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. Unless otherwise required by applicable securities law, we disclaim 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 2014 reached $19.4 million or 30 cents in earnings per share compared to $17.4 million or 27 cents per share in the corresponding quarter of 2013, an increase of 12.0 percent. Earnings per share was favorably impacted in the quarter by organic revenue growth, improved gross profit margins, lower operating expense inflation, and reduced income taxes which contributed 1.5 cents, 1.0 cent, 0.5 cents and 0.5 cents respectively. Only foreign exchange negatively impacted earnings per share in the third quarter by 0.5 cents.

For the nine months ended September 28, 2014, net income attributable to equity holders of the Company climbed to $55.0 million or 85 cents per share, surpassing the 2013 comparable period result of $50.4 million or 78 cents per share by 9.1 percent. Substantial volume growth in 2014 advanced earnings per share by 8.0 cents and was complemented by curtailed growth in operating expenses which added a further 3.5 cents to earnings per share. Foreign exchange also had a negligible positive effect on 2014 year-to-date earnings of 0.5 cents per share in comparison to the first nine months of the prior year. On the other hand, a lower gross profit margin in the first three quarters of 2014 versus the prior year corresponding period decreased earnings per share by 4.5 cents while a greater proportion of earnings attributable to non-controlling interests negatively impacted earnings per share by 0.5 cents.

Revenue

Revenue in the third quarter of 2014 grew to $193.0 million, an expansion of $13.1 million or 7.3 percent over the same period in 2013. Volume growth overall was solid at 5.8 percent but was inconsistent amongst the Company's product groups. The modified atmosphere packaging product group recorded the strongest volume increase in the quarter at slightly over 10 percent as sales in the core markets of processed meat and cheese led the way. Following closely behind was lidding where growth was experienced in yogurt, pharmaceutical and specialty beverage products. Rigid containers exhibited solid mid-single digit volume growth as condiment and applesauce revenues strengthened. Biaxially oriented nylon and specialty film volumes declined in the mid-to-high single digit percentage range. Although shrink bag and barrier film revenues continued to move forward, decreases were noted in less sophisticated commodity-type films. Packaging machinery also recorded a high-single digit percentage volume decline in comparison to the third quarter of 2013, although the order backlog is substantial heading into the fourth quarter. Selling price/mix changes had a favorable effect on third quarter revenues of 1.9 percent while foreign exchange had a negative influence of 0.4 percent due to the decline in the value of the Canadian dollar in comparison to its US counterpart in the current period versus the prior year third quarter.

For the first nine months of 2014, revenue of $580.5 million advanced by $53.6 million or 10.2 percent in relation to the corresponding prior year period. Volumes rose 9.8 percent in comparison to the first three quarters of 2013. Growth was robust in rigid containers, lidding and modified atmosphere packaging, with each advancing between 10 and 15 percent. Biaxially oriented nylon film and packaging machinery had volume growth in the mid-single digit percentage range while specialty film shipments fell in the high-single digit percentage range, although product mix was improved. Selling price/mix changes supplemented revenues by 1.2 percent while foreign exchange subtracted 0.8 percent from revenues in relation to the first nine months of last year.

Gross profit margins

Gross profit margins for the third quarter of 2014, at 29.2 percent, were in line with the prior year quarter of 29.1 percent of revenue. Although sales volumes grew by 5.8 percent in the quarter, gross profit expanded by 7.7 percent, resulting in additional earnings per share of 1.0 cent. The spread between raw material costs and selling prices widened as product mix improved in a few areas and purchase volume rebates for certain raw materials helped lower manufacturing costs. Manufacturing variances continued to be a drag on margins in the quarter but further improvement is expected in the upcoming months as capacity utilization rates increase and more experience is gained with new products and processes.

For the first three quarters of 2014, gross profit margins of 28.1 percent of revenue fell short of 2013 year-to-date levels of 28.9 percent by 0.8 percentage points. This culminated in a decrease in earnings per share of 4.5 cents. Under-utilized capacity of recent capital expenditures and elevated waste levels due to development and refinement of complex new products and processes are the main factors behind the decline in gross profit margins over the prior year. In addition, competitive conditions at a few select customers compressed the spread between selling prices and raw material costs.

For reference, the following presents the weighted indexed purchased cost of Winpak's eight primary raw materials in the reported quarter and each of the preceding eight quarters, where base year 2001 = 100. The index was rebalanced as of December 30, 2013 to reflect the mix of the eight primary raw materials purchased in 2013.

Quarter and Year	3/14	2/14	1/14	4/13	3/13	2/13	1/13	4/12	3/12
Purchase Price Index	176.2	178.1	178.7	175.0	173.2	173.5	176.5	170.6	167.3

The purchase price index in the third quarter of 2014 declined slightly from the previous quarter by 1.1 percent. Cost stability has been present in aggregate for the Company's mix of raw material purchases for much of the past two years as the index has only fluctuated by 4 percent or less around the mean during this time period. However, certain individual materials within the index have been more volatile.

