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 second quarter of 2023 of $40.0 million or 62 cents in earnings per share (EPS) increased by 18.8 percent from the $33.7 million or 52 cents per share recorded in the corresponding quarter in 2022. This represented the highest quarterly earnings achievement in the Company's history. Gross profit augmented EPS by 5.5 cents. Net finance income and foreign exchange elevated EPS by 4.5 cents and 3.5 cents, respectively. Furthermore, the level of net income attributable to non-controlling interests and income taxes each added 1.0 cent to EPS. Conversely, weaker sales volumes lowered EPS by 4.5 cents. In addition, higher operating expenses led to a contraction in EPS of 1.0 cent.

For the six months ended July 2, 2023, net income attributable to equity holders of the Company amounted to $79.3 million or 122 cents per share, an increase of 17.4 percent compared to the 2022 first half result of $67.5 million or 104 cents per share. Net finance income raised EPS by 9.0 cents. Gross profit and foreign exchange were also influential with both items bolstering EPS by 4.5 cents. Income taxes and the level of net income attributable to non-controlling interests each benefitted EPS by 1.5 cents. Operating expenses had the opposite effect, dampening EPS by 3.0 cents.

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 3.0 percent to first half 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 second quarter of 2023 was $287.5 million, $22.8 million or 7.3 percent less than the second quarter of 2022. Volumes receded by 7.8 percent when compared to the second quarter of 2022. The negative impact of customer destocking and softer consumer demand varied amongst the Company's product groups. The flexible packaging operating segment recorded a reduction in volumes of 10 percent. For the modified atmosphere packaging product group, weakened order levels for protein, cheese and frozen food applications were experienced. Specialty films volumes retreated largely because of customer loss and the targeted exit from certain low-margin business. For the biaxially oriented nylon product group, volumes declined significantly as the activity level with customers that had accumulated above average inventory levels during the recent supply chain challenges was well below normal. Within the rigid packaging and flexible lidding operating segment, volumes dropped by 5 percent. The rigid container product group experienced a 7 percent decline in volumes stemming from lower specialty beverage container shipments. For the lidding product group, capacity constraints relating to daisy chain lidding and a temporary reduction in retort pet food business caused volumes to contract by 9 percent. As a result of the pharmaceutical accounts secured during 2022, sizeable volume growth of nearly 50 percent was generated by the specialized printed packaging product group. Packaging machinery volumes fell short of the comparable 2022 quarter as customers scaled back on purchases due to the rising cost of capital and economic uncertainty. Selling price and mix changes had a positive effect on revenue of $3.6 million whereas foreign exchange lowered revenue by $2.1 million.

For the first six months of 2023, revenue grew by 1.0 percent to $592.0 million from $586.2 million in the comparable prior year period. Volumes were virtually unchanged. After accounting for the additional week in the first quarter of 2023, volumes were 3 percent lower. Within the flexible packaging operating segment, volume losses amounted to 5 percent. After realizing healthy volume growth in both 2021 and 2022, modified atmosphere packaging product group volumes were relatively stable. As a result of the tempered demand from core accounts, biaxially oriented nylon product group volumes contracted by more than 20 percent. Specialty film volumes decreased by 17 percent on account of customer loss. The rigid packaging and flexible lidding operating segment volumes advanced by 1 percent. Exceptional volume growth for the specialized printed packaging product group reflected pharmaceutical business gains. Rigid container volumes decreased by 4 percent due to a moderate drop in specialty beverage shipments. Lidding product group volumes rebounded by 5 percent following the stabilization of the aluminum foil supply chain and improvement in productive capacity. Packaging machinery volumes were similar to the prior year. Selling price and mix changes had a favorable impact on revenue of 1.7 percent. Foreign exchange had a minor negative effect on revenue.

Gross Profit Margins
Gross profit margins in the current quarter of 30.2 percent of revenue ascended by 1.4 percentage points from the 2022 second quarter result of 28.8 percent of revenue. Selling prices advanced in contrast to the modest reduction in material costs, which in the prior year included aluminum foil air freight transportation expenses. The favorable divergence lifted EPS by 19.0 cents. With respect to operating leverage, manufacturing costs expanded while sales volumes retreated, tempering EPS by 13.5 cents. The Company's cost structure was adversely affected by inflationary pressures, especially personnel and consumable expenses.

For the first six months of 2023, gross profit margins were 29.5 percent of revenue, a narrow expansion of 0.4 percentage points from the 29.1 percent of revenue achieved during the 2022 year-to-date comparative period. Accordingly, EPS climbed by 4.5 cents. Selling price and mix increases of $10.2 million were complemented by a 4.6 percent decline in raw material costs, leading to an increase in EPS of 26.0 cents. The Company benefitted from the 12 percent reduction in raw material costs that took place over the two preceding quarters and the contractual delay in passing these along to customers with formal price indexing arrangements. Additionally, exceptional expenses incurred to expedite aluminum foil were embedded within the 2022 raw material costs. The impact of inflation on manufacturing costs, most notably personnel and consumable expenses, was substantial, lowering EPS by 21.5 cents. Higher outside warehousing costs were offset by the improvement in inventory obsolescence expenses.

The raw material purchase price index dropped by 4 percent compared to the first quarter of 2023. In the past 12 months, the decrease in the index was 16 percent. During the second quarter, polyethylene, polypropylene and nylon resin prices each realized declines ranging between 10 and 12 percent.

