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 second quarter of 2017 of $25.7 million or 40 cents in earnings per share (EPS) compared to $25.2 million or 39 cents per share in the corresponding quarter of 2016, an increase of 2.3 percent. Continued organic volume growth contributed 3.0 cents in EPS. This, however, was more than offset by a reduction in gross profit margins, negatively impacting EPS by 5.0 cents. Lower income taxes and favorable foreign exchange augmented EPS by 2.5 cents and 1.0 cent respectively. The higher net finance expense had the opposite effect, decreasing EPS by 0.5 cents.

For the six months ended July 2, 2017, net income attributable to equity holders of the Company amounted to $54.3 million or 84 cents per share which surpassed the 2016 first half result of $51.7 million or 80 cents per share by 5.0 percent. Greater sales volumes in 2017 enhanced EPS by 9.5 cents and was supplemented by favorable foreign exchange, adding a further 2.5 cents. Reduced income taxes and controlled growth in operating expenses each contributed 1.5 cents to EPS. On the other hand, a compressed gross profit margin lowered EPS by 10.5 cents. The increase in net finance expense reduced 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 3 percent to 2017 first half volumes and net income results.

Revenue

Revenue in the second quarter of 2017 reached $217.8 million versus $204.1 million in the same quarter of 2016, an increase of 6.7 percent. Volume growth remained on a steady pace at 7.0 percent compared to the second quarter of 2016. Revenue performance varied across product groups. Similar to the experience of the first quarter, rigid container volumes had the greatest influence on the Company's growth, advancing by 11 percent. Sheet and tray sales were particularly brisk. Modified atmosphere packaging volumes continued to progress in the high single-digit range, most notably at major US meat processors. Lidding volumes grew in the mid-single-digit range with gains realized in both die-cut yogurt and condiment lids. Meanwhile, volumes in the specialty films and biaxially oriented nylon product groups were essentially unchanged from the prior year. Packaging machinery continued to progress at a healthy pace, eclipsing the prior year quarter by more than 10 percent. Changes in selling prices and product mix, along with foreign exchange, had a negligible effect on revenue.

For the first half of 2017, revenue rose by $43.8 million or 10.9 percent to $446.1 million from $402.3 million recorded in the first six months of 2016. Volume growth was substantial at 11.5 percent and even after accounting for the additional week in the first quarter of 2017, volume growth was approximately 8 percent. Demand was strongest in rigid containers where growth of 16 percent was experienced, led by specialty beverage, condiment and tray packaging sales. Modified atmosphere packaging volumes were also heightened, progressing in the high single-digit percentage range. Gains at major US protein processors drove success for this product group. Biaxially oriented nylon shipments expanded in the mid-single-digit range as did lidding sales with die-cut yogurt and condiment lids advancing. Weakened demand for specialty films resulted in volumes receding in the mid-single-digit percentage range. Packaging machinery growth exceeded 20 percent, although this product group represents less than 3 percent of total revenue. Lower overall selling prices and change in product mix resulted in a decrease in revenue of 0.6 percent compared to 2016. Foreign exchange had little impact on revenue in relation to the corresponding prior year period.

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Gross profit margins

Gross profit margins for the second quarter of 2017 fell 2.1 percentage points to 31.2 percent of revenue from the 33.3 percent recorded in the same quarter of 2016. Significantly higher raw material costs, compared to those incurred a year earlier, were responsible for the margin erosion and the resulting decrease in EPS of 5.0 cents. The selling price increases with respect to indexed customer accounts typically lag the change in raw material costs by approximately three months, leading to a contraction in margins during the interim period.

For the first six months of 2017, gross profit margins of 31.6 percent of revenue fell short of 2016 year-to-date levels of 33.7 percent by 2.1 percentage points. This translated into a decrease in earnings per share of 10.5 cents. The overriding factor was the narrowing in 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 26, 2016 to reflect the mix of the eight primary raw materials purchased in 2016.

Quarter and Year	2/17	1/17	4/16	3/16	2/16	1/16	4/15	3/15	2/15
Purchase Price Index	154.4	147.8	143.9	140.2	138.1	136.4	139.1	147.7	152.1

The purchase price index advanced by 4.5 percent compared to the first quarter of 2017. While most of the Company's major raw materials experienced increases ranging between mid-single-digit and low double-digit, polypropylene resin prices dropped by over 9 percent in the quarter. The index has increased by 11.8 percent over the past twelve months and is directly related to the rise in the price of oil in the latter half of 2016 and the tightness of resin supply in the market place during this time period.

Expenses and Other

Operating expenses in the second quarter of 2017, after eliminating the impact of foreign exchange, increased by 6.4 percent, virtually the same as the growth in sales volumes of 7.0 percent over the same period. Higher share-based incentive expenses were offset by lower research and technical expenses, reflecting the high level of activity that was undertaken during the second quarter of 2016 in support of new product initiatives. Foreign exchange had a favorable effect on EPS of approximately 1.0 cent. The weaker Canadian dollar in the second quarter of 2017 versus the comparative period in 2016 had a positive impact on earnings as expenses exceeded revenues in that currency. The Company entered into an agreement in January 2017 to sell certain extended term accounts receivable without recourse to a financial institution in exchange for cash. Consequently, net finance expense increased and lowered EPS by 0.5 cents. Due to a larger proportion of earnings being realized in lower income tax rate jurisdictions, a drop in the effective income tax rate was experienced, which increased EPS by 2.5 cents.

On a year-to-date basis, operating expenses, adjusted for foreign exchange, advanced at a rate of 8.9 percent while sales volumes expanded by 11.5 percent. Despite the significant rise in share-based incentive expenses, controlled spending in other expenses more than offset those costs, resulting in additional EPS of 1.5 cents. Furthermore, foreign exchange had a favorable effect on EPS of 2.5 cents in the first six months of 2017 in comparison to the equivalent time-frame in 2016 as the gains realized on the maturing foreign exchange forward contracts in 2017 contrasted with the losses recorded in the prior year. Net finance expense had an unfavorable impact of EPS of 0.5 cents, but was more than offset by the lower effective income tax rate, which increased EPS by 1.5 cents.

Summary of Quarterly Results

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

	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
Revenue	217,752	228,351	215,550	204,699	204,129	198,154	205,746	193,726
Net income attributable to equity holders of the Company	25,745	28,552	28,578	24,036	25,166	26,564	27,635	22,305
EPS	40	44	44	37	39	41	43	34

Capital Resources, Cash Flow and Liquidity

The Company's cash and cash equivalents balance ended the second quarter of 2017 at $250.5 million, an increase of $18.8 million from the end of the previous quarter. Winpak continued to generate strong cash flows from operating activities before changes in working capital of $47.6 million. Working capital was virtually unchanged, decreasing by just $0.7 million. Cash was used for income tax payments of $16.6 million, plant and equipment additions of $10.8 million, dividends of $1.5 million and other items amounting to $0.6 million.

For the first half of 2017, the cash and cash equivalents balance advanced by $39.3 million to $250.5 million as a result of the significant cash flow provided by operating activities before changes in working capital of $99.0 million. Working capital provided an additional $2.6 million in cash. Trade payables and other liabilities grew by $8.9 million due to the level and timing of inventory purchases and the increase in the liability pertaining to the share-based incentive plan. Additionally, trade and other receivables generated $8