WINPAK

***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. Unless otherwise required by applicable securities law, Winpak disclaims any intention or obligation to publicly update or revise this information, whether as a result of new information, future events or otherwise. The Company cautions investors not to place undue reliance upon forward-looking statements.

*Financial Performance*

Net income attributable to equity holders of the Company for the first quarter of 2023 of $39.3 million or 60 cents in earnings per share (EPS) exceeded the $33.9 million or 52 cents per share recorded in the corresponding quarter of 2022, an increase of 16.0 percent. This represented the highest first quarter earnings achievement for the Company. Organic volume growth elevated EPS by 4.5 cents. Net finance income and foreign exchange augmented EPS by 4.0 cents and 1.5 cents, respectively. The level of income attributable to non-controlling interests added a further 1.0 cent. Conversely, higher operating expenses lowered EPS by 2.0 cents. In addition, gross profit led to a contraction in EPS of 1.0 cent.

The fiscal year of the Company ends on the last Sunday of the calendar year and is usually 52 weeks in duration. However, the 2023 fiscal year consists of 53 weeks, with the first quarter comprising 14 weeks, one more week than the prior year. The additional week included in the 2023 first quarter was essentially the last week of the 2022 calendar year which contained several statutory holidays. Consequently, it is estimated that this additional week contributed 6.0 percent to first quarter 2023 sales volumes and net income results.

*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, pet food, industrial and healthcare. Specialized printed packaging provides packaging solutions to the pharmaceutical, healthcare, nutraceutical, cosmetic and personal care markets.

Packaging machinery includes a full line of horizontal fill/seal machines for preformed containers and vertical form/fill/seal pouch machines for pumpable liquid and semi-liquid products and certain dry products.

*Revenue*

Revenue in the first quarter of 2023 was $304.5 million, $28.5 million or 10.3 percent greater than the first quarter of 2022. Volume growth of 8.7 percent was achieved compared to the initial quarter of 2022. After taking into account the additional week in the current quarter, volume growth was approximately 3 percent. Within the flexible packaging operating segment, volume growth of 1 percent was realized. For the modified atmosphere packaging group, healthy volume growth reflected enhanced demand and business gains relating primarily to protein packaging. Biaxially oriented nylon product group volumes declined significantly as several core customers continue to unwind the excessive inventory levels that accumulated during the recent period of heightened supply chain challenges. In addition, specialty film volumes decreased mainly on account of customer loss. The rigid packaging and flexible lidding operating segment posted volume growth of 8 percent. For the lidding product group, volumes rebounded by 20 percent. In the first quarter of 2022, volumes were constrained by the inability to procure sufficient levels of aluminum foil. Furthermore, improvements in productive capacity have been realized over the past 12 months. Rigid container volumes fell slightly as gains in retort pet food packaging were eclipsed by lower condiment container activity. Packaging machinery volumes advanced by 6 percent. Selling price and mix changes had a modest positive effect on revenue of 2.4 percent. Foreign exchange had a minor negative influence on revenue.

*Gross Profit Margins*

Gross profit margins narrowed to 28.8 percent of revenue in the first quarter of 2023 from the 29.5 percent recorded in the same quarter of 2022. Consequently, EPS was adversely impacted by 1.0 cent. The level of selling price increases moderately outpaced the corresponding rise in raw material costs, generating an increase in EPS of 6.5 cents. The Company benefitted from the notable drop in raw material costs that took place in the fourth quarter of 2022 and the temporary delay in passing these along to customers with formal price indexing arrangements. The impact of inflation on both consumables and personnel expenses, coupled with the incurrence of outside warehousing expenses to support the higher balance of inventories, dampened EPS by 7.5 cents.

In the first quarter of the year, the raw material purchase price index receded by 3 percent compared to the fourth quarter of 2022. In the past 12 months, the index declined by 8 percent. During the first quarter, nylon resin had the most sizeable decrease of 17 percent while polypropylene resin experienced an increase of 13 percent.

*Expenses and Other*

Operating expenses in the current quarter, adjusted for foreign exchange, progressed at a rate of 13.3 percent which exceeded the growth in sales volumes, resulting in a reduction in EPS of 2.0 cents. Higher personnel costs were the main contributing factor. Foreign exchange raised EPS by 1.5 cents in the quarter largely a result of the weakened value of the Canadian dollar that was in effect to translate transactions in that currency into US dollars. Net finance income added 4.0 cents to EPS as the cash invested in short-term deposits and money market accounts was at much higher rates of interest than a year earlier. A lower proportion of earnings attributable to non-controlling interests augmented EPS by 1.0 cent.

