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 third quarter of 2021 of $20.8 million or 32 cents in earnings per share (EPS) decreased by $5.9 million or 9 cents per share from the comparable 2020 quarter. Stronger sales volumes benefitted EPS by 4.0 cents. It is estimated that COVID-19 accounted for 1.0 cent of the increase. The sizeable contraction in gross profit margins lowered EPS by 11.5 cents. In addition, foreign exchange and higher operating expenses dampened EPS by 2.0 cents and 1.0 cent, respectively. Income taxes augmented EPS by 1.5 cents.

For the nine months ended September 26, 2021, net income attributable to equity holders of the Company declined by 6.7 percent to $73.8 million or $1.14 per share from the corresponding 2020 result of $79.1 million or $1.22 per share. The appreciable gains in sales volumes elevated EPS by 10.5 cents, of which 1.5 cents is estimated to be attributed to COVID-19. Conversely, the narrowing of gross profit margins reduced EPS by a notable 20.0 cents. The reduction in net finance income and rise in operating expenses each subtracted 1.5 cents from EPS. The level of net income attributable to non-controlling interests lowered EPS by a further 0.5 cents. Income taxes and foreign exchange had the opposite effect, raising EPS by 3.5 cents and 1.5 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

The impact of COVID-19 has fluctuated amongst Winpak's product groups. Although still impeded by some public health orders that persist throughout North America, sales order levels have improved considerably with respect to customers that focus on the foodservice and restaurant industries. Furthermore, for customers that supply the retail food market, volumes remain heightened with the transition in consumer behavior whereby a greater proportion of meals are still being consumed within the home. Compared to 2020, it is estimated that COVID-19 enhanced third quarter sales volumes between 1.5 to 2.5 percent and raised year-to-date sales volumes between 1.0 to 2.0 percent.

Revenue in the third quarter of 2021 was $254.2 million, representing the highest quarterly result in the Company's history and surpassed the prior year comparable level of $210.6 million by 20.7 percent. Volumes expanded by a sizeable 10.1 percent with all three operating segments contributing to the impressive result. Within the flexible packaging operating segment, quarterly volumes advanced by 12 percent. In particular, modified atmosphere packaging volumes expanded due to the overall enhanced demand for retail meat and cheese products in combination with new frozen food packaging business. Specialty film and biaxially oriented nylon volumes were enhanced by the turnaround experienced by major customers in foodservice, non-food retail, and healthcare that had been severely impacted by COVID-19 during the third quarter of 2020. The rigid packaging and flexible lidding operating segment volumes experienced healthy growth of 8 percent in the quarter. Rigid container volumes increased significantly due to a combination of customers' new product offerings and much higher condiment and snack food container shipments. Due to increases in retort pet food and snack food lidding, modest growth in the lidding product group volumes was realized. For the packaging machinery operating segment, strong volume growth of 16 percent was attained in comparison to the corresponding quarter of 2020. Selling price and mix changes had a large favorable effect on revenue of 9.8 percent as the substantial increase in raw material costs during the first half of 2021 resulted in higher selling prices to customers. Foreign exchange had a minor positive influence on revenue.

For the first three quarters of 2021, revenue progressed by $82.5 million or 12.9 percent from the $640.4 million recorded in the corresponding prior year period. Volumes ascended by 8.8 percent. The rigid packaging and flexible lidding operating segment achieved volume growth of 9 percent. The significant advancement in rigid container volumes stemmed from new customer pet food tray and dessert container product launches along with the surge in condiment container activity. Lidding product group volumes were virtually unchanged as elevated retort pet food and snack food shipments were substantially offset by lower condiment and specialty beverage lidding. Within the flexible packaging operating segment, volume gains amounted to 8 percent. Most notably, volumes within the modified atmosphere packaging group benefitted from heightened demand with respect to customers that participate in the retail meat and cheese markets. Additionally, biaxially oriented nylon volumes advanced by more than 10 percent as major customers in foodservice and non-food retail raised their order levels considerably. Packaging machinery volumes strengthened by 11 percent. Selling price and mix changes raised revenue by 3.2 percent while the effect of foreign exchange on revenue was insignificant.

Gross Profit Margins

Gross profit margins in the current quarter of 24.4 percent of revenue receded by 6.9 percentage points from the 2020 third quarter result of 31.3 percent of revenue. Substantially higher raw material costs, in tandem with moderate selling price increases, generated a decrease in EPS of 13.5 cents. The level of sales volume growth exceeded the related rise in fixed manufacturing overheads, raising EPS by 2.0 cents.

