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 second quarter of 2020 of $29.2 million or 45 cents in earnings per share (EPS) decreased by 6.0 percent from the $31.1 million or 48 cents per share recorded in the corresponding quarter in 2019. A contraction in sales volumes caused EPS to decline by 1.5 cents, of which 1.0 cent is estimated to be attributed to COVID-19. Lower gross profit margins negatively impacted EPS by 2.0 cents. Furthermore, a reduction in net finance income dampened EPS 1.5 cents. Conversely, lower operating expenses added 1.5 cents to EPS. Foreign exchange raised EPS by 0.5 cents.

For the six months ended June 28, 2020, net income attributable to equity holders of the Company amounted to $52.4 million or 81 cents per share, a decrease of 12.0 percent compared to the 2019 first half result of $59.5 million or 92 cents per share. Weaker sales volumes lowered EPS by 4.0 cents. It is estimated that COVID-19 accounted for 1.0 cent. Also impactful were lower gross profit margins and foreign exchange, which subtracted 4.5 cents and 3.0 cents respectively from EPS. The reduction in net finance income further decreased EPS by 1.5 cents. Operating expenses and net income attributable to non-controlling interests had the opposite effect with both items augmenting EPS by 1.0 cent each.

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
The impact of COVID-19 varied amongst the Company's product groups. It is estimated that COVID-19 reduced second quarter sales volumes between 1.0 to 2.0 percent and lowered year-to-date sales volumes between 0.5 to 1.0 percent. Order levels with respect to customers that serve the restaurant and food service industries were severely restrained due to shelter-in-place orders instituted across North America. In contrast, for customers that serve the retail food industry, overall volumes were elevated despite the prevalence of temporary plant closures within the protein sector from the pandemic.

Revenue in the second quarter of 2020 was $216.2 million, $3.4 million or 1.6 percent less than the second quarter of 2019. Volumes, in total, declined by 3.4 percent from the prior year comparable quarter after adjusting for the incremental volume from the Control Group acquisition in October 2019. The flexible packaging operating segment realized limited volume growth of 2 percent in the quarter. For the modified atmosphere packaging product group, modest volume growth reflected expansion within the Mexican market and heightened demand with respect to certain customers that service the retail meat and cheese markets. Notable increases were realized in printed films and stand-up pouches. Conversely, biaxially oriented nylon volumes decreased moderately as several major customers in food services and non-food retail were negatively impacted by COVID-19. Within the rigid packaging and flexible lidding operating segment, volumes contracted by 10 percent in the quarter after adjusting for the acquisition of Control Group. The pronounced decline in rigid container volumes was mainly a consequence of the reduced level of involvement in supplying the specialty beverage business with the new recyclable polypropylene cup. Additionally, the shelter-in-place orders significantly affected the restaurant industry, weakening the demand for condiment and creamer containers. Positive volume gains were achieved relating to dessert containers and meat trays. The lidding product group volumes were relatively equal to the prior year as advances in dessert lidding were nearly offset by lower condiment and creamer lidding shipments. For the packaging machinery operating segment, solid volume growth of 6 percent was achieved in comparison to the second quarter of 2019. Selling price and mix changes, as well as the slight depreciation of the Canadian dollar relative to the US dollar, had a minor unfavorable impact on revenue.

For the first six months of 2020, revenue decreased by 3.1 percent to $429.8 million from $443.7 million in the corresponding prior year period. Normalizing for the acquisition of Control Group, volumes contracted by 4.5 percent. The flexible packaging operating segment attained volume growth of 3 percent. In particular, modified atmosphere packaging volumes accelerated due to both the overall enhanced demand for retail meat and cheese products and the inroads made within the Mexican market. Volumes within the rigid packaging and flexible lidding operating segment retreated by 11 percent after adjusting for the Control Group acquisition. Rigid container volumes decreased significantly due to the lower market share retained with respect to specialty beverages following the major customer's transition to a new recyclable cup. For the lidding product group, healthy first half volumes were attributable to food rollstock applications as well as specialty beverage and dessert lidding. Due to the exceptionally high number of machines shipped in the first half of the prior year, the packaging machinery operating segment's volumes dropped by 25 percent. The current machinery sales order backlog is exceptional, which should positively influence revenue for the remainder of 2020. Selling price and mix changes lowered revenue by 1.0 percent. Foreign exchange had virtually no effect on revenue.