*Capital Resources, Cash Flow and Liquidity*

The Company's cash and cash equivalents balance ended the first quarter of 2023 at $420.5 million, an increase of $21.8 million from the end of the prior year. Winpak continued to generate strong cash flow from operating activities before changes in working capital of $60.0 million. Cash was consumed by net working capital additions of $4.2 million. Inventories decreased by $6.6 million mainly a result of the drop in raw material costs. Due to the timing of supplier payments, trade payables and other liabilities declined by $10.6 million. Cash was utilized for income tax payments of $25.5 million, property, plant and equipment expenditures of $9.4 million, dividend payments of $1.4 million and other items totaling $1.3 million. Net finance income provided incremental cash of $3.6 million.

*Summary of Quarterly Results*

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

| | Q1 2023 | Q4 2022 | Q3 2022 | Q2 2022 | Q1 2022 | Q4 2021 | Q3 2021 | Q2 2021 |
|---|---|---|---|---|---|---|---|---|
| Revenue | 304,516 | 292,365 | 302,532 | 310,254 | 275,982 | 279,053 | 254,166 | 243,969 |
| Net income attributable to equity holders of the Company | 39,287 | 31,235 | 29,567 | 33,671 | 33,870 | 30,031 | 20,762 | 28,520 |
| EPS | 60 | 48 | 45 | 52 | 52 | 46 | 32 | 44 |

*Looking Forward*

The first quarter provided solid revenue and earnings performance and for the full year, Winpak is on pace to realize all-time highs for each of these financial metrics.

Monetary policies implemented in the US and Canada have been successful in lowering the rate of inflation and improving the availability of labor. Throughout the remainder of 2023, it is projected that the trend of disinflation will continue and may eventually lead to deflation next year. Economic growth in North America has slowed with a mild recession forecasted for the second half of 2023. The recent stresses in the US financial system appear to have stabilized, however, further turmoil could have a material impact on both economic growth and inflation.

On a normalized basis, the year started with sales volumes advancing modestly with varying results across the Company's product groups. The overall trend of customers lowering the abnormally high level of inventories will continue but is expected to subside by the middle of 2023. Additionally, with production capacity coming on stream later in 2023, new business opportunities will be cultivated by the modified atmosphere packaging and rigid container product groups. Furthermore, the timing of order fulfillment within the rigid container and lidding product groups should have a positive impact on sales volumes. Conversely, the weakening economy may somewhat limit the Company's growth aspirations. Winpak remains optimistic that sales volume growth for the remainder of 2023 will be in the range of 3 to 5 percent.

In aggregate, raw material costs decreased by 12 percent over the past six months. The pass-through of these reductions to customers with formal price indexing arrangements will be implemented, on average, after a time lag of four months. For the balance of 2023, market expectations are that overall resin prices will be relatively stable with some materials projected to increase while others may decrease. Although the long-term outlook for inflation is positive, the current rate remains well above historical norms and key components of the Company's cost structure are directly impacted. The challenges experienced in attracting and retaining personnel and the resulting impact on compensation are also hampering profitability. With several competitors experiencing a much higher than normal magnitude of unsold capacity, the ability to implement selling price increases in 2023 has been extremely limited. Based on the preceding factors, gross profit margins for the rest of 2023 should be comparable to the level achieved in the first quarter of the year.

Capital expenditures for 2023 are forecast to be between $90 million and $100 million. During the first quarter of 2023, the Board of Directors approved a significant expansion of the Winnipeg, Manitoba modified atmosphere packaging facility, which includes the acquisition of additional cast co-extrusion capacity and related ancillary equipment. The building expansion of approximately 200,000 square feet should be completed towards the end of 2024 and the new extrusion line will be available in early 2025, providing the foundation for sizeable volume growth. Longer term, the building expansion has the capability of housing two additional cast co-extrusion lines. Contributing to the Company's more immediate growth targets, new co-extrusion modified atmosphere packaging and injection molded rigid container capacity will be commercialized in the second half of 2023. Concurrently, acquisition candidates will be considered and evaluated when they align strategically with the Company's strengths in sophisticated packaging for food, beverage and healthcare applications and provide a satisfactory economic return for shareholders. It is expected that the recent rise in the cost of capital will limit the number of potential bidders for acquisition opportunities that are of interest to Winpak.

## *Accounting Changes - Accounting Standards Implemented in 2023*

*(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 were implemented with retrospective application, effective December 26, 2022. The amendments had no impact on the Company's unaudited interim condensed consolidated financial statements.

## *Accounting Changes - Future Changes to Accounting Standards*

*(a) 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. 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 April 2, 2023 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 April 2, 2023 to provide reasonable assurance that the financial information being reported is materially accurate.  During the first quarter ended April 2, 2023, 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.