For the first nine months of 2021, gross profit margins were 27.3 percent of revenue, contracting by 3.7 percentage points from the 31.0 percent of revenue achieved during the 2020 year-to-date comparable period. Raw material cost increases significantly outpaced the related selling price adjustments, lowering gross profit margins by 5.2 percentage points. The prescribed contractual timing of passing along these raw material cost increases to customers on formal price indexing programs is typically three to four months later and accounted for a majority of this large imbalance. The expansion in sales volumes led to greater efficiencies pertaining to the utilization of productive capacity, producing an augmentation in gross profit margins of 1.5 percentage points.

The raw material purchase price index advanced by 12 percent compared to the second quarter of 2021 and by an unprecedented 54 percent for the first nine months of the year. The sizeable change in the index throughout 2021 was caused by the prolonged, elevated global demand for the Company's main resins and the tightness in producer supply, which was particularly acute in the first quarter due to the winter storm that impacted the US Gulf Coast region, initiating unexpected producer outages. During the third quarter, polypropylene, polyethylene and nylon resins each realized increases ranging between 15 and 20 percent with foil costs rising by 6 percent.

Expenses and Other

Operating expenses in the third quarter of 2021, adjusted for foreign exchange, progressed at a greater rate relative to the expansion in sales volumes and accordingly, lowered EPS by 1.0 cent. Elevated freight and distribution costs were the main contributing factor. Foreign exchange subtracted an additional 2.0 cents from EPS. The unfavorable translation differences recorded on the revaluation of monetary assets and liabilities denominated in Canadian dollars in the current quarter were in contrast to the gains realized in the third quarter of 2020. The effective income tax rate was two percentage points lower in the current quarter, adding 1.5 cents to EPS.

On a year-to-date basis, operating expenses, exclusive of foreign exchange, advanced at a rate of 10.3 percent in relation to the 8.8 percent acceleration in sales volumes, thereby having a modest negative impact on EPS of 1.5 cents. Higher freight and distribution costs, along with personnel additions to Winpak's salesforce to support the injection molding and Wiicare healthcare initiatives, drove the expansion in operating expenses. Foreign exchange added 1.5 cents to EPS on a relative basis largely due to the sizeable unfavorable translation differences recorded in the first three quarters of 2020. Lower net finance income subtracted 1.5 cents from EPS and was the result of the slight decline in the rate of interest earned on the Company's cash and cash equivalents. Conversely, the drop in the effective tax rate boosted EPS by 3.5 cents. Lastly, a greater proportion of net income attributable to non-controlling interests dampened EPS by 0.5 cents.

Capital Resources, Cash Flow and Liquidity

The Company's cash and cash equivalents balance ended the third quarter of 2021 at $352.3 million, a decrease of $161.0 million from the end of the second quarter. The payment of a special dividend of $159.4 million ($195.0 million Canadian) in the current quarter and the regular dividend payments of $1.6 million resulted in the pronounced decrease in cash. Winpak continued to generate strong cash flows from operating activities before changes in working capital of $40.2 million. Working capital consumed $23.3 million in cash. Inventory levels advanced by an incremental $12.7 million, stemming from the persistent rise in resin prices. Additionally, trade and other receivables grew by $7.4 million as a result of revenue reaching an all-time high in the current quarter. Cash outflows included: $11.3 million in plant and equipment additions, income tax payments of $5.2 million and other items amounting to $0.4 million.

For the first nine months of 2021, the cash and cash equivalents balance declined by $143.1 million, influenced by payment of the special and regular quarterly dividends to equity holders of the Company of $164.1 million. Cash flows generated from operating activities before changes in working capital were solid at $135.1 million. The net investment in working capital increased by $56.3 million. The expansions in inventories, trade and other receivables and trade payables and other liabilities were attributed to the sharp upswing in raw material costs as well as the appreciable rise in sales volumes. Cash was utilized for plant and equipment additions of $38.8 million, income tax payments of $16.7 million and other items totaling $2.3 million. The Company remains debt-free and is confident that sufficient financial resources are in place to meet all anticipated cash requirements for the foreseeable future.

Summary of Quarterly Results

	Thousands of US dollars, except per share amounts (US cents)							
	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Revenue	254,166	243,969	224,806	212,091	210,605	216,201	213,596	217,456
Net income attributable to equity holders of the Company	20,762	28,520	24,495	27,256	26,684	29,226	23,155	26,679
EPS	32	44	38	42	41	45	36	41

Looking Forward

During the third quarter, Winpak successfully operated all manufacturing facilities with minimal interruptions even though the Company faced a very demanding and challenging global supply chain environment. The Company had a nominal number of Coronavirus (COVID-19) cases within its operations during the most recent quarter and continues to address the ongoing impacts of the COVID-19 pandemic with our suppliers and customers. Presently, North America is dealing with a fourth wave from the pandemic and it appears this will persist for the balance of the year and carry over into 2022. As more individuals become fully vaccinated across North America, the effects from the pandemic should diminish and the economy could progressively return to pre-COVID-19 levels later next year.

