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 2022 of $29.6 million or 45 cents in earnings per share (EPS) increased by $8.8 million or 13 cents per share from the comparable 2021 quarter. The favorable result was heavily influenced by the sizeable expansion in gross profit which generated an advancement in EPS of 20.5 cents. The level of net income attributable to non-controlling interests resulted in an additional 1.0 cent added to EPS while sales volumes and net finance income each raised EPS by 0.5 cents. Operating expenses had the opposite effect, lowering EPS by 7.0 cents. Foreign exchange reduced EPS by a further 2.0 cents and higher income taxes subtracted 0.5 cents from EPS.

For the nine months ended September 25, 2022, net income attributable to equity holders of the Company advanced by 31.6 percent to $97.1 million or $1.49 per share from the corresponding 2021 result of $73.8 million or $1.14 per share. The improvement in gross profit was the dominant factor, augmenting EPS by a remarkable 56.5 cents. The level of net income attributable to non-controlling interests added 3.0 cents to EPS. The additional sales volumes benefitted EPS by 2.5 cents and net finance income provided another 0.5 cents. Conversely, higher operating expenses, foreign exchange and income taxes narrowed EPS by 19.5 cents, 5.0 cents and 3.0 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

Revenue in the third quarter of 2022 was $302.5 million, exceeding the prior year comparable level of $254.2 million by 19.0 percent. Volume growth was modest at 2.0 percent when compared to the third quarter of 2021. Within the flexible packaging operating segment, volume gains amounted to 5 percent. The modified atmosphere packaging product group's volumes expanded significantly. Strong demand for retail meat and cheese products and the performance of the frozen food product launch that took place in the third quarter of 2021 were the catalysts. Conversely, biaxially oriented nylon volumes retreated as several core customers modified their order patterns in response to excess inventory levels they had accumulated during the recent period of severe supply chain challenges. In addition, specialty films volumes declined mainly on account of customer loss. The rigid packaging and flexible lidding operating segment's volumes were virtually unchanged. Rigid container volumes increased slightly as the rebound in specialty beverage shipments was largely offset by lower condiment container activity. Lidding product group volumes fell by 3 percent as the availability of production labor hampered manufacturing output. Packaging machinery volumes dropped in the quarter as a higher than typical number of machines were shipped in the third quarter of 2021. Selling price and mix changes had a large favorable impact on revenue of 17.4 percent, which was mainly due to the scale of raw material pass-through adjustments to customer selling prices. Foreign exchange had a minor negative influence on revenue.

For the first nine months of 2022, revenue grew by $165.8 million or 22.9 percent from the $722.9 million recorded in the corresponding prior year period. Volumes increased by 2.5 percent. The flexible packaging operating segment achieved volume growth of 6 percent. Exceptional volume growth for the modified atmosphere packaging product group reflected business gains and enhanced demand for protein and cheese packaging, especially for customers that supply retail food industries. The frozen food packaging business was a critical component of the growth as well. Within the rigid packaging and flexible lidding operating segment, volumes narrowed by 2 percent. Rigid container volumes retreated by 3 percent as gains in retort pet food and creamer container shipments were eclipsed by lower condiment container activity. For the lidding product group, volumes were restrained due to the shortage of manufacturing labor and the aluminum foil procurement challenges experienced in the first quarter of 2022. Packaging machinery volumes improved by 10 percent. Selling price and mix changes had a substantial positive effect on revenue of $149.3 million as the considerable rise in raw material and other costs since mid-2021 resulted in much higher selling prices to customers. The impact of foreign exchange on revenue was negligible.

Gross Profit Margins

Gross profit margins in the current quarter of 26.9 percent of revenue ascended by 2.5 percentage points from the 2021 third quarter result of 24.4 percent of revenue. A sizeable increase in EPS of 20.5 cents took place as a result. Selling prices advanced to a much larger extent than raw material costs, which included the remaining aluminum foil air freight transportation expenses to the lidding plant in Montreal, raising EPS by 30.0 cents. During the third quarter of 2021, the unfavorable divergence between the rise in raw material costs and the related selling price adjustments was enormous. Furthermore, in the past 12 months, a sequence of inflationary selling price adjustments have been implemented. Compared to the third quarter of 2021, the rate of growth of fixed manufacturing overheads outpaced the level of sales volume growth. This mismatch, along with expenses pertaining to inventory obsolescence, lowered EPS by 9.5 cents.

For the first nine months of 2022, gross profit margins were 28.4 percent of revenue, expanding by 1.1 percentage points from the 27.3 percent of revenue achieved during the 2021 year-to-date comparative period. In dollar terms, gross profit climbed by an incredible 27.7 percent over the same period. Accordingly, EPS vaulted by 56.5 cents. The magnitude of selling price increases significantly surpassed the corresponding rise in raw material costs, including the non-recurring expenses incurred to expedite aluminum foil. This discrepancy elevated EPS by 75.0 cents. During 2021, raw material costs increased considerably while selling price increases were limited. In addition, non-contractual, inflationary selling price increases have been implemented since the fourth quarter of 2021 to partially recover advances in key cost categories such as consumables, freight and distribution and energy. With respect to operating leverage, manufacturing costs increased to a greater extent than the gain in sales volumes, tempering EPS by 18.5 cents.

The raw material purchase price index increased by less than 1 percent compared to the second quarter of 2022. In relation to a year earlier, the index has risen by 4 percent. During the third quarter, nylon resin and aluminum foil each realized increases ranging between 5 and 8 percent. In contrast, polypropylene and polyethylene resin prices declined by 20 percent and 5 percent, respectively.

