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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 2022 of $33.7 million or 52 cents in earnings per share (EPS) increased by 18.1 percent from the $28.5 million or 44 cents per share recorded in the corresponding quarter in 2021. The improvement in gross profit was the overriding factor and positively impacted EPS by 18.0 cents. Sales volume growth elevated EPS by 2.0 cents and the level of net income attributable to non-controlling interests raised EPS by an additional 1.0 cent. Conversely, higher operating expenses, foreign exchange and income taxes subtracted 7.5 cents, 3.0 cents and 2.5 cents, respectively from EPS.

For the six months ended June 26, 2022, net income attributable to equity holders of the Company amounted to $67.5 million or 104 cents per share, an increase of 27.4 percent compared to the 2021 first half result of $53.0 million or 82 cents per share. The remarkable result was influenced by the sizeable expansion in gross profit which fueled an advancement in EPS of 36.0 cents. Stronger sales volumes and the level of net income attributable to non-controlling interests each benefitted EPS by 2.0 cents. Operating expenses had the opposite effect, dampening EPS by 12.5 cents. Foreign exchange lowered EPS by 3.0 cents and higher income taxes reduced EPS by 2.5 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 second quarter of 2022 vaulted to $310.3 million, reaching an all-time quarterly high, surpassing the prior year level of $244.0 million by 27.2 percent. Volume growth was healthy at 5.4 percent when compared to the second quarter of 2021. The flexible packaging operating segment realized solid volume growth of 10 percent in the quarter. For the modified atmosphere packaging product group, exceptional volume growth reflected enhanced demand and business gains relating to protein and cheese packaging, most notably with customers that service retail food industries. The new frozen food packaging business was also instrumental to the growth. Within the rigid packaging and flexible lidding operating segment, volumes increased by 1 percent. Volume growth experienced by the lidding product group amounted to 3 percent, a significant turnaround from the first quarter of 2022 when volumes were tempered due to the inability to purchase adequate levels of aluminum foil. By the end of the second quarter, this impediment was resolved. However, fulfilling the accumulated backlog of customer orders will take time given the practical limits of the productive infrastructure. The rigid container product group experienced a minor decline in volumes despite specialty beverage order levels returning to normal. During the second quarter of 2021, the magnitude of specialty beverage shipments was exceptionally high and thus on a relative basis, had a negative effect. The positive momentum of the retort pet food container product continued to produce favorable results but was effectively offset by a drop in condiment container shipments. For the packaging machinery operating segment, modest volume growth of 4 percent was attained in comparison to the corresponding quarter of 2021. Selling price and mix changes had a substantial positive effect on revenue of $53.7 million as the considerable rise in raw material and other costs over the past 12 months resulted in much higher selling prices to customers. The impact of foreign exchange on revenue was negligible.

For the first six months of 2022, revenue grew by an incredible 25.1 percent to $586.2 million from $468.8 million in the comparable prior year period. Volumes progressed by 2.8 percent. Within the flexible packaging operating segment, volume gains amounted to 7 percent. In particular, modified atmosphere packaging volumes expanded due to the overall heightened demand for retail meat and cheese products in tandem with the success of the new frozen food product launch in the second half of 2021. The rigid packaging and flexible lidding operating segment volumes receded by 3 percent. Rigid container volumes decreased due to a material drop in specialty beverage shipments, especially during the initial quarter of 2022. This shortfall was only partially mitigated by higher retort pet food, snack food and creamer container activity. Lidding product group volumes were relatively unchanged as the ability to procure sufficient levels of aluminum foil to meet customer order levels in the first three months of 2022 was extremely challenging. Packaging machinery volumes strengthened by 24 percent. Selling price and mix changes had a large favorable impact on revenue of 22.4 percent. Foreign exchange had virtually no effect on revenue.

Gross Profit Margins

Gross profit margins of 28.8 percent of revenue in the second quarter of 2022 narrowly surpassed the 28.6 percent recorded in the same quarter of 2021. In dollar terms, gross profit climbed by a remarkable 28.1 percent from the second quarter of 2021, far exceeding the growth in sales volumes over the same period. Consequently, EPS was augmented by 18.0 cents. The magnitude of selling price increases significantly outpaced the corresponding rise in raw material costs, which included the non-recurring expenses incurred to expedite aluminum foil material to the lidding plant in Montreal. This divergence elevated EPS by 21.0 cents. By the second quarter of 2022, all raw material price increases experienced over the prior 15 months had been passed along to customers. Conversely, throughout the second quarter of 2021, raw material costs increased considerably while selling price increases were limited. Furthermore, non-contractual, inflationary selling price increases have been implemented in each of the past three quarters. In terms of operating leverage, manufacturing costs increased to a greater extent than the gain in sales volumes, lowering EPS by 3.0 cents.

