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NEWS RELEASE

Winpak Reports 2021 First Quarter Results

Winnipeg, Manitoba, April 22, 2021 - Winpak Ltd. (WPK) today reports consolidated results in US dollars for the first quarter of 2021, which ended on March 28, 2021.

	Quarter Ended	
	March 28 2021	March 29 2020
(thousands of US dollars, except per share amounts)		
Revenue	224,806	213,596
Net income	25,242	23,546
Income tax expense	8,874	8,605
Net finance expense (income)	166	(1,030)
Depreciation and amortization	11,282	10,835
EBITDA (1)	45,564	41,956
Net income attributable to equity holders of the Company	24,495	23,155
Net income attributable to non-controlling interests	747	391
Net income	25,242	23,546
Basic and diluted earnings per share (cents)	38	36

Winpak Ltd. manufactures and distributes high-quality packaging materials and related packaging machines. The Company's products are used primarily for the packaging of perishable foods, beverages and in healthcare applications.

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[1] EBITDA is not a recognized measure under International Financial Reporting Standards (IFRS). Management believes that in addition to net income, this measure provides useful supplemental information to investors including an indication of cash available for distribution prior to debt service, capital expenditures, payment of lease liabilities and income taxes. Investors should be cautioned, however, that this measure should not be construed as an alternative to net income, determined in accordance with IFRS, as an indicator of the Company's performance. The Company's method of calculating this measure may differ from other companies and, accordingly, the results may not be comparable.

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. Factors that could cause results to differ from those expected include, but are not limited to: the terms, availability and costs of acquiring raw materials and the ability to pass on price increases to customers; ability to negotiate contracts with new customers or renew existing customer contracts with less favorable terms; timely response to changes in customer product needs and market acceptance of our products; the potential loss of business or increased costs due to customer or vendor consolidation; competitive pressures, including new product development; industry capacity, and changes in competitors' pricing; ability to maintain or increase productivity levels; ability to contain or reduce costs; foreign currency exchange rate fluctuations; changes in governmental regulations, including environmental, health and safety; changes in Canadian and foreign income tax rates, income tax laws and regulations. In addition, factors arising as a result of the Coronavirus (COVID-19) global pandemic that could cause results to differ from those expected include, but are not limited to: potential government actions, changes in consumer behaviors and demand, changes in customer requirements, disruptions of the Company's suppliers and supply chain, availability of personnel and uncertainty about the extent and duration of the pandemic. 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.

Financial Performance

Net income attributable to equity holders of the Company for the first quarter of 2021 of $24.5 million or 38 cents in earnings per share (EPS) exceeded the corresponding quarter of 2020 by $1.3 million or 5.8 percent. Higher sales volumes were a key contributor, adding 2.5 cents to EPS. It is estimated that COVID-19 had a limited impact on EPS. Foreign exchange augmented EPS by 3.5 cents while both operating expenses and income taxes raised EPS by 0.5 cents. Gross profit margins subtracted 3.0 cents from EPS. Net finance expense (income) and net income attributable to non-controlling interests also had a negative influence, lowering EPS by 1.5 cents and 0.5 cents, respectively.

Operating Segments and Product Groups

The Company provides three distinct types of packaging technologies: a) flexible packaging, b) rigid packaging and flexible lidding and c) packaging machinery. Each is deemed to be a separate operating segment.

The flexible packaging segment includes the modified atmosphere packaging, specialty films and biaxially oriented nylon product groups. 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 include 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. Biaxially oriented nylon film is stretched by length and width to add stability for further conversion using printing, metalizing or laminating processes and is ideal for food packaging applications such as cheese, fluid and viscous liquids, and industrial applications such as book covers and balloons.

The rigid packaging and flexible lidding segment includes the rigid containers, lidding and specialized printed packaging product groups. Rigid containers include portion control and single-serve containers, as well as plastic sheet, 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. Specialized printed packaging provides packaging solutions to the pharmaceutical, healthcare, nutraceutical, cosmetic and personal care markets.

Packaging machinery includes a full line of horizontal fill/seal machines for preformed containers and vertical form/fill/seal pouch machines for pumpable liquid and semi-liquid products and certain dry products.

Revenue

COVID-19 has influenced the Company's product groups to varying degrees. In total, it is estimated that the pandemic reduced first quarter sales volumes by less than 0.5 percent. For customers that focus on the food service and restaurant industries, sales activity continued to rebound in the early stages of 2021, but was limited by the varied public health orders in place across North America. Conversely, for customers that supply the retail food industries, volumes benefitted from the shift to greater at-home meal consumption.

