WINPAK

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; contain or reduce costs; foreign currency exchange rate fluctuations; changes in governmental regulations, including environmental, health and safety; changes in Canadian and foreign income tax rates, income tax laws and regulations. Unless otherwise required by applicable securities law, 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 2019 of $28.4 million or 44 cents in earnings per share (EPS) advanced by 7.8 percent from the $26.4 million or 41 cents per share recorded in the corresponding quarter of 2018. Gross profit margins were the catalyst, raising EPS by 3.5 cents while net finance income and foreign exchange contributed a further 1.5 cents and 0.5 cents respectively. Conversely, increased operating expenses lowered EPS by 1.5 cents and a larger proportion of net income attributable to non-controlling interests and higher income taxes both reduced EPS by 0.5 cents.

Operating Segments and Product Groups

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

The rigid packaging and flexible lidding segment includes the rigid containers and lidding product groups. Rigid containers includes 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.

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 includes a full line of barrier and non-barrier films which are ideal for converting applications such as printing, laminating, and bag making, including shrink bags. Biaxially oriented nylon film is stretched by length and width to add stability for further conversion using printing, metalizing or laminating processes and are ideal for food packaging applications such as cheese, fluid and viscous liquids, and industrial applications such as book covers and balloons.

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

Revenue in the first quarter of 2019 was $224.0 million, $2.4 million or 1.1 percent greater than the first quarter of 2018. Volumes increased by 0.2 percent. The rigid container and flexible lidding operating segment recorded a 6 percent reduction in volumes. Volumes for the rigid container product group were restrained, influenced by the timing of specialty beverage order fulfillment. Within the lidding product group, the expansion in condiment lidding and rollstock volumes was largely offset by lower specialty beverage lidding. For the flexible packaging operating segment, volumes were strong, progressing by 7 percent. In particular, biaxially oriented nylon volumes accelerated by more than 30 percent due, in part, to weak volumes in the first quarter of 2018. Furthermore, the modified atmosphere packaging product group benefitted from the inroads made at major North American protein processors. The packaging machinery segment also had a solid quarter, exceeding the 2018 first quarter by 6 percent. Selling price and mix changes had a favorable effect on revenues for the quarter of 1.6 percent, while foreign exchange, due to a weaker Canadian dollar, decreased revenues by 0.7 percent in comparison to the first quarter of 2018.

Gross Profit Margins

Gross profit margins in the first quarter of 2019 rose to 30.9 percent of revenue compared to the 29.6 percent of revenue in the first quarter of 2018, an improvement of 1.3 percentage points. The fall in raw material costs in relation to those incurred a year prior was the main factor contributing to the margin improvement. Although 72 percent of the Company's revenues are indexed, there is a lag of approximately 90 to 120-days before the effect of raw material cost changes are realized within selling prices. In addition, positive strides were made with respect to production waste and labor utilization rates. The recent capital expansion program that has been undertaken has resulted in an elevated cost structure. In tandem with sales volumes remaining relatively the same in the first quarter of the current year in relation to the prior year's first quarter, gross profit margins were compressed.

The purchase price index declined by 7.7 percent compared to the fourth quarter of 2018. In the last 12 months, the change in the index was even more significant at 9.8 percent. During the first quarter, polypropylene resin had the most substantial decrease of more than 20 percent while polyethylene and polystyrene resins both experienced decreases of approximately 10 percent.

Expenses and Other

Operating expenses in the current quarter, adjusted for foreign exchange, increased by 4.4 percent, exceeding the growth rate in sales volumes from the first quarter of 2018. Nonrecurring personnel costs with respect to the relocation of a select group of employees was the main contributing factor. Foreign exchange augmented EPS by 0.5 cents and was attributed to converting the Company's net Canadian dollar expenses into US dollars at a lower average exchange rate. Additionally, higher interest rates were applied to cash and cash equivalents, raising net finance income and elevating EPS by 1.5 cents. A modest increase in the average income tax rate and a greater proportion of net income attributable to non-controlling interests each lowered EPS by 0.5 cents.

Summary of Quarterly Results

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

	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017*	Q3 2017	Q2 2017
Revenue	224,035	222,138	220,647	225,191	221,665	222,323	218,348	217,752
Net income attributable to equity holders of the Company	28,429	26,683	27,835	28,042	26,361	39,633	25,368	25,745
EPS	44	41	43	43	41	61	39	40

The Company has initially applied IFRS 16 "Leases" at December 31, 2018 and IFRS 15 "Revenue From Contracts With Customers" and IFRS 9 "Financial Instruments" at January 1, 2018. Under the transition methods chosen by the Company, comparative information has not been restated.

*Includes the one-time income tax recovery of 17 cents per share due to the revaluation of deferred tax asset and liability balances within the US operations as a result of US tax reform enacted in December 2017.