Gross Profit Margins
Gross profit margins fell to 31.5 percent of revenue in the second quarter of 2020, down from the 32.4 percent of revenue recorded in the same quarter of 2019. The decrease in sales volumes, predominantly within the rigid container product group, led to under-utilized equipment capacity, causing a reduction in gross profit margins. This was largely offset by raw material costs declining to a much greater extent than the related selling price adjustments. The normal delayed timing of selling price pass-through adjustments to customers on formal price indexing programs led to this inequity.

For the first six months of 2020, gross profit margins of 30.8 percent of revenue narrowed by 0.8 percentage points from the 31.6 percent of revenue recorded in the 2019 year-to-date comparable period. The reduction in sales volumes, combined with the expansion in fixed manufacturing costs, lowered gross profit margins. However, this was tempered by the degree to which the decline in raw material costs exceeded the corresponding selling price adjustments.

The raw material purchase price index dropped by 5.9 percent compared to the first quarter of 2020. In the past 12 months, the decrease in the index was more noteworthy at 12.4 percent. During the second quarter, polypropylene resin costs declined by an additional 12 percent. The other major raw materials experienced moderate reductions.

Expenses and Other
Operating expenses, exclusive of foreign exchange and the acquisition of Control Group, in the second quarter of 2020 receded at a greater rate relative to the decline in sales volumes, thereby contributing 1.5 cents to EPS. As a direct consequence of the pandemic, travel related spending was significantly curtailed. Foreign exchange elevated EPS by 0.5 cents. Lower net finance income subtracted 1.5 cents from EPS and was the outcome of the substantial decline in the rate of interest earned on the Company's cash and cash equivalent amounts.

On a year-to-date basis, operating expenses, adjusted for foreign exchange and the Control Group acquisition, decreased at a rate of 6.4 percent in relation to the drop in sales volumes, generating an increase in EPS of 1.0 cent. Foreign exchange dampened EPS by 3.0 cents due to the large unfavorable translation differences recorded on the revaluation of monetary assets and liabilities denominated in Canadian dollars and Mexican pesos. Both currencies experienced a sizeable devaluation in relation to the US dollar since the start of the year. Additionally, the much lower rate of interest applied to the cash and cash equivalent amounts led to a contraction in EPS of 1.5 cents. In contrast, a lower proportion of earnings attributable to non-controlling interests elevated EPS by 1.0 cent.

Capital Resources, Cash Flow and Liquidity

The Company's cash and cash equivalents balance ended the second quarter of 2020 at $455.7 million, an increase of $38.3 million from the end of the prior quarter. Winpak generated strong cash flows from operating activities before changes in working capital of $52.0 million. Working capital provided $8.5 million in cash. Trade payables and other liabilities advanced by $7.7 million, reflecting the magnitude of raw material purchases and the timing of supplier payments. Similarly, inventory levels climbed by $3.8 million as a result of the level of raw material procurement. Trade and other receivables declined by $3.8 million following the collection of value added taxes owing from government authorities in relation to recent capital expansion projects. Cash was used for plant and equipment additions of $10.9 million, income tax payments of $9.9 million, dividend payments of $1.4 million and other items totaling $0.3 million while net finance income provided cash of $0.3 million.

For the first half of 2020, the cash and cash equivalents balance advanced by $58.5 million as a result of the significant cash flow provided by operating activities before changes in working capital of $94.5 million. Working capital generated $1.7 million in cash. Cash outflows included: $17.3 million in plant and equipment additions, income tax payments of $17.2 million, dividend payments of $2.9 million, employee defined benefit plan contributions of $1.4 million and other items amounting to $0.3 million. Net finance income had a positive impact of $1.4 million.

Summary of Quarterly Results

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

	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Revenue	216,201	213,596	217,456	212,734	219,618	224,035	222,138	220,647
Net income attributable to equity holders of the Company	29,226	23,155	26,679	28,578	31,086	28,429	26,683	27,835
EPS	45	36	41	44	48	44	41	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

Along with most other North American businesses, Winpak continues to deal with the effects of the Coronavirus (COVID-19) pandemic. The Company is deemed an essential supplier of packaging materials and machinery for our customers in the food, beverage and healthcare industries. Winpak fully embraces its responsibility to undertake all the necessary measures to help minimize the impact of COVID-19 in its communities and ensures that all the necessary health and safety protocols are updated, followed and maintained at our production sites to protect our dedicated employees and their families. The Company has been able to keep all its plants operational with relatively minor issues during the pandemic. Winpak is closely following the various effects from the lifting of the shelter-in-place orders across North America with the resurgence and potential second wave of COVID-19 cases in certain parts of the United States. The extent and duration of the pandemic remains uncertain, making it difficult to predict the ongoing effects on Winpak's operations and financial results.