Revenue in the first quarter of 2021 of $224.8 million surpassed the prior year level of $213.6 million by 5.2 percent. Volumes grew by a sizeable 6.6 percent with all three operating segments progressing. The flexible packaging operating segment experienced volume growth of 5 percent. For the modified atmosphere packaging product group, demand and the corresponding order levels were heightened for customers that service the retail meat and cheese markets. Volumes within the rigid packaging and flexible lidding operating segment expanded by 9 percent. The significant uptick in rigid container volumes stemmed from the success of customers' new product offerings in addition to the gains made with respect to condiment and snack food containers along with meat trays. Building on the momentum of the prior year, volumes for the packaging machinery operating segment advanced by 12 percent. Selling price and mix changes lowered revenue by 1.7 percent. Foreign exchange had virtually no effect on revenue.

Gross Profit Margins

Gross profit margins in the current quarter of 29.3 percent of revenue contracted by 0.7 percentage points from the 2020 first quarter level of 30.0 percent. Higher raw material costs, in tandem with lower selling prices, generated a decrease in EPS of 5.0 cents. The downward movement in selling prices was attributed to the timing of selling price pass-through adjustments to customers on formal indexing programs which had a negative influence in the current quarter but had the opposite impact in the initial quarter of 2020. Fixed manufacturing costs increased at a lesser rate than the expansion in sales volumes, enhancing EPS by 2.0 cents.

In the first quarter of the year, the raw material purchase price index advanced by 16.8 percent compared to the fourth quarter of 2020. In the past 12 months, the rise in the purchase price index was similar. The substantial increase in the index during the quarter was caused by the continued elevated global demand for the Company's main resins and the tightness in producer supply, which intensified in the latter part of the quarter due to the winter storm that transpired in the US Gulf Coast region in mid-February, creating unexpected producer outages. During the first quarter, polypropylene resin had the most notable increase of 67 percent while polyethylene and nylon resins each experienced increases of approximately 10 percent.

Expenses and Other

Operating expenses in the current quarter, adjusted for foreign exchange, increased by 5.8 percent but were outpaced by sales volume gains, generating a favorable impact on EPS of 0.5 cents. Contributing to the higher operating expenses were elevated freight costs as well as strategic additions to the healthcare product line's salesforce in alignment with the recently announced Wiicare initiative. Foreign exchange added 3.5 cents to EPS in the quarter due to the favorable translation differences recorded on the revaluation of monetary assets and liabilities in comparison to the large unfavorable translation differences recorded in the prior year's opening quarter. A modest decrease in the effective income tax rate raised EPS by 0.5 cents but was offset by the magnitude of income attributable to non-controlling interests. Net finance expense (income) lowered EPS by 1.5 cents, reflecting the much lower rate of interest applied in the current quarter to the cash and cash equivalent balances.

Capital Resources, Cash Flow and Liquidity

The Company's cash and cash equivalents balance ended the first quarter of 2021 at $496.2 million, an increase of $0.9 million from the end of the prior year. Winpak continued to generate solid cash flow from operating activities before changes in working capital of $45.4 million. Cash was consumed by net working capital additions of $26.0 million. Trade and other receivables advanced by $15.7 million mainly due to the 6.0 percent advancement in revenue in comparison to the immediately preceeding quarter. In addition, inventories grew by $11.6 million, reflecting the magnitude of raw material purchases towards the end of the quarter, notably higher resin costs and the build-up of work-in-process and finished goods to accomodate strong customer order levels. Cash was utilized for plant and equipment expenditures of $9.1 million, income tax payments of $7.4 million, dividend payments of $1.5 million and other items amounting to $0.5 million.

Summary of Quarterly Results

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

	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Revenue	224,806	212,091	210,605	216,201	213,596	217,456	212,734	219,618
Net income attributable to equity holders of the Company	24,495	27,256	26,684	29,226	23,155	26,679	28,578	31,086
EPS	38	42	41	45	36	41	44	48

Looking Forward

Winpak continues to navigate through the ongoing consequences of the Coronavirus (COVID-19) pandemic being an essential supplier of packaging materials and machinery for our customers. The Company is paying attention to the effects from the economic reopening activities taking place in North America with the United States progressing at a much faster rate. Concerns are emerging as a third wave of COVID-19 has commenced in Canada with a noted increase in infections from more dangerous variants. Moving forward, key factors will be whether the current approved vaccines will be able to effectively combat the multiple variants and the timing/execution of the vaccination plans across North America which are wide-ranging with the United States being well ahead. The Company continues to address the challenges arising from the pandemic with the expectation that it will persist, in varying degrees, for the balance of the year. All plants continue to be fully operational with a nominal number of COVID-19 cases. Winpak remains steadfast in its efforts to curtail the pandemic and will remain focused on ensuring all required health and safety protocols are fully supported at each facility to provide our highly dedicated and ardent employees and their families with a safe work environment.