Expenses and Other

Operating expenses in the third quarter of 2022, adjusted for foreign exchange, progressed at a larger rate relative to the expansion in sales volumes and as such, lowered EPS by 7.0 cents. Heightened freight and distribution costs were the main contributing factor, accounting for approximately half of the EPS contraction. Pre-production costs of $2.0 million were also significant. Foreign exchange subtracted 2.0 cents from EPS due to the unfavorable translation differences recorded on the revaluation of monetary assets and liabilities denominated in Canadian dollars. The effective income tax rate was almost two percentage points higher in the third quarter of 2022, deducting 0.5 cents from EPS. Lastly, a lesser proportion of net income attributable to non-controlling interests and net finance income enhanced EPS by 1.0 cent and 0.5 cents, respectively.

On a year-to-date basis, operating expenses, exclusive of foreign exchange, advanced at a rate of 19.7 percent in relation to the 2.5 percent acceleration in sales volumes, thereby having a major negative impact on EPS of 19.5 cents. 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 5.0 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 period in 2021. Furthermore, the foreign exchange contracts that matured in the 2021 year-to-date period were at a more beneficial average exchange rate. The effective income tax rate reduced EPS by 3.0 cents, however, this was offset by a smaller proportion of earnings attributable to non-controlling interests. Net finance income added 0.5 cents to EPS.

Capital Resources, Cash Flow and Liquidity

The Company's cash and cash equivalents balance ended the third quarter of 2022 at $377.2 million, an increase of $8.2 million from the end of the second quarter. Winpak continued to generate strong cash flows from operating activities before changes in working capital of $52.9 million. Working capital consumed $30.6 million in cash. The $20.5 million increase in inventories was impacted by aluminum foil purchase commitments that were entered into during the significant supply chain challenges experienced in the early stages of 2022. Also relevant was the targeted accumulation of raw material resin inventories in advance of hurricane season. Due to the timing of supplier payments, trade payables and other liabilities dropped by $15.7 million. Trade and other receivables declined by $5.2 million, reflecting the lower revenue level relative to the preceding quarter. Cash outflows included: $11.8 million in plant and equipment additions, dividend payments of $1.5 million and other items amounting to $0.8 million.

For the first nine months of 2022, the cash and cash equivalents balance decreased by $0.2 million. Cash flows generated from operating activities before changes in working capital were solid at $168.8 million. The net investment in working capital increased by $108.2 million. The extraordinary $93.7 million growth in inventories arose due to the deliberate accumulation of raw materials in order to manage the uncertainty caused by supply chain challenges, especially with aluminum foil. Finished goods inventories grew since the start of the year, reflecting an increase in the number of customer inventory management programs and also to support the higher sales volumes. In addition, trade and other receivables grew by $28.9 million due to the timing of customer payments and the higher level of revenue in the current quarter compared to the final quarter of 2021. Stemming from the magnitude of raw material purchases, trade payables and other liabilities advanced by $18.4 million. Cash was utilized for property, plant and equipment additions of $35.3 million, income tax payments of $18.2 million, dividend payments of $4.6 million, employee defined benefit plan contributions of $1.7 million and other items totaling $1.0 million.

Summary of Quarterly Results

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

	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020
Revenue	302,532	310,254	275,982	279,053	254,166	243,969	224,806	212,091
Net income attributable to equity holders of the Company	29,567	33,671	33,870	30,031	20,762	28,520	24,495	27,256
EPS	45	52	52	46	32	44	38	42

Looking Forward

As expected, central banks raised interest rates significantly during the third quarter of 2022. With further increases projected over the next 12 months, paired with the continued conflict in Ukraine, the risk of a North American recession has increased. However, this aggressive monetary policy, along with recovering supply chains, are likely to have a moderating impact on inflation and upgrade the availability of labor.

Although customer order patterns and limited loss of business muted the magnitude of volume expansion in the third quarter of 2022, the Company projects a slightly higher rate of growth for the fourth quarter of 2022. As a result of operational improvements and modest gains in labor availability, the elevated productive capacity of the lidding product group will support enhanced sales volumes. In addition, the new cast co-extrusion line commercialized at the modified atmosphere packaging plant in late 2021 has facilitated the acquisition of sizeable new protein and cheese business. Based on customer order activity, specialty beverage container volumes will be disproportionately weighted towards the fourth quarter of 2022 whereas the opposite occurrence took place in the prior year.

Current market expectations are for raw material costs to decline moderately in the fourth quarter of 2022 and then again throughout 2023. In accordance with customer agreements, these lower costs would lead to a contraction in selling prices, although with an estimated average delay of four months. The Company's cost structure continues to be impacted by inflationary pressures. After implementing several non-contractual price increases over the past 12 months, it has become increasingly difficult to pass along further increases to customers. On balance, the net impact of these counteracting factors should be relatively neutral in the final quarter of 2022, thereby having minimal effect on gross profit margins.

Capital expenditures for 2022 are forecast to be in the range of $50 to $55 million. During the third quarter, the Company continued to dedicate significant resources to the installation of the new BOPA line in Winnipeg, Manitoba. It is estimated that the line will be fully commercialized in the first half of 2023. The expansionary projects relating to new co-extrusion capacity at the modified atmosphere packaging plant and the next phase of the injection molded container endeavor are proceeding as scheduled and will be completed in the second half of 2023. Furthermore, the Company is currently evaluating potential building expansions at two of its key manufacturing sites. Simultaneously, Winpak will continue to assess prospective acquisition opportunities that align strategically with the Company's core strengths in sophisticated high-barrier packaging for food, medical and pharmaceutical applications that provide long-term shareholder value.

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.

(b) Lease Liability in a Sale and Leaseback:
In September 2022, the IASB issued "Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)", that requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual reporting periods beginning on or after January 1, 2024 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 2024.

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 25, 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 September 25, 2022 to provide reasonable assurance that the financial information being reported is materially accurate. During the third quarter ended September 25, 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.