Starting in the latter part of the second quarter, the removal of shelter-in-place orders and the different stages of reopenings across North America has resulted in some varied shifting of customer order patterns. The flexible packaging segment has benefitted from heightened buying by consumers at the retail level from pantry filling and elevated at-home food consumption, most notably with printed films and stand-up pouches. However, there has been recent softness in customer order levels in the protein and cheese markets. Almost all customers' protein plants that were previously shut down due to COVID-19 cases within their facilities have since been able to reopen, however, the increased level of safety measures to protect their employees has reduced their output capabilities. Winpak is starting to experience lighter order volumes with a few of these customers. This segment has started to realize a marginal recovery in order activity in the food service and non-food retail markets. The demand for single-serve products in the rigid packaging and flexible lidding segment with customers in the restaurant and food service industries has slowly started to rebound with the expectation that volumes will remain muted in the near term. Rigid container products continue to benefit from elevated volumes in fresh meat trays and dessert containers. New pet food retort tray business was scheduled to scale-up in the second quarter along with two new dessert tray products that were to commence in the third quarter. However, due to the pandemic, all three product launches have been deferred until early 2021. Separate from COVID-19, rigid containers continued to experience a sizeable reduction in volumes due to the reduced supply position of the recyclable specialty beverage polypropylene cup which will continue to impact year-over-year comparisons through the third quarter. The lidding product group continues to experience modest volume gains within the food rollstock, specialty beverage and dessert lidding products. The packaging machinery segment continues to benefit from a robust machine order backlog which will keep it very busy for the remainder of the year. During the pandemic, the raw material supply chain has remained consistent and reliable which has enabled all plants to remain fully operational. The significant drop in oil prices earlier in the year, from over supply and reduced demand due to COVID-19, has lowered the Company's raw material resin costs with the three primary resins experiencing moderate reductions during the second quarter. This trend is forecasted to start reversing in the last six months of the year due in part to resin suppliers curtailing production levels in order to support price increases. The timing and magnitude of these future increases is difficult to predict. These potential raw material cost increases would be a headwind to gross profit margins moving forward. In the first half of 2020, Winpak's gross profit margins have benefitted from lower raw material prices, however, in the second half of the year, these declines will result in notably reduced selling prices to customers due to the pass-through of lower raw material costs as 65 percent of the Company's revenues are indexed albeit with a 90 to 120-day time lag. These lower selling prices will put downward pressure on Winpak's gross profit margins in the second half of the year. Should the current level of the Canadian dollar versus the US dollar persist for the balance of the year, the overall effect from foreign exchange on net income should not be significant after considering the foreign exchange hedges that have been executed. Finance income earned on the cash and cash equivalent amounts will continue to be minimal due to the negligible North American interest rates.

Capital expenditures remained relatively light in the second quarter with spending expected to accelerate in the second half of the year and be in the area of $45 to $55 million for 2020. COVID-19 has created disruptions with certain larger scale projects and there is now some uncertainty as to the timing of completion due to possible further delays from labor shortages and equipment suppliers in North America and Europe. The new biaxially oriented polyamide (BOPA) line and building expansion in Winnipeg, Manitoba continues to progress but has encountered some pandemic related setbacks and commercial start-up is expected to commence mid-year 2021. At the Winnipeg, Manitoba modified atmosphere packaging plant, projects include: adding capacity with a new cast co-extrusion line, new conversion capabilities for resealable lidding and spouted pouches and modifications to two of the cast co-extrusion lines, which will elevate Winpak's competencies and product offerings with a new generation of reusable/recyclable high-barrier thermoformable films. Other initiatives to note include: the relocation of the packaging machinery operation to Rialto, California with an expanded leased facility and additional slitting capabilities at the Norwood, New Jersey site. For the time being, COVID-19 has put any potential acquisition opportunities on hold as there has been limited activity in this regard. Winpak continues to generate strong cash flows from operations with sizeable cash resources on hand, along with unused operating lines of credit totaling $38 million, which has permitted the Company to operate successfully during the 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 June 28, 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 June 28, 2020 to provide reasonable assurance that the financial information being reported is materially accurate. During the second quarter ended June 28, 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.