Current market views are that the economy could gradually return to levels close to pre-COVID-19 later this year, however, the timing and extent is unclear. During the first quarter, pandemic-related business trends continued within the Company's operating segments with soft volumes being realized in the foodservice and hospitality markets and strong volume growth from retail protein and cheese products. New customer business volume gains from initial product launches within the rigid container product group (retort pet food and single-serve desserts), in addition to reclose label packaging, spouted pouch and frozen food wins from the flexible packaging segment, will provide a solid foundation for volume expansion in 2021. The flexible lidding and specialized printed packaging product groups continue to execute on new business activity with pharmaceutical customers. The packaging machinery segment has a healthy level of orders which will keep the operations active for the rest of the year. Several new business prospects are progressing in the sales funnel with execution dependent upon the customers' time horizon. Winpak along with Wipak, its European sister Company, formally announced and launched its strategic initiative Wiicare to create a global commercial healthcare platform to respond to customer requirements and expectations from their procurement partners in the medical and pharmaceutical markets. New healthcare opportunities are being sourced and pursued.

Raw material costs for Winpak's three principal resins started to increase during the fourth quarter of 2020. During the first quarter of 2021, this trend continued and intensified with sharp resin price increases implemented by producers. The rapid elevation in resin costs has come about due to: heightened North American demand for feedstocks, unplanned plant outages at producers, an increase in global demand for feedstocks creating a vibrant export market and to add further pressure on producer supply, the severe winter event "Uri" occurred in mid-February across the US Gulf Coast. This storm caused epic power, water, and electrical outages throughout the Gulf Coast where most of the resin producers are located. Resin production was significantly disrupted with plants slowly returning to service in the second half of March, however, several are not yet operating. This supply disruption has forced producers to put customers on allocations and most have declared force majeure. The Company has been working diligently to source sufficient supply of the affected resins, however, there is the potential that we could encounter some resin shortages, for a short period of time, and may have to curtail certain production lines until producer supply has been stabilized. The reduced producer supply capabilities have created marked resin price increases which will elevate the Company's costs of goods sold in the upcoming quarters and put stress on gross profit margins. Fortunately, these higher resin costs will generate appreciable customer selling price increases due to the pass-through of higher raw material costs as 66 percent of Winpak's revenues are indexed albeit with a three to four-month time lag. The Company expects to pass on selling price increases to non-indexed customers as well. Additionally, there have been noteworthy increases in freight costs with this dynamic expected to be prevalent in the upcoming quarters.

In the first quarter, capital spending was less than anticipated due to equipment supplier delays stemming from the pandemic and the timing of supplier progress payments. Expenditures for 2021 are forecast to be in the range of $60 to $70 million. The Winnipeg, Manitoba modified atmosphere packaging facility is completing several key projects including: new conversion capabilities for reclosable lidding and spouted pouches and retrofitting a cast co-extrusion line which will elevate Winpak's sustainable product offering with the next generation of reusable/recyclable high-barrier thermoformable films. These three initiatives will be coming onstream in the second quarter, and in addition, incremental capacity with a new cast co-extrusion line is scheduled to start-up in the fourth quarter. The new BOPA line installation in Winnipeg, Manitoba is progressing with pre-production scheduled by the end of the third quarter. At the Sauk Village, Illinois rigid container facility, the Company will be expanding its product offering with the installation of the infrastructure and production equipment to enter the injection molded container and in-mold label market with initial production expected by the fourth quarter. Bolstering and expanding Winpak's sustainable packaging product offering will remain at the forefront to meet our customers' expectations. Potential acquisition opportunities have started to slowly resurface as many transactions were put on hold in 2020 due to the pandemic with the expectation that activity will pick up moving forward. In this regard, the Company will evaluate acquisition opportunities that align strategically with Winpak's core strengths in sophisticated high-barrier packaging for food, medical and pharmaceutical applications.