As the third quarter evolved, the Company's hospitality and foodservice product markets, which were adversely affected since the pandemic commenced, continued to rebound along with sustained brisk volumes from consumer retail products. These two positive trends, in combination with sizeable volume growth originating across all operating segments, will be prevalent for the balance of 2021. The flexible packaging segment will continue to generate appreciable volume growth from retail protein, cheese, frozen food and spouted pouch items and elevated customer orders from the biaxially oriented nylon film food service and non-food retail markets. Within the rigid container product group, pronounced volume gains will be achieved from customers' new product launches in retort pet food and single-serve desserts, in parallel with substantial business activity from single-serve polypropylene condiments and snack food containers. The flexible lidding product group has secured incremental retort pet food and snack food lid volumes and will also see an uptick in business with die-cut lids for the dairy market. The specialized printed packaging product group will benefit from new business awards in pharmaceutical and nutritional powder products. The Wiicare global healthcare platform, launched in the spring of this year with Wipak, Winpak's European sister company, continues to actively pursue new business and has been well received by prospective customers. The packaging machinery segment will continue to be very busy in the fourth quarter and has generated a buoyant order backlog for next year. This year has provided the packaging industry with unprecedented increases in raw material resin costs, along with notable inflationary cost increases throughout Winpak's supply chain, which has driven up the Company's cost structure. As a result, Winpak's customer sales price/mix amounts rose by ten percent in the third quarter as selling price increases were passed on to both indexed and non-indexed customers. The sizeable upward trend in selling price/mix amounts will continue in the upcoming quarter and carry into 2022.

Raw material input costs for the Company's primary resins remained highly elevated during the third quarter with continued price increases for resins and foil. Due to strong market demand and ongoing global logistical challenges, freight and distribution costs rose considerably during the quarter. The market expectation for resin costs to gradually recede during the year did not materialize and no raw material pricing relief was realized. The heightened resin, other materials and freight related costs are due to global supply/demand inequities that have persisted since early in the first quarter of this year. Winpak's purchasing group has remained diligent and focused throughout this demanding period and was able to secure sufficient supply of the affected raw materials. Resin supply appears to have stabilized and is now anticipated to return to normality in the upcoming quarters barring any unexpected major events. Current market views are that the inflated resin and supply chain prices should start to slowly retract in the fourth quarter and decrease further during 2022. All the aforementioned elevated costs resulted in considerable negative pressure on Winpak's gross profit margins in the third quarter. However, recovery of these gross margins will commence in the fourth quarter and continue into 2022. These higher costs will produce additional marked customer selling price increases due to the Company's agreements with customers to pass-through these increased costs as 67 percent of Winpak's revenues are indexed albeit with a 90 to 120-day time lag. In addition, selling price increases have been implemented with non-indexed customers which will assist in uplifting the gross margins.

Spending on capital totaled $11.3 million in the most recent quarter with total expenditures for 2021 forecasted to be in the proximity of $60 million. During the third quarter, the modified atmosphere packaging site in Winnipeg, Manitoba completed the installation of the new cast co-extrusion line which will provide the necessary capacity to onboard new business wins in the fourth quarter once the line is commercialized. The state-of-the-art biaxially oriented nylon line in Winnipeg, Manitoba is nearing completion with pre-production activities scheduled during the upcoming quarter. The rigid container site in Sauk Village, Illinois completed the building infrastructure and installation of the initial production equipment, providing the manufacturing capabilities for injection molded containers and in-mold labels. Production will commence in the fourth quarter with sample injection molded containers being produced for customer evaluation. The Company will continue to commit the required cash resources to advance its material science acumen and manufacturing capabilities to produce new and evolving recycle-ready and environmentally friendly packaging to help our business partners achieve their sustainable packaging goals. During the third quarter, potential acquisition opportunities started to appear with more regularity in the market with several transactions being executed. Winpak will continue to evaluate these possible acquisition candidates that are well aligned with the Company's underlying and strategic focus in providing complex and superior high-barrier packaging for food, medical and pharmaceutical applications that deliver long-term shareholder returns.

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. On March 31, 2021, the IASB extended by 12 months the availability of the practical expedient issued in May 2020. The amendment 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.

(c) Deferred Taxes Related to Assets and Liabilities Arising from a Single Transaction:
In May 2021, the IASB issued "Deferred Taxes Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12)", which introduces an exception to the initial recognition exemption for deferred tax on transactions such as leases and decommissioning obligations. Applying this exception, a company does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and are to be applied retrospectively. Early adoption is permitted. The Company does not expect the amendments to have a significant impact on the consolidated financial statements when they are adopted in 2023.

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 September 26, 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 September 26, 2021 to provide reasonable assurance that the financial information being reported is materially accurate. During the third quarter ended September 26, 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.