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, 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, 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 first quarter of 2017 of $28.6 million or 44 cents in earnings per share (EPS) exceeded the $26.6 million or 41 cents per share recorded in the corresponding quarter of 2016, an increase of 7.5 percent. This represented the highest first quarter earnings achievement for the Company. Strong organic volume growth elevated EPS by 6.5 cents but the effects were dampened by a contraction in gross profit margins which lowered EPS by 5.5 cents. Reduced operating expenses and favorable foreign exchange supplemented EPS by 1.5 cents and 1.0 cent respectively. Higher income taxes had the opposite effect, decreasing EPS by 0.5 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 2017 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 2017 first quarter was essentially the last week of the 2016 calendar year which contained several statutory holidays. Consequently, it is estimated that this additional week contributed 6 percent to first quarter 2017 volumes and net income results.

Revenue

Revenue in the first quarter of 2017 was $228.4 million, $30.2 million or 15.2 percent greater than the first quarter of 2016. Even normalizing for the additional week of revenues in the first quarter of 2017, the revenue level represents the highest quarterly result ever recorded by the Company. Volume growth was substantial at 16.1 percent compared to the initial quarter of 2016. After taking into account the additional week in the current quarter, volume growth was approximately 10 percent. All product group volumes advanced except for specialty films. The leading contributor to the Company's growth in volume came from rigid containers, which advanced by nearly 20 percent in the quarter relative to the first quarter of 2016 as specialty beverage, condiment and tray packaging sales were robust. Modified atmosphere packaging volumes were strong, progressing in the high-single-digit percentage range. Gains at major US protein processors drove success for this product group. Biaxially oriented nylon followed up a successful 2016 with further advancement of 8 percent. Lidding volumes exhibited mid-single-digit percentage growth due to progress at select yogurt accounts. Packaging machinery and parts continued the strength exhibited in the final quarter of 2016, advancing more than 30 percent. Lighter demand for specialty films resulted in volumes receding in the mid-single-digit percentage range. Selling price/mix changes had an unfavorable effect on revenues for the quarter of 1.4 percent, while foreign exchange, due to a stronger Canadian dollar, increased revenues by 0.5 percent in comparison to the first quarter of 2016.

Gross profit margins

Gross profit margins fell to 32.1 percent of revenue in the first quarter of 2017, down from the 34.2 percent of revenue recorded in the same quarter of 2016. The rise in raw material costs in relation to those incurred a year earlier was the main factor leading to the margin erosion, resulting in a decrease in earnings per share of 5.5 cents. Selling price adjustments with respect to indexed accounts typically lag the change in raw material costs by three months. Manufacturing variances, in terms of material usage and labor costs, also lowered margins in the quarter. However, improvement is expected in the upcoming quarters as more experience is gained with new products and processes and operational efficiencies are increased.

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 26, 2016 to reflect the mix of the eight primary raw materials purchased in 2016.

Quarter and Year	1/17	4/16	3/16	2/16	1/16	4/15	3/15	2/15	1/15
Purchase Price Index	147.8	143.9	140.2	138.1	136.4	139.1	147.7	152.1	156.9

The purchase price index advanced by 2.7 percent compared to the fourth quarter of 2016. In the last 12 months, the change in the index was even more pronounced at 8.4 percent. Nylon, polystyrene and polypropylene resin prices increased by more than the index in the past quarter, while polyethylene prices retreated by nearly 5 percent over the same period.

Expenses and Other

Operating expenses in the quarter, adjusted for foreign exchange, progressed at a lower rate than the expansion in sales volumes in the first quarter of 2017 versus the corresponding period in 2016. This operating leverage augmented EPS by 1.5 cents. This outcome was achieved even with the increase in share-based incentive expenses as a result of the rise in the Company's stock price of nearly 15 percent in the quarter. In addition, foreign exchange had a favorable effect on EPS in the first quarter of approximately 1.0 cent compared to the equivalent period in 2016 primarily due to the maturation, at more favorable rates, of foreign exchange forward contracts. A greater effective income tax rate in the current quarter, due to a larger proportion of earnings being realized in higher income tax rate jurisdictions, decreased EPS by 0.5 cents.