Accounting Changes - Accounting Standards Implemented in 2021

a) COVID-19-Related Rent Concessions
In May 2020, the IASB issued "COVID-19-Related Rent Concessions (Amendment to IFRS 16)", which amends IFRS 16 "Leases" to provide lessees with a practical expedient that relieves lessees from assessing whether a COVID-19-related rent concession is a lease modification. The amendment was implemented with retrospective application, effective December 28, 2020, and had no impact on the Company's unaudited interim condensed consolidated financial statements.

Accounting Changes - Future Changes to Accounting Standards

a) Property, Plant and Equipment: Proceeds Before Intended Use
In May 2020, the International Accounting Standards Board (IASB) issued "Property, Plant and Equipment: Proceeds Before Intended Use (Amendments to IAS 16)", which prohibits deducting amounts received from selling items produced while preparing the asset for its intended use from the cost of property, plant and equipment. Instead, such sales proceeds and related costs will be recognized within the statement of income. The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and are to be applied retrospectively. The Company does not expect the amendments to have a significant impact on the consolidated financial statements when they are adopted in 2022.

b) Onerous Contracts - Cost of Fulfilling a Contract
In May 2020, the IASB issued "Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)", which specifies which costs a Company includes when assessing whether a contract will be loss-making. The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and are to be applied prospectively. The Company does not expect the amendments to have a significant impact on the consolidated financial statements when they are adopted in 2022.

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 March 28, 2021 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 March 28, 2021 to provide reasonable assurance that the financial information being reported is materially accurate. During the first quarter ended March 28, 2021, 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.

Winpak Ltd.
Interim Condensed Consolidated Financial Statements
First Quarter Ended: March 28, 2021

These interim condensed consolidated financial statements have not been audited or reviewed by the Company's independent external auditors, KPMG LLP.

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

	Note	March 28 2021	December 27 2020
Assets			
Current assets:			
Cash and cash equivalents		496,224	495,346
Trade and other receivables	14	151,062	135,406
Income taxes receivable		9,716	10,506
Inventories	8	147,253	135,629
Prepaid expenses		6,301	3,128
Derivative financial instruments		1,187	1,138
		811,743	781,153
Non-current assets:			
Property, plant and equipment	9	505,321	507,461
Intangible assets and goodwill		35,574	35,887
Employee benefit plan assets		7,591	8,114
		548,486	551,462
Total assets		1,360,229	1,332,615
Equity and Liabilities			
Current liabilities:			
Trade payables and other liabilities		66,985	64,592
Contract liabilities		3,914	1,775
Provisions		-	149
Income taxes payable		81	1,490
Derivative financial instruments		13	-
		70,993	68,006
Non-current liabilities:			
Employee benefit plan liabilities		13,852	13,484
Deferred income		14,049	14,359
Provisions and other long-term liabilities		13,721	13,770
Deferred tax liabilities		56,853	55,953
		98,475	97,566
Total liabilities		169,468	165,572
Equity:			
Share capital		29,195	29,195
Reserves		860	834
Retained earnings		1,126,380	1,103,435
Total equity attributable to equity holders of the Company		1,156,435	1,133,464
Non-controlling interests		34,326	33,579
Total equity		1,190,761	1,167,043
Total equity and liabilities		1,360,229	1,332,615

See accompanying notes to condensed consolidated financial statements.

Winpak Ltd.
Condensed Consolidated Statements of Income
(thousands of US dollars, except per share amounts) (unaudited)

		Quarter Ended	
	Note	March 28 2021	March 29 2020
Revenue	6	224,806	213,596
Cost of sales		(158,971)	(149,427)
Gross profit		65,835	64,169
Sales, marketing and distribution expenses		(19,591)	(17,701)
General and administrative expenses		(8,485)	(8,093)
Research and technical expenses		(4,030)	(4,053)
Pre-production expenses		-	(178)
Other income (expenses)	7	553	(3,023)
Income from operations		34,282	31,121
Finance income		277	1,659
Finance expense		(443)	(629)
Income before income taxes		34,116	32,151
Income tax expense		(8,874)	(8,605)
Net income for the period		25,242	23,546
Attributable to:			
Equity holders of the Company		24,495	23,155
Non-controlling interests		747	391
		25,242	23,546
Basic and diluted earnings per share - cents	12	38	36

Condensed Consolidated Statements of Comprehensive Income
(thousands of US dollars) (unaudited)

		Quarter Ended	
	Note	March 28 2021	March 29 2020
Net income for the period		25,242	23,546
Items that are or may be reclassified subsequently to the statements of income:			
Cash flow hedge gains (losses) recognized		488	(2,143)
Cash flow hedge gains transferred to the statements of income	7	(452)	(73)
Income tax effect		(10)	593
		26	(1,623)
Other comprehensive income (loss) for the period - net of income tax		26	(1,623)
Comprehensive income for the period		25,268	21,923
Attributable to:			
Equity holders of the Company		24,521	21,532
Non-controlling interests		747	391
		25,268	21,923

See accompanying notes to condensed consolidated financial statements.

