44 cents in earnings per share (EPS), surpassing the 2015 corresponding result of $27.6 million or 43 cents per share by 3.4 percent. This represented the highest earnings performance of any quarter in the Company's 40-year history. Organic volume growth provided the impetus by advancing EPS by 3.0 cents and was aided by a further 3.0 cents for reduced operating expenses and 1.0 cent due to favorable foreign exchange impacts. This was offset in part by a lower relative gross profit margin which reduced EPS by 4.5 cents while higher income taxes and a greater proportion of net income attributable to non-controlling interests subtracted 1.0 cent and 0.5 cents from EPS respectively.

For the year ended December 25, 2016, net income attributable to equity holders of the Company of $104.3 million or $1.61 per share eclipsed the prior year record net income of $99.2 million or $1.53 per share by a respectable 5.1 percent. Organic volume growth propelled EPS forward by 11.0 cents while foreign exchange and reduced operating expenses added a further 5.0 cents and 2.5 cents respectively. A reduced rate of growth in gross profit in relation to sales volumes negatively impacted EPS by 7.0 cents. Furthermore, a larger proportion of net income attributable to non-controlling interests and higher income taxes reduced EPS by 2.0 cents and 1.5 cents correspondingly.

Revenue

Revenue in the fourth quarter of 2016 of $215.6 million set new heights and exceeded the 2015 final quarter level of $205.7 million by 4.8 percent. Volumes continued where they left off at the end of the first three quarters, advancing by 6.9 percent in the fourth quarter, when compared to the same period in 2015. On a percentage basis, biaxially oriented nylon volumes led the way, accelerating by over 30 percent followed by packaging machinery and parts sales which rebounded from a slower third quarter of the year. Specialty film shipments also recovered from their decline in the previous quarter by moving forward in low double-digit percentage terms as bottlenecks within the operation continued to be addressed. Modified atmosphere packaging volumes ascended in the high single-digit percentage range as ongoing progress was made at securing additional business at major US protein customers. After a particularly strong third quarter, rigid container and lidding volumes advanced by low single-digit percentage increases over the 2015 final quarter. Custom container shipments, including specialty beverage, along with condiment packaging and trays for home meal replacements bolstered volume growth. Lidding for yogurt applications provided further gains. Selling price/mix changes had an unfavorable impact of 2.1 percent on 2016 fourth quarter revenues compared to the prior year corresponding period while the effect of foreign exchange on those revenues was negligible.

For 2016, revenue reached an all-time high of $822.5 million, up by 3.2 percent from the $797.2 million recorded in the previous year despite customer selling price-indexing and foreign exchange headwinds. Volumes grew by a notable 6.8 percent with all major product groups progressing. Consistent with the quarterly result, biaxially oriented nylon volumes had the highest percentage achievement versus the prior year. Lidding shipments followed with high single-digit percentage gains due to new customers in foil rollstock applications along with sustained progress in die-cut lidding including retort products. Rigid container along with specialty films and modified atmosphere packaging volumes all expanded in the mid single-digit percentage range as the areas of growth experienced in the fourth quarter were present throughout much of the year. Although packaging machinery shipments were down from the prior year, spare part sales were robust in 2016. Partially offsetting the positive impact of organic volume growth on annual revenues was a reduction of 3.1 percent due to selling price/mix changes as indexed selling prices fell in response to reduced raw material costs, with an approximate 90-day lag. Likewise, the decline in the value of the Canadian dollar in comparison to its US counterpart was responsible for a decline in revenues of 0.5 percent.

Gross profit margins

Gross profit margins of 32.2 percent of revenue in the fourth quarter of 2016 fell short of the 33.5 percent of the corresponding quarter of 2015. This resulted in a decrease in EPS of 4.5 cents and was due to a combination of factors. Rising raw material costs provided a squeeze on margins at non-indexed accounts as well as indexed accounts where the lag in selling prices responding to raw material cost changes resulted in a temporary contraction in gross profit. In addition, gross profit margins were impacted by sales mix as well as elevated manufacturing variances resulting from ongoing challenges in the production of new products and certain capacity constraints. There has been some recent progress in these areas although further improvement is required and anticipated.