Expenses and Other
Operating expenses in the second quarter of 2023, exclusive of foreign exchange, contracted at a slightly lower rate relative to the reduction in sales volumes, thereby subtracting 1.0 cent from EPS. Inflationary forces raised employee compensation expenses. In contrast, freight and distribution costs, which were heightened in the prior year, normalized in the current year. Foreign exchange had a positive effect on EPS of 3.5 cents due to the favorable translation differences recorded on the revaluation of monetary assets and liabilities in comparison to the unfavorable translation differences recorded in the same quarter in 2022. Additionally, the Company benefitted from the weakened value of the Canadian dollar that was employed to translate transactions in that currency into US dollars. Net finance income added 4.5 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. The effective income tax rate decreased by 1.5 percentage points in the second quarter of 2023, enhancing EPS by 1.0 cent. 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 3.4 percent in relation to the virtually unchanged sales volumes, having a negative impact on EPS of 3.0 cents. As a consequence of the inflationary environment, personnel costs advanced at a rate well above historical norms. This was partially offset by the sizeable drop in freight and distribution costs. Foreign exchange contributed 4.5 cents to EPS. The 6.2 percent depreciation in the average exchange rate of the Canadian dollar in relation to the US dollar was a positive influence. Furthermore, the favorable translation differences recorded on the revaluation of monetary assets and liabilities denominated in Canadian dollars was in contrast to the unfavorable translation differences recorded in the first six months of 2022. Due to the substantial increase in the interest rates applied to the Company's cash and cash equivalents, net finance income boosted EPS by 9.0 cents. The effective income tax rate was marginally lower in 2023, providing 1.5 cents to EPS. Lastly, the level of net income attributable to non-controlling interests enhanced EPS by 1.5 cents.

Capital Resources, Cash Flow and Liquidity

The Company's cash and cash equivalents balance ended the second quarter of 2023 at $454.7 million, an increase of $34.3 million from the end of the prior quarter. Winpak generated strong cash flows from operating activities before changes in working capital of $61.8 million. The net investment in working capital decreased by $3.7 million. Inventory amounts fell by $13.8 million mainly as a result of unwinding finished goods inventories that had accumulated over the previous twelve months. Largely due to the lower inventory purchases, trade payables and other liabilities declined by $10.4 million. Cash was used for income tax payments of $20.9 million, property, plant and equipment additions of $12.1 million, dividend payments of $1.4 million and other items totaling $0.3 million. Net finance income provided cash of $3.5 million.

For the first half of 2023, the cash and cash equivalents balance advanced by $56.1 million. Cash flows generated from operating activities before changes in working capital were solid at $121.8 million. Working capital consumed $0.5 million in cash. The $20.4 million decrease in inventories reflected the physical drawdown of raw material inventories in combination with the overall drop in raw material costs since the start of the year. Trade payables and other liabilities receded by $21.0 million on account of the diminished level of raw material purchases. Cash outflows included: income tax payments of $46.4 million, property, plant and equipment additions of $21.6 million, dividend payments of $2.9 million and other items amounting to $1.4 million. Net finance income produced incremental cash of $7.1 million.

Summary of Quarterly Results

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

	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021
Revenue	287,464	304,516	292,365	302,532	310,254	275,982	279,053	254,166
Net income attributable to equity holders of the Company	40,006	39,287	31,235	29,567	33,671	33,870	30,031	20,762
EPS	62	60	48	45	52	52	46	32

Looking Forward

Building upon the record-setting profitability performance in the first half of 2023, Winpak is optimistic about the second half of the year. With inflation trending towards the targets set by central banks, it appears that the cycle of aggressive monetary policy is nearly complete. Expectations regarding economic growth in North America have improved somewhat for the second half of 2023, but have been downgraded slightly for 2024.

Weakened consumer demand and customer destocking had a greater influence on second quarter sales volumes than had been forecasted. These headwinds will continue to be influential in the upcoming quarter but should abate as the year progresses. For the balance of 2023, the Company is optimistic that sales volumes will be favorably impacted by new product launches, new customer onboarding and the timing of order fulfillment, especially within the rigid container product group. Based on the challenging operating environment, Winpak has adjusted the outlook for the remainder of 2023, projecting sales volume growth in the range of 1 to 3 percent.

Thus far in 2023, raw materials costs have fallen by 7 percent. Current market views are for additional, moderate reductions in the next six months. The Company will benefit from this trend as the pass-through of these savings are estimated to be delayed by an average of four months. In the product markets that the Company participates, packaging manufacturers, in aggregate, are experiencing higher than normal levels of unsold capacity. With this intensified competitive landscape, further selling price increases are unlikely and at certain accounts, concessions may be required. Taking the above factors into account, gross profit margins for the final two quarters of 2023 should be relatively stable.

Capital expenditures are expected to accelerate in the second half of the year and are forecast to be in the range of $80 to 90 million for 2023. In February 2023, the Board of Directors approved a significant, multi-year expansion project at the Winnipeg, Manitoba modified atmosphere packaging facility. The building expansion of more than 200,000 square feet should be completed in early 2025 and the new cast co-extrusion line will be available soon after, establishing the footprint for sizeable volume growth. In the upcoming quarter, the injection molded rigid container capacity will become available, supporting the Company's more immediate growth aspirations. In addition, a much needed cast co-extrusion line is scheduled for start-up in early 2024 at the modified atmosphere packaging facility. Complementary acquisition candidates will be seriously considered and evaluated, especially in light of current business valuations within this elevated cost of capital environment.

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 July 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 July 2, 2023 to provide reasonable assurance that the financial information being reported is materially accurate. During the second quarter ended July 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.