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

	Note	Share capital	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
		Attributable to equity holders of the Company					
Balance at December 30, 2019		29,195	380	1,005,202	1,034,777	30,985	1,065,762
Comprehensive (loss) income for the period							
Cash flow hedge losses, net of tax		-	(1,570)	-	(1,570)	-	(1,570)
Cash flow hedge gains transferred to the statements of income, net of tax		-	(53)	-	(53)	-	(53)
Other comprehensive loss		-	(1,623)	-	(1,623)	-	(1,623)
Net income for the period		-	-	23,155	23,155	391	23,546
Comprehensive (loss) income for the period		-	(1,623)	23,155	21,532	391	21,923
Dividends	11	-	-	(1,394)	(1,394)	-	(1,394)
Balance at March 29, 2020		29,195	(1,243)	1,026,963	1,054,915	31,376	1,086,291
Balance at December 28, 2020		29,195	834	1,103,435	1,133,464	33,579	1,167,043
Comprehensive income for the period							
Cash flow hedge gains, net of tax		-	357	-	357	-	357
Cash flow hedge gains transferred to the statements of income, net of tax		-	(331)	-	(331)	-	(331)
Other comprehensive income		-	26	-	26	-	26
Net income for the period		-	-	24,495	24,495	747	25,242
Comprehensive income for the period		-	26	24,495	24,521	747	25,268
Dividends	11	-	-	(1,550)	(1,550)	-	(1,550)
Balance at March 28, 2021		29,195	860	1,126,380	1,156,435	34,326	1,190,761

See accompanying notes to condensed consolidated financial statements.

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

		Quarter Ended	
	Note	March 28 2021	March 29 2020
Cash provided by (used in):			
Operating activities:			
Net income for the period		25,242	23,546
Items not involving cash:			
Depreciation		11,251	10,802
Amortization - deferred income		(384)	(388)
Amortization - intangible assets		415	421
Employee defined benefit plan expenses		1,123	915
Net finance expense (income)		166	(1,030)
Income tax expense		8,874	8,605
Other		(1,322)	(341)
Cash flow from operating activities before the following		45,365	42,530
Change in working capital:			
Trade and other receivables		(15,656)	388
Inventories		(11,624)	3,358
Prepaid expenses		(3,173)	(2,144)
Trade payables and other liabilities		2,292	(7,151)
Contract liabilities		2,139	(1,226)
Employee defined benefit plan contributions		(131)	(1,299)
Income tax paid		(7,356)	(7,292)
Interest received		252	1,549
Interest paid		(354)	(477)
Net cash from operating activities		11,754	28,236
Investing activities:			
Acquisition of property, plant and equipment - net		(9,066)	(6,387)
Acquisition of intangible assets		(103)	(31)
		(9,169)	(6,418)
Financing activities:			
Payment of lease liabilities		(189)	(101)
Dividends paid	11	(1,518)	(1,491)
		(1,707)	(1,592)
Change in cash and cash equivalents		878	20,226
Cash and cash equivalents, beginning of period		495,346	397,159
Cash and cash equivalents, end of period		496,224	417,385

See accompanying notes to condensed consolidated financial statements.

1. General

Winpak Ltd. (the "Company" or "Winpak") 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.

2. Basis of Presentation

Statement of compliance
The unaudited interim condensed consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS). The unaudited interim condensed consolidated financial statements are in compliance with IAS 34. Accordingly, certain information and note disclosures normally included in annual consolidated financial statements prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB) have been omitted or condensed. These unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 27, 2020, which are included in the Company's 2020 Annual Report.

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 2021 and 2020 fiscal years are both comprised of 52 weeks and each quarter of 2021 and 2020 are comprised of 13 weeks.

The unaudited interim condensed consolidated financial statements were approved by the Audit Committee on behalf of the Board of Directors on April 22, 2021.