For the current year, gross profit margins attained a level of 32.7 percent of revenue versus the 32.3 percent reached in 2015. While volumes advanced by 6.8 percent in 2016, gross profit only grew by 4.5 percent from $257.8 million in 2015 to $269.3 million in the present year, resulting in a reduction in EPS of 7.0 cents. The operational challenges mentioned previously were largely responsible for the curtailed gross profit performance.

For reference, the following presents the weighted indexed purchased cost of Winpak's eight primary raw materials in the reported quarter and each of the preceding eight quarters, where base year 2001 = 100. The index was rebalanced as of December 28, 2015 to reflect the mix of the eight primary raw materials purchased in 2015.

Quarter and Year	4/16	3/16	2/16	1/16	4/15	3/15	2/15	1/15	4/14
Purchase Price Index	143.9	140.2	138.1	136.4	139.1	147.7	152.1	156.9	175.1

The purchase price index has been on the rise for the last three quarters, increasing by 2.6 percent in the final three months of 2016 compared to the third quarter and 3.5 percent higher than a year earlier. The Company's most widely used resins all experienced escalations and with the recent ascent in the price of oil, the near-term trend is also upward.

Expenses and Other

Despite an increase in sales volume in the fourth quarter of 2016 of 6.9 percent in comparison to the corresponding quarter of 2015, operating expenses actually declined in the current quarter. This resulted in a 3.0 cent increment in EPS with lower employee incentive expenses, including share-based compensation, playing a large role in the favorable result. Foreign exchange was responsible for an additional 1.0 cent in EPS, primarily due to the maturation, at more favorable rates, of foreign exchange forward contracts that are an integral part of the Company's foreign exchange policy. In contrast, a higher effective income tax rate in the final three months of 2016 in comparison to the same period in the prior year generated a decline in EPS of 1.0 cent. Lastly, a greater proportion of net income attributable to non-controlling interests resulted in a further reduction of 0.5 cents in EPS in relation to the final quarter of 2015.

For the 2016 fiscal year, operating expenses, exclusive of foreign exchange impacts, increased by only 4.8 percent from the prior year in contrast to the expansion in sales volume of 6.8 percent, resulting in an addition to EPS of 2.5 cents. With the moderate incline in the Company's share price during the current year versus the nearly 40 percent surge which occurred in the previous year, the result was a significant reduction in share-based incentive expenses. This, when combined with a one-time $1,000 CAD 40th anniversary payment made to each of the Company's over 2,200 employees in the third quarter of 2015, was more than enough to offset increases in research, technical and pre-production costs primarily related to new products and processes. Foreign exchange had a favorable impact of 5.0 cents on EPS due to a combination of a gain on conversion of the Company's net Canadian dollar expenses into US funds at a lower average exchange rate in 2016 versus 2015 as well as the maturation of foreign exchange forward contracts at more favorable rates than the prior year. Partially offsetting these positive effects, a larger proportion of net income attributable to non-controlling interests and a higher average income tax rate subtracted 2.0 cents and 1.5 cents from EPS respectively.

Summary of Quarterly Results

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

	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Revenue	215,550	204,699	204,129	198,154	205,746	193,726	198,257	199,440
Net income attributable to equity holders of the Company	28,578	24,036	25,166	26,564	27,635	22,305	26,845	22,463
EPS	44	37	39	41	43	34	41	35

Capital Resources, Cash Flow and Liquidity

The Company's cash and cash equivalents balance ended the current year at $211.2 million, an increase of $13.5 million from the end of the third quarter. Winpak continued to generate strong and consistent cash flows from operating activities before changes in working capital of $50.0 million, surpassing the corresponding quarter of the prior year by $1.1 million. Cash was utilized for net working capital additions of $3.9 million, of which $3.6 million pertained to reductions in trade payables and other liabilities as progress payments relating to capital expenditures incurred in the third quarter were paid in the current period. Other uses of cash included $24.1 million in plant and equipment additions primarily related to the facility expansions in Sauk Village, Illinois and Senoia, Georgia; income tax payments of $6.7 million; dividends of $1.5 million; and other items totalling $0.3 million. The Company's world-class 13-layer cast coextrusion line at its Winnipeg modified atmosphere packaging facility became commercialized in December 2016.

