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 2020 of $23.2 million or 36 cents in earnings per share (EPS) decreased by 18.6 percent from the $28.4 million or 44 cents per share recorded in the corresponding quarter in 2019. Foreign exchange reduced EPS by 3.5 cents. Additionally, the lower sales volumes and the contraction in gross profit margins each caused EPS to decline by 2.5 cents. A lesser proportion of earnings attributable to non-controlling interests raised EPS by 0.5 cents.

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

Revenue in the first quarter of 2020 of $213.6 million was $10.4 million or 4.7 percent below the initial quarter of 2019. Normalizing for the revenue stemming from the acquisition of Control Group in 2019, volumes contracted by 5.6 percent from the prior year comparable quarter. The flexible packaging operating segment experienced volume growth of 3 percent in the quarter. The modified atmosphere packaging product group benefitted from elevated order levels with respect to retail food customers towards the end of the quarter, which eclipsed the diminished order levels from customers that serve the restaurant and food service industries. Additionally, growth within the Mexican market contributed to the positive result. Volumes within the rigid packaging and flexible lidding operating segment receded by 12 percent in the quarter after adjusting for the Control Group acquisition. The significant downturn in rigid container volumes reflected the reduced participation in supplying the specialty beverage business with the new recyclable polypropylene cup. Conversely, the modest growth in lidding product group volumes was due to gains in specialty beverage lidding. For the packaging machinery operating segment, volumes retreated by over 40 percent, a consequence of the exceptionally high number of machines that were shipped during the first quarter of 2019. However, the machinery sales backlog is very strong, which will favorably influence revenue for the balance of the year. Selling price and mix changes had an unfavorable impact of 1.9 percent on first quarter revenue while the effect of foreign exchange on revenue was negligible.

Gross Profit Margins

Gross profit margins in the current quarter of 30.0 percent dropped by 0.9 percentage points from the 2019 first quarter result of 30.9 percent. Lower sales volumes led to heightened manufacturing costs per unit of production due to lower equipment utilization, generating a reduction in gross profit margins. This was partially mitigated by raw material costs declining to a greater extent than the related selling price adjustments. This expansion in margins resulted from the timing of selling price pass-through adjustments to customers on formal price indexing programs.

The raw material purchase price index dropped by 2.0 percent compared to the fourth quarter of 2019. In the past 12 months, the decrease in the index was more pronounced at 8.9 percent. During the first quarter, polypropylene resin prices fell by 13 percent while all other major raw materials were relatively unchanged.

Expenses and Other

In the first quarter of 2020, operating expenses, exclusive of foreign exchange and the acquisition of Control Group, receded at a similar rate relative to the contraction in sales volumes, thereby having an insignificant impact on EPS. Foreign exchange subtracted 3.5 cents from EPS in the quarter due to the negative translation differences recorded on the revaluation of monetary assets and liabilities denominated in both Canadian dollars and Mexican pesos. The magnitude of income attributable to non-controlling interests elevated EPS by 0.5 cents.

Capital Resources, Cash Flow and Liquidity

The Company's cash and cash equivalents balance ended the first quarter at $417.4 million, an increase of $20.2 million from the end of the prior year. Winpak continued to generate solid cash flow from operating activities before changes in working capital of $42.5 million. Cash was consumed by net working capital additions of $6.8 million. Trade payables and other liabilities declined by $7.2 million, reflecting the timing of supplier payments. In addition, cash was utilized for income tax payments of $7.3 million, plant and equipment expenditures of $6.4 million, dividend payments of $1.5 million, employee defined benefit plan contributions of $1.3 million and other items totaling $0.1 million while net finance income provided cash of $1.1 million.

Summary of Quarterly Results

	Thousands of US dollars, except per share amounts (US cents)							
	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Revenue	213,596	217,456	212,734	219,618	224,035	222,138	220,647	225,191
Net income attributable to equity holders of the Company	23,155	26,679	28,578	31,086	28,429	26,683	27,835	28,042
EPS	36	41	44	48	44	41	43	43

The Company initially applied IFRS 16 "Leases" at December 31, 2018. Under the transition method chosen by the Company, comparative information has not been restated.