Coronavirus (COVID-19)
In March 2020, the World Health Organization declared a global pandemic known as Coronavirus (COVID-19). The extent of the pandemic's effect on the Company's operational and financial performance will depend on future developments, including the extent and duration of the pandemic, both of which are uncertain and difficult to predict. As a result, it is not currently possible to ascertain the overall financial impact on the Company's business. Winpak has significant cash resources on hand, unused credit facilities comprised of unsecured operating lines of $38 million and strong cash flows from operations to enable the Company to function effectively during the COVID-19 pandemic.

Since the first half of 2020, all Winpak facilities in North America have been under some level of health state of emergency order restricting business activities, movement of people, size of groups and instituting mandatory quarantine for travelers. Wherever a shelter-in-place order or state of emergency was declared, local and federal authorities identified under specific acts, which essential industries could remain open and active until further notice. In all affected jurisdictions, Winpak was classified as an essential provider of packaging materials and machinery to the food and healthcare industries, and was being actively urged by its customers to provide uninterrupted supply of quality packaging materials and machinery to maintain their essential supply chains. As of the date of these interim financial statements, all Winpak production sites are operational and working with the complete support of equally determined suppliers and logistics companies servicing customers who face similar challenges to stay in operation and supply our communities with food and healthcare supplies. With the tremendous support and dedication of all stakeholders, the Company has spared no effort to strengthen a safe workplace in all production facilities as well as curb the spread of the virus through a comprehensive and as we have learned, expanding list of counter safety measures. All sites meticulously reviewed and updated their disaster mitigation and recovery plans for readiness in the face of any contamination.

3. Accounting Standards Implemented in 2021

The following accounting standard came into effect commencing in the Company's 2021 fiscal year:

(a) COVID-19-Related Rent Concessions:
In May 2020, the IASB issued "COVID-19-Related Rent Concessions (Amendment to IFRS 16)", which amends IFRS 16 "Leases" to provide lessees with a practical expedient that relieves lessees from assessing whether a COVID-19-related rent concession is a lease modification. The amendment was implemented with retrospective application, effective December 28, 2020, and had no impact on the Company's unaudited interim condensed consolidated financial statements.

4. Future Accounting Standards

(a) Property, Plant and Equipment: Proceeds Before Intended Use:
In May 2020, the IASB issued "Property, Plant and Equipment: Proceeds Before Intended Use (Amendments to IAS 16)", which prohibits deducting amounts received from selling items produced while preparing the asset for its intended use from the cost of property, plant and equipment. Instead, such sales proceeds and related costs will be recognized within the statement of income. The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and are to be applied retrospectively. The Company does not expect the amendments to have a significant impact on the consolidated financial statements when they are adopted in 2022.

(thousands of US dollars, unless otherwise indicated) (Unaudited)

(b) Onerous Contracts - Cost of Fulfilling a Contract:
In May 2020, the IASB issued "Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)", which specifies which costs a Company includes when assessing whether a contract will be loss-making. The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and are to be applied prospectively. The Company does not expect the amendments to have a significant impact on the consolidated financial statements when they are adopted in 2022.

5. Segment Reporting

Operating segments and product groups
The Company provides three distinct types of packaging technologies: a) flexible packaging, b) rigid packaging and flexible lidding and c) packaging machinery. Each is deemed to be a separate operating segment.

The flexible packaging segment includes the modified atmosphere packaging, specialty films and biaxially oriented nylon product groups. 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 include 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. Biaxially oriented nylon film is stretched by length and width to add stability for further conversion using printing, metalizing or laminating processes and is ideal for food packaging applications such as cheese, fluid and viscous liquids, and industrial applications such as book covers and balloons.

The rigid packaging and flexible lidding segment includes the rigid containers, lidding and specialized printed packaging product groups. Rigid containers include portion control and single-serve containers, as well as plastic sheet, 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. Specialized printed packaging provides packaging solutions to the pharmaceutical, healthcare, nutraceutical, cosmetic and personal care markets.

Packaging machinery includes a full line of horizontal fill/seal machines for preformed containers and vertical form/fill/seal pouch machines for pumpable liquid and semi-liquid products and certain dry products.

Due to similar economic characteristics, including long-term sales volume growth and long-term average gross profit margins, and having similar products, production processes, types of customers and distribution methods, the flexible packaging and rigid packaging and flexible lidding operating segments have been aggregated as one reportable segment. In addition, the packaging machinery operating segment has been aggregated with these two segments as the segment's revenue and assets represents less than 3 percent of total Company revenue and assets.