Capital Resources, Cash Flow and Liquidity

The Company's cash and cash equivalents balance ended the first quarter of 2019 at $362.6 million, an increase of $18.3 million from the end of the prior year. Winpak continued to generate solid cash flow from operating activities before changes in working capital of $48.9 million. Cash was consumed by net working capital additions of $2.7 million. In addition, cash was utilized for plant and equipment additions of $17.3 million, income tax payments of $8.3 million, employee defined benefit plan contributions of $2.0 million, dividend payments of $1.4 million and other items totaling $0.1 million while net finance income provided cash of $1.2 million.

Looking Forward

Business Outlook

The first quarter provided strong earnings performance which should enable Winpak to build on this positive momentum. The year started with sales volumes remaining relatively unchanged with varying results within the Company's product groups. The rigid packaging and flexible lidding segment experienced soft customer demand which is expected to rebound over the course of the year. The flexible packaging segment achieved strong volume gains with a solid customer order pipeline in place. As the Canadian dollar is at a lower level versus its US counterpart from a year ago, this will have a negative effect on revenues, but have a positive effect on current year's earnings as Canadian dollars costs exceed revenues in that currency. The Company continues to reduce production waste and hence lower manufacturing costs and will strive for achieving productivity gains within the manufacturing operations. Raw material costs for three of the Company's main resins experienced significant declines during the quarter which provided an uplift to gross profit margins. The increase in supplier resin inventory levels and new capacity coming on stream for polyethylene has reduced the cost for these resins. Since 72 percent of Winpak's revenues are currently indexed to the price of raw materials, albeit with a 90 to 120-day time lag, selling prices will be trending downwards in the upcoming quarters.

Looking ahead, current expectations are for resin prices to remain relatively flat for the rest of 2019. Oil prices are rising, however the impact should be tempered by new refinery capacity coming online.

Capital expenditures of approximately $70 - $80 million are expected for 2019. During the second quarter, new extrusion capacity will be on stream at the rigid container facility in Sauk Village, Illinois and the new Mexican facility will be fully operational, providing new capabilities in printing technology for flexible packaging products. The building expansion and new biaxially oriented polyamide (BOPA) line in Winnipeg, Manitoba is progressing with an expected commercial start-up in the second half of 2020. The Company will continue to invest in organic growth opportunities including new technologies and broadening its product portfolio, including recycle-ready offerings, while remaining diligent and evaluating acquisition candidates that align strategically with the Company's core competencies in sophisticated packaging for food, beverage and health care applications, all being focused on providing long-term shareholder value.

Accounting Changes - Accounting Standards Implemented in 2019

a) Uncertainty over Income Tax Treatments

In June 2017, IFRIC Interpretation 23 "Uncertainty over Income Tax Treatments" was issued and aims to reduce diversity in how companies recognize and measure a tax liability or tax asset when there is uncertainty over income tax treatments. The Interpretation was implemented with retrospective application, effective December 31, 2018, and had no impact on the Company's unaudited interim condensed consolidated financial statements.

b) Employee Benefit Plan Amendment, Curtailment or Settlement

In February 2018, amendments to IAS 19 "Employee Benefits" were issued to specify how an entity determines pension expenses when changes to a defined benefit plan occur. When a change to a plan takes place, including an amendment, curtailment or settlement, IAS 19 requires an entity to remeasure its employee benefit plan liability or asset. The amendments require an entity to use the updated assumptions from this remeasurement to determine current service cost and the net finance cost for the remainder of the reporting period after the change to the plan. The amendments were implemented with prospective application, effective December 31, 2018, and had no impact on the Company's unaudited interim condensed consolidated financial statements.

c) Leases

The Company has adopted IFRS 16 with a date of initial application of December 31, 2018. The new standard introduces a balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases. As a result, most leases are recognized on the balance sheet. Certain exemptions apply for short-term leases and leases for low-value assets. Lessors continue to classify leases as operating and finance leases. IFRS 16 replaces IAS 17 "Leases" and the related interpretations.

As a result of the adoption of IFRS 16, the Company's accounting policies have been updated. See notes 3 and 4 to the unaudited interim condensed consolidated financial statements for the accounting policy changes, the consequential financial impact as well as the new disclosure requirements.

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17. On initial application, the Company has elected to record right-of-use assets based on the corresponding lease liability. Right-of-use assets and lease liabilities of $568 were recorded as of December 31, 2018, with no net impact on retained earnings. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at December 31, 2018. The weighted-average rate applied was 4.5%. For leases with a lease term ending within 12 months of the date of initial application, the Company has elected to apply the practical expedient to account for them as short-term leases.

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 31, 2019 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 31, 2019 to provide reasonable assurance that the financial information being reported is materially accurate. During the first quarter ended March 31, 2019, 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.