Looking Forward

Winpak, along with all businesses throughout the world, is closely monitoring the Coronavirus (COVID-19) pandemic with the utmost importance and fully embraces its corporate responsibility to undertake every necessary measure to help limit the impact of COVID-19. This includes the health and safety of our employees, families and communities and our customers and suppliers. The Company's facilities are classified as being an essential provider of packaging materials and machinery for the food, beverage and healthcare industries. Our customers depend on us to continuously supply packaging materials and machinery to support their respective supply chains and Winpak will endeavour to do its best to satisfy these critical needs.

Commencing in the middle of March, customer order volumes have changed in earnest reflecting the pronounced shift in consumer behavior with elevated buying at the retail level due to pantry loading and increased at-home food consumption. However, the demand for products in the restaurant and food service industry has deteriorated considerably. The flexible packaging segment has experienced a sizeable increase in orders within the protein and cheese markets. Several of our customers' protein plants have been shut down, for up to two weeks, due to COVID-19 cases within their operations which may negatively affect their future order levels. This segment has had a notable softening in order activity in the food service and non-food retail markets. The lidding product group has had a moderate uptick in volumes within the specialty beverage, food rollstock and case ready meat categories with other die-cut lidding remaining steady. Rigid container products have realized moderate expansion in fresh meat trays along with newly awarded pet food retort tray business scaling-up in the second quarter. However, sizeable volume reductions have been evident in single-serve rigid containers for the food service sector. Unrelated to the effects of COVID-19, rigid containers had a substantial contraction in volumes as a result of the diminished supply position with the new recyclable specialty beverage polypropylene cup which is expected to continue into the future. The packaging machinery segment has a healthy machine order backlog which should keep it operating at capacity for the remainder of 2020. For the near term, plant operations are being closely monitored to ensure everything possible is being done to provide a safe work place for our dedicated employees and where possible, production will be distributed amongst Winpak facilities to manage capacity and fulfill customer orders. To date, the raw material supply chain has remained relatively resilient which has enabled our plants to continue operating. The dramatic collapse in world oil prices, from over supply and weakened demand due to the pandemic, has lowered certain raw material resin costs. The costs for the Company's three primary resins are forecasted to decline in the second quarter and then possibly move upwards in the second half of 2020. Presently, the magnitude of the potential reductions in these resin costs is difficult to ascertain. In the short term, these decreases would be a catalyst for enhanced gross profit margins. The decline in resin costs will lower customer selling prices in the next six months as 66 percent of the Company's revenues are indexed albeit with a three to four-month time lag. Should the current weakness in the Canadian dollar persist, the effect will be to reduce revenues but increase net income, as Canadian dollar denominated costs exceed revenues in that currency. However, for 2020, the positive effect on net income would be minimal due to foreign exchange hedges in place. The recent reductions in North American interest rates will negatively affect finance income for the balance of the year.

Capital spending was relatively light in the first quarter, due mainly to timing of supplier payments, and expenditures are forecasted to be in the range of $50 to $60 million for the year. Given the pandemic, there is a degree of uncertainty as to the timing of completing certain projects due to potential procurement delays with equipment suppliers in North America and Europe. At the Winnipeg, Manitoba modified atmosphere packaging plant, expenditures are focused on adding cast co-extrusion capacity, including upgrades and modifications to existing lines, which will enhance the Company's capabilities and product portfolio with a new generation of recyclable/reusable high-barrier thermoformable films. The new biaxially oriented polyamide (BOPA) line and building expansion in Winnipeg, Manitoba is progressing with commercial start-up planned for the second quarter of 2021. Other notable capital projects include: additional converting capacity at the Norwood, New Jersey plant and relocation of the packaging machinery operations from San Bernardino to Rialto, California, occupying a new, considerably expanded leased facility. Due to COVID-19, the Company will take a pause in actively pursuing potential acquisition opportunities and will focus its efforts on being an essential supplier of packaging materials to our customers. Winpak has a solid balance sheet with 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.

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 29, 2020 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 29, 2020 to provide reasonable assurance that the financial information being reported is materially accurate. During the first quarter ended March 29, 2020, 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.