The Company operates principally in Canada and the United States. See note 6 for a breakdown of revenue by operating and geographic segment. The following summary presents property, plant and equipment, intangible assets and goodwill information by geographic segment:

	March 28 2021	December 27 2020
United States	262,849	266,533
Canada	258,599	257,304
Mexico	19,447	19,511
	540,895	543,348

6. Revenue

Most of the Company's contracts have a single performance obligation as the promise to transfer the individual goods. Revenue for each of the three operating segments is recognized at a point in time when the customer obtains control of a product, which typically takes place when legal title and physical possession of the product is transferred to the customer. These conditions are usually fulfilled upon shipment, however, in some instances, upon delivery. Invoices are generated when control has transferred and are usually payable within 30 to 60 days.

(thousands of US dollars, unless otherwise indicated) (Unaudited)

Disaggregation of Revenue

	Quarter Ended	
	March 28 2021	March 29 2020
Operating segment		
Flexible packaging	115,876	112,132
Rigid packaging and flexible lidding	102,866	96,053
Packaging machinery	6,064	5,411
	224,806	213,596
Geographic segment		
United States	180,827	171,149
Canada	27,705	27,612
Mexico and other	16,274	14,835
	224,806	213,596

The Company's products are primarily used for the packaging of perishable foods and beverages, which accounted for more than 90 percent of sales during both the first quarter of 2021 and 2020. Other markets include medical, pharmaceutical, personal care, industrial, and other consumer goods.

7. Other Income (Expenses)

	Quarter Ended	
Amounts shown on a net basis	March 28 2021	March 29 2020
Foreign exchange gains (losses)	101	(3,096)
Cash flow hedge gains transferred from other comprehensive income	452	73
	553	(3,023)

8. Inventories

	March 28 2021	December 27 2020
Raw materials	40,192	36,928
Work-in-process	36,033	29,765
Finished goods	57,298	55,999
Spare parts	13,730	12,937
	147,253	135,629

During the first quarter of 2021, the Company recorded, within cost of sales, inventory write-downs for slow-moving and obsolete inventory of $1,602 (2020 - $2,836) and reversals of previously written-down items of $1,069 (2020 - $1,657).

9. Property, Plant and Equipment

At March 28, 2021, the Company has commitments to purchase plant and equipment of $27,294 (December 27, 2020 - $26,294). No impairment losses or impairment reversals were recognized in the first quarter of 2021 or 2020.

10. Leases

Extension Options
Some leases of office and manufacturing facilities contain extension options exercisable by the Company up to one year before the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Company and not by the lessors. The Company assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control. At March 28, 2021, potential future lease payments not included in lease liabilities totaled $5,384 on a discounted basis.

11. Dividends

During the first quarter of 2021, dividends in Canadian dollars of 3 cents per common share were declared (2020 - 3 cents).

12. Earnings Per Share

	Quarter Ended	
	March 28 2021	March 29 2020
Net income attributable to equity holders of the Company	24,495	23,155
Weighted average shares outstanding (000's)	65,000	65,000
Basic and diluted earnings per share - cents	38	36

13. Financial Instruments

The Company measures assets and liabilities under the following fair value hierarchy in accordance with IFRS. 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 fair value of cash and cash equivalents, trade and other receivables, including trade and other receivables subject to factoring arrangements and classified as measured at fair value through other comprehensive income (FVOCI), 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, has been determined by valuing those contracts to market against prevailing forward foreign exchange rates as at the reporting date.

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 March 28, 2021</u>				
Foreign currency forward contracts - net	-	1,174	-	1,174
<u>At December 27, 2020</u>				
Foreign currency forward contracts - net	-	1,138	-	1,138

When the Company has a legally enforceable right to set off supplier rebates accounts receivable 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 March 28, 2021, the supplier rebate receivable balance that was offset was $3,783 (December 27, 2020 - $5,390).

14. 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, liquidity risk, and credit 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 March 28, 2021, a one-cent change in the period-end foreign exchange rate from 0.7950 to 0.7850 (CDN to US dollars) would have decreased net income by $160 for the first quarter of 2021. Conversely, a one-cent change in the period-end foreign exchange rate from 0.7950 to 0.8050 (CDN to US dollars) would have increased net income by $160 for the first quarter of 2021.