For the first six months of 2022, gross profit margins of 29.1 percent of revenue marginally exceeded the 28.9 percent of revenue realized in the 2021 year-to-date comparable period. More importantly, gross profit surged by 26.0 percent from $135.5 million to $170.8 million over the same time period while sales volumes expanded by 2.8 percent. A sizeable increase in EPS of 36.0 cents took place as a result. Selling prices escalated to a much larger degree than raw material costs, which included aluminum foil transportation expenses, raising EPS by 45.0 cents. On account of the inherent delay embedded within formal customer price indexing programs, raw material costs rose much greater than the related selling price adjustments during the first half of 2021. This imbalance did not recur in 2022. Additionally, since the fourth quarter of 2021, a series of inflationary selling price adjustments have been enacted. Compared to the first half of 2021, the rate of acceleration of fixed manufacturing overheads exceeded the rate of sales volume growth, tempering EPS by 9.0 cents.

The raw material purchase price index increased by 5 percent compared to the first quarter of 2022. In the past 12 months, the advancement in the index was more noteworthy at 16 percent. During the second quarter, nylon resin and aluminum foil recorded escalations of 14 percent and 8 percent, respectively. Polyethylene and polypropylene resin prices were relatively unchanged.

Expenses and Other

Operating expenses in the second quarter of 2022, exclusive of foreign exchange, expanded at a greater rate relative to the growth in sales volumes, thereby subtracting 7.5 cents from EPS. Significantly higher freight and distribution costs, greater employee compensation expenses, along with pre-production costs incurred to commercialize the new biaxially oriented polyamide (BOPA) line, drove the elevated operating expenses. Foreign exchange had a negative effect on EPS of 3.0 cents due to the unfavorable translation differences recorded on the revaluation of monetary assets and liabilities in comparison to the favorable translation differences recorded in the same quarter in 2021. The effective income tax rate was lower than normal in the second quarter of 2021 and on a relative basis, income taxes thereby reduced EPS by 2.5 cents. A smaller proportion of earnings attributable to non-controlling interests raised EPS by 1.0 cent.

On a year-to-date basis, operating expenses, adjusted for foreign exchange, increased at a rate of 19.8 percent in relation to the 2.8 percent progression in sales volumes, causing a substantial negative impact on EPS of 12.5 cents. Heightened freight and distribution costs were the main contributing factor, accounting for 7.5 cents of the EPS contraction. Pre-production and personnel costs also played a role. Foreign exchange subtracted 3.0 cents from EPS due to the unfavorable translation differences recorded on the revaluation of monetary assets and liabilities denominated in Canadian dollars, which was in contrast to the favorable translation differences recorded in the first six months of 2021. Also impactful were the foreign exchange contracts that matured in the first half of 2021 at a more advantageous average exchange rate. The effective income tax rate was nearly two percentage points higher in 2022, deducting 2.5 cents from EPS. Lastly, a lesser proportion of net income attributable to non-controlling interests enhanced EPS by 2.0 cents.

Capital Resources, Cash Flow and Liquidity

The Company's cash and cash equivalents balance ended the second quarter of 2022 at $369.0 million, a decrease of $18.1 million from the end of the prior quarter. Winpak generated strong cash flows from operating activities before changes in working capital of $59.8 million. The net investment in working capital increased by $53.4 million. Inventory amounts ascended by $49.2 million mainly as a result of the substantial increase in aluminum foil raw material inventories, and to a lesser extent, due to the seasonal accumulation of finished goods inventories. Trade and other receivables expanded by $21.2 million following the $34.3 million growth in revenue relative to the first quarter of 2022. Largely due to the higher inventory balances, trade payables and other liabilities advanced by $17.6 million. Cash was used for property, plant and equipment additions of $11.6 million, income tax payments of $10.8 million, dividend payments of $1.6 million and other items totaling $0.5 million. The Company acquired land and building adjacent to the Winnipeg, Manitoba modified atmosphere packaging facility to accommodate future expansion endeavors and reduce the reliance on outside warehousing.