Expenses and Other

While volumes in the third quarter of 2014 increased by 5.8 percent over the prior year quarter, operating expenses, adjusted for foreign exchange, increased by less than 3 percent. This operating leverage added 0.5 cents to earnings per share and arose due to lower share-based incentive costs and reduced spending on research and development trials. A lower effective income tax rate in the current quarter due to a greater proportion of earnings being realized in lower income tax rate jurisdictions also contributed 0.5 cents to earnings per share. Foreign exchange had a net unfavorable impact on earnings per share of approximately 0.5 cents in the third quarter compared to the corresponding period in 2013. The weaker Canadian dollar in the quarter versus the comparative period in 2013 had a positive impact on earnings as expenses exceeded revenues in that currency. However, this was more than offset by foreign exchange losses on the translation of Canadian net monetary assets, as the Canadian dollar depreciated from the start to the end of the quarter versus its US counterpart; the opposite was true in the third quarter of 2013.

On a year-to-date basis, operating expenses, excluding foreign exchange, increased at a much lower pace than the growth in sales volumes, resulting in an addition to earnings per share of 3.5 cents. Freight and distribution costs, which are variable in nature, accounted for the entire rise in operating expenses; all other expenses in aggregate actually declined slightly. Costs related to additional head count to support revenue growth were offset by a reduction in pre-production expenses in 2014. A greater proportion of year-to-date earnings attributable to non-controlling interests in 2014 resulted in a decrease in earnings per share of approximately 0.5 cents. In comparison to the first three quarters of 2013, foreign exchange had a net positive effect on earnings per share of 0.5 cents. The lower average value of the Canadian dollar in 2014 in relation to the US currency and the resulting impact from converting the Company's net Canadian dollar expenses into US funds accounted for approximately 2.0 cents in additional earnings per share. However, this was partially offset by a combination of foreign exchange losses on the translation of Canadian net monetary assets and the maturation of foreign exchange contracts that form part of the Company's foreign exchange hedging policy.

Summary of Quarterly Results

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

	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012*
Revenue	192,982	199,426	188,077	187,964	179,926	177,032	169,949	173,226
Net income attributable to equity holders of the Company	19,448	19,406	16,163	20,951	17,362	17,095	15,989	22,071
EPS	30	30	25	32	27	26	25	34

*Amounts have been restated to reflect the retrospective impact of amended IAS 19 "Employee Benefits", which included an increase in net finance expense due to the reduction in the expected return on defined benefit pension plan assets and an increase in general and administrative expenses following the reclassification of certain plan administration costs.

Capital Resources, Cash Flow and Liquidity

The Company's cash and cash equivalents balance ended the third quarter of 2014 at $130.4 million, $16.3 million greater than the end of the second quarter. Cash flow from operating activities before changes in working capital amounted to $37.7 million, outdistancing the prior year comparable quarter by a healthy $5.3 million due to higher net income and non-cash depreciation. Additions to working capital consumed $2.1 million, while cash was also utilized for plant and equipment additions of $13.9 million, income tax payments of $2.2 million, dividends to common shareholders of $1.8 million, and employee defined benefit plan payments of $1.4 million.

For the first nine months of 2014, the cash and cash equivalents balance receded by $30.7 million, primarily due to the payment of a special dividend of $58.5 million ($65.0 million Canadian) in the first quarter of the year. Winpak continued to generate strong cash flows from operating activities before changes in working capital of $103.0 million, an improvement of $9.4 million from the first three quarters of 2013. Cash was employed for working capital additions of $14.0 million, mainly to service larger sales volumes with higher inventory and accounts receivable levels. Furthermore, cash was used for plant and equipment expenditures of $35.6 million, income tax payments of $14.8 million, regular quarterly dividends of $5.4 million, employee defined benefit plan payments of $4.6 million and other items totaling $0.8 million. The Company remains debt-free and has unutilized operating lines of $38 million, with the ability to increase borrowing capacity further should the need arise.

Looking Forward

Heading into the final quarter of the year, the Company remains optimistic that significant new revenue generation will continue for the remainder of 2014 and into 2015. The sales pipeline contains a number of opportunities at various stages of conversion into future revenue including projects with existing customers as well as new prospects. In the near term, raw material costs are expected to remain fairly stable, with the exception of polypropylene resin, where supply is currently very tight due to unplanned outages at various producers. Improved manufacturing performance will remain a prime focus for the organization, particularly in those areas where new capacity has been added. Progress is expected as capacity utilization increases and knowledge and skill levels in the production of new product offerings escalates. Capital spending is expected to finish the year between $50 to $55 million with a focus on areas where demand fulfillment is becoming increasingly challenging. The Company remains committed to organic growth through capital investment and will continue to pursue acquisition opportunities in Winpak's core competencies in sophisticated food and health-care packaging but will remain patient in executing a transaction only when the proper fit and price are present to add long-term value to the Company's shareholders.

Future Changes to Accounting Standards

As more fully described in Note 4 to the Condensed Consolidated Financial Statements, two new accounting standards have been issued, IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers". IFRS 9 and IFRS 15 are effective for annual periods beginning on or after January 1, 2018 and January 1, 2017 respectively. The Company is currently assessing the impact of these new standards on its consolidated financial statements and does not intend to early adopt these standards in its consolidated financial statements. In addition, amendments to the existing standards IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" were issued and are effective for annual periods beginning on or after January 1, 2016. These amendments are not expected to have any impact on the Company's consolidated financial statements.

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 28, 2014 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 1992) 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 28, 2014 to provide reasonable assurance that the financial information being reported is materially accurate. During the third quarter ended September 28, 2014, 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.