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 foreign currency forward contracts when equipment purchases and special dividend payments will be settled in foreign currencies. Transactions are only conducted with certain approved 'AA' rated or higher Schedule 1 CDN financial institutions. All foreign currency contracts are designated as cash flow hedges of the highly probable CDN dollar expenditures. These derivatives meet the hedge effectiveness criteria as a result of the following factors:

a) An economic relationship exists between the hedged item and the hedging instrument as notional amounts match and both the hedged item and hedging instrument fair values move in response to the same risk - foreign exchange rates. There are no significant reasons or causes for the designated hedged item and hedging instrument to be mismatched since the hedging instrument matures during the same month as the expected hedged expenditures are incurred. The correlation between the foreign exchange rate of the hedged item and the hedging instrument should be highly correlated and closely aligned as the maturity and the notional amount are the same.

b) The hedge ratio is one to one for this hedging relationship as the hedged item is foreign currency risk that is hedged with a foreign currency hedging instrument.

c) Credit risk is not material in the fair value of the hedging instrument.

The Company has identified two sources of potential ineffectiveness: a) the timing of cash flow differences between the expenditure and the related derivative and b) the inclusion of credit risk in the fair value of the derivative not replicated in the hedged item. The Company expects the impact of these sources of hedge ineffectiveness to be minimal. The timing of hedge settlements and incurred expenditures are closely aligned as they are expected to occur within 30 days of each other. Credit risk is not a material component of the fair value of the Company's hedging instruments as all counterparties are 'AA' rated or higher Schedule 1 CDN financial institutions.

Certain foreign currency contracts matured during the first quarter of 2021 and the Company realized pre-tax foreign exchange gains of $452 which were recorded in other income (expenses). During the first quarter of 2020, the Company realized pre-tax foreign exchange gains of $73 which were recorded in other income (expenses).

As at March 28, 2021, the Company had US to CDN dollar foreign currency forward contracts outstanding with a notional amount of US $31.0 million at an average exchange rate of 1.3069 maturing between April 2021 and January 2022. The fair value of these financial instruments was $1,174 US and the corresponding unrealized gain has been recorded in other comprehensive income. The Company did not recognize any ineffectiveness on the hedging instruments in the first quarter of 2021 or 2020.

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 March 28, 2021 cash and cash equivalents balance of $496.2 million, a 1.0 percent increase/decrease in interest rate fluctuations would increase/decrease income before income taxes by $4,962 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 the quarter ended March 28, 2021, 66 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.

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 $496.2 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, payment of lease liabilities and dividend payments in the next twelve months. The Company's trade payables and other liabilities and derivative financial instrument liabilities are all due within twelve months.

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.

(thousands of US dollars, unless otherwise indicated) (Unaudited)

The following table details the maximum exposure to the Company's counterparty credit risk which represents the carrying value of the financial asset:

	March 28 2021	December 27 2020
Cash and cash equivalents	496,224	495,346
Trade and other receivables	151,062	135,406
Foreign currency forward contracts	1,187	1,138
	648,473	631,890

Credit risk on cash and cash equivalents and other 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 'AA' rated or higher Schedule 1 CDN 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 and other receivables against credit losses.

During the first quarter of 2021, the Company incurred costs on the sale of trade receivables of $237 (2020 - $497). Of these costs, $173 was recorded in finance expense (2020 - $421) and $64 was recorded in general and administrative expenses (2020 - $76).

As at March 28, 2021, 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) 97 percent of the gross trade and other receivables balance is within 30 days of the agreed upon payment terms with customers, c) the sale of certain extended term trade receivables without recourse to a third party and d) 35 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 41 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 for expected credit losses 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 expected credit losses. Subsequent recoveries of amounts previously written off are credited against general and administrative expenses in the statement of income. In its assessment of the allowance for expected credit losses as at March 28, 2021, the Company considered the economic impact of the COVID-19 pandemic on its assessment, including the risk of default of its customers given the economic downturn caused by this pandemic. During the first quarter of 2021, the Company recorded impairment losses on trade and other receivables of $466 (2020 - $176).

The following table sets out the aging details of the Company's trade and other receivables balances outstanding based on when the receivable was due and payable and related allowance for expected credit losses:

	March 28 2021	December 27 2020
Current (not past due)	132,707	112,780
1 - 30 days past due	16,462	20,026
31 - 60 days past due	2,008	2,476
More than 60 days past due	2,082	2,167
	153,259	137,449
Less: Allowance for expected credit losses	(2,197)	(2,043)
Total trade and other receivables, net	151,062	135,406

15. Seasonality

The Company experiences seasonal variation in revenue, with revenue typically being the highest in the second and fourth quarters, and lowest in the first quarter.