Summary of Quarterly Results

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

	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Revenue	228,351	215,550	204,699	204,129	198,154	205,746	193,726	198,257
Net income attributable to equity holders of the Company	28,552	28,578	24,036	25,166	26,564	27,635	22,305	26,845
EPS	44	44	37	39	41	43	34	41

Capital Resources, Cash Flow and Liquidity

The Company's cash and cash equivalents balance ended the first quarter of 2017 at $231.7 million, an increase of $20.5 million from the end of the prior year. Winpak continued to generate strong and consistent cash flows from operating activities before changes in working capital of $51.4 million, outpacing the first quarter of 2016 by $4.0 million. Working capital provided an additional $2.0 million in cash. Trade and other receivables declined by $8.5 million in the quarter. In January 2017, the Company entered into an ongoing agreement to sell certain extended term accounts receivable without recourse to a financial institution in exchange for cash. The increase in trade payables and other liabilities generated an additional $7.1 million in cash and stemmed from the magnitude and timing of raw material purchases. Conversely, the incremental investment in inventory amounted to $11.7 million, a consequence of servicing the larger sales volumes and the rise in raw material costs. Cash was utilized for plant and equipment additions of $18.2 million, income tax payments of $11.9 million, dividends of $1.4 million, employee defined benefit plan contributions of $1.0 million, and other items totaling $0.4 million.

Looking Forward

Following a solid start in volume growth in the first quarter, the Company anticipates sustained sales volume momentum and earnings performance in 2017. Winpak continues to deliver on organic growth with opportunities progressing for new revenue streams for the Corporation. Further business from North America's major food processors is being realized. To enhance this position moving forward, Winpak will need to continue to gain new customer business as well as maintain sales with existing customers by renewing contracts, some of which are due to expire in the coming year. From a raw material perspective, the prices of several of the Company's widely used resins rose considerably towards the end of 2016 and in the first quarter of 2017 due to tightness in supply in the market and the rise of world oil prices. Price increases announced at the end of the first quarter, for certain resins, will likely lower gross profit margins in the second quarter by as much as a couple of percentage points as elevated resin costs make their way into cost of goods sold before they are reflected in higher indexed selling prices in the third quarter. The Company will remain focused on improving manufacturing performance, principally in those areas where new product offerings require more knowledge and familiarity to enhance production capabilities. The new state of the art coextrusion line at the Company's modified atmosphere packaging plant in Winnipeg was commercialized towards the end of 2016 and will continue to be fine tuned to improve its productivity. The building expansions at the Company's specialty films operation in Senoia, Georgia and rigid container facility in Sauk Village, Illinois are scheduled to be completed in the second quarter of 2017. Capital spending is expected to be lower than the record-high amount achieved in the prior year and is expected to be in the range of $55 to $65 million. Current year expenditures will consist primarily of the costs to complete the two building expansions and additional extrusion and converting capacity. The Company will remain committed to organic growth through capital investment and continue to pursue acquisition opportunities when the proper strategic fit and price are present and align with Winpak's core competencies of sophisticated packaging for food, beverage and healthcare applications 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, three new accounting standards have been issued, IFRS 9 "Financial Instruments", IFRS 15 "Revenue from Contracts with Customers" and IFRS 16 "Leases". IFRS 9 and IFRS 15 are effective for annual periods beginning on or after January 1, 2018 while IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company is currently assessing the impact of these new standards on its consolidated financial statements. IFRS 9 and IFRS 15 will be adopted in 2018 and the Company does not intend to early adopt IFRS 16.

In addition, IFRIC Interpretation 22 "Foreign Currency Transactions and Advance Consideration" was issued in December 2016. The Interpretation is effective for annual periods beginning on or after January 1, 2018. While the Company is currently assessing the impact of this change, management does not expect the Interpretation to have a significant impact on the Company's consolidated financial statements and will adopt the Interpretation in 2018.

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, 2017 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, 2017 to provide reasonable assurance that the financial information being reported is materially accurate. During the first quarter ended April 2, 2017, 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.