For the year, the cash and cash equivalents balance climbed by $46.2 million, led by the significant cash flow generation from operating activities before changes in working capital of $191.6 million. Working capital additions utilized $20.1 million of cash primarily in trade receivables and inventories. In addition to the increase in these two assets that paralleled the growth of the business, trade receivables were further impacted by extended payment terms at certain customers as part of contract negotiations. Inventories were also affected by the rise in raw material costs during the year. Cash was further utilized for plant and equipment additions of $72.2 million, income tax payments of $44.5 million, dividends to equity holders of the Company of $5.9 million, and other items totaling $2.7 million. The plant and equipment expenditures were at an all-time high for Winpak as the Company embarked on two significant building expansions in the year as well as a substantial investment in the latest extrusion and printing technology to support the continued advancement of organic volume growth, a consistent pillar of the corporate strategy for the past decade. The Company remains debt-free and has unutilized operating lines of $38 million, which should be sufficient to meet all anticipated cash requirements for the foreseeable future, with the ability to increase borrowing capacity further should the need arise.

Looking Forward

Following a strong finish to 2016, the Company remains optimistic as it enters 2017 in terms of volume and earnings advancement. Winpak continues its strategic focus on organic growth with opportunities in the sales pipeline progressing on the road to new revenue for the corporation. In particular, additional business from North America's major food processors continue to bear fruit as these companies gain increased confidence in Winpak's capabilities and become entrenched in the outstanding customer service for which the Company has become known. From a raw material standpoint, the prices of many of the Company's widely used resins have escalated as of late due to tightness in supply and the rise of world oil prices and while the future is uncertain, the near term trend is decidedly upward. This should not have a significant impact on gross profit margins as nearly 70 percent of the Company's revenues are indexed to the price of raw materials, albeit with an approximate 90-day time lag. As in 2016, the Company will remain focused on improving operational performance, particularly in those areas where capacity constraints have presented challenges and where new products and processes require more experience to optimize production. Of note, the massive cast coextrusion line at the Company's modified atmosphere packaging plant in Winnipeg was declared commercial in the fourth quarter of the year and 2017 will see added refinements and enhancements to further improve its operation. Capital spending for 2017 is expected to be diminished from the record-high level experienced in the current year to an amount of between $55 to $65 million, as the majority of the work on the building expansions at the Company's specialty film operations in Senoia, Georgia and its rigid container facility in Sauk Village, Illinois has been completed. The Company will continue to invest in organic growth opportunities while pursuing acquisition prospects that fit strategically with Winpak's core competencies in sophisticated packaging for food, beverage and healthcare applications. With Winpak's solid financial footing, it has the resources at its disposal to complete an acquisition when the proper strategic fit and price are present to provide long-term shareholder value.

Future Changes to Accounting Standards

As more fully described in Note 4 to the Condensed 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 IAS 7 "Statement of Cash Flows" were issued in January 2016 and IFRIC Interpretation 22 "Foreign Currency Transactions and Advance Consideration" was issued in December 2016. These are effective for annual periods beginning on or after January 1, 2017 and January 1, 2018 respectively. While the Company is currently assessing the impact of these changes, management does not expect them to have a significant impact on the Company's consolidated financial statements and does not intend to early adopt them.

Controls and Procedures

Disclosure Controls

Management is responsible for establishing and maintaining disclosure controls and procedures in order to provide reasonable assurance that material information relating to the Company is made known to them in a timely manner and that information required to be disclosed is reported within time periods prescribed by applicable securities legislation. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based on management's evaluation of the design of the Company's disclosure controls and procedures, the Company's Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures are designed as of December 25, 2016 to provide reasonable assurance that the information being disclosed is recorded, summarized and reported as required.

Internal Controls Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Internal control systems, no matter how well designed, have inherent limitations and therefore can only provide reasonable assurance as to the effectiveness of internal controls over financial reporting, including the possibility of human error and the circumvention or overriding of the controls and procedures. Management used the Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013) as the control framework in designing its internal controls over financial reporting. Based on management's design of the Company's internal controls over financial reporting, the Company's Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures are designed as of December 25, 2016 to provide reasonable assurance that the financial information being reported is materially accurate. During the fourth quarter ended December 25, 2016, there have been no changes to the design of the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.