For the first half of 2022, the cash and cash equivalents balance declined by $8.4 million. Cash flows generated from operating activities before changes in working capital were solid at $115.9 million. Working capital consumed $77.6 million in cash. The $73.2 million increase in inventories reflected the targeted buildup of raw material inventories in response to the persistent supply chain challenges, most notably for aluminum foil. Influenced by seasonality factors and to support the higher sales volumes, finished goods inventories grew since the start of the year. Additionally, trade and other receivables escalated by $34.0 million, coinciding with the record-setting revenue level in the most recent quarter. Trade payables and other liabilities grew by $34.1 million due to the scale of raw material purchases. Cash outflows included: $23.5 million in property, plant and equipment additions, income tax payments of $17.3 million, dividend payments of $3.1 million, employee defined benefit plan contributions of $1.6 million and other items amounting to $1.2 million.

Summary of Quarterly Results

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

	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020
Revenue	310,254	275,982	279,053	254,166	243,969	224,806	212,091	210,605
Net income attributable to equity holders of the Company	33,671	33,870	30,031	20,762	28,520	24,495	27,256	26,684
EPS	52	52	46	32	44	38	42	41

Looking Forward

The Company will continue to manage and, to the extent possible, mitigate the financial impact arising from the significant challenges relating to supply chain, multi-decade high inflation and the limited availability of human resources. With inflation reaching new heights during the second quarter of 2022, central banks are poised to raise interest rates substantially by the middle of 2023. The outlook for the North American economy has dimmed over the past quarter due to this projected aggressive monetary policy, the continuing war in Ukraine and the extensive COVID-19-related measures implemented by the Chinese government.

As expected, sales volume growth rebounded in the second quarter of 2022 and the Company remains optimistic that a similar rate of growth will be sustained for the balance of the year. The commercialization of the cast co-extrusion line at the modified atmosphere packaging plant in late 2021 has facilitated the expansion of the frozen food category and the attainment of new cheese and protein business. Additionally, with the arrival of significant aluminum foil inventories in the two most recent quarters, the sales outlook for the lidding product group has markedly improved. Furthermore, based on estimated customer order levels, specialty beverage container activity should be more heavily weighted to the final six months of 2022.

As a result of the elevated oil and natural gas prices, raw material input costs remained heightened in the second quarter of 2022. Resin producers have announced additional price increases for nylon and polyethylene for the ensuing quarter. However, more recently, oil prices have been on a downward trend. Current market expectations are for resin prices to decline moderately by the end of 2022. Inflation continues to have a major impact on the Company's cost structure and the requirement to pass along further selling price increases will be assessed on an ongoing basis. Based on the preceding factors, gross profit margins should be relatively stable over the final two quarters of 2022.

Capital expenditures are expected to accelerate in the second half of the year and are forecast to be in the range of $55 to $65 million for 2022. Extensive pre-production activities relating to the installation of the new BOPA line in Winnipeg, Manitoba were undertaken during the second quarter of 2022 and it is currently projected that the line will be fully operational by the end of the year. With the tremendous success of the recently commercialized cast co-extrusion line at the modified atmosphere packaging plant, the Company has committed to purchasing another cast co-extrusion line, which will be commercialized in the second half of 2023. Furthermore, to support the next phase of the injection molded containers and in-mold labels endeavor, additional manufacturing equipment has been ordered. The resulting multi-fold increase to the product line's existing capacity will come on-stream around mid-2023. Complementary acquisition candidates that align strategically with the Company's strengths in sophisticated packaging for food, beverage and healthcare applications, providing a satisfactory economic return for shareholders, will be seriously considered and evaluated.

Accounting Changes - Accounting Standards Implemented in 2022

(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 were implemented with retrospective application, effective December 27, 2021. The amendments had no impact on the Company's unaudited interim condensed consolidated financial statements.

(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 were implemented, effective December 27, 2021. The amendments had no impact on the Company's unaudited interim condensed consolidated financial statements.

Accounting Changes - Future Changes to Accounting Standards

(a) 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. 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 June 26, 2022 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 26, 2022 to provide reasonable assurance that the financial information being reported is materially accurate. During the second quarter ended June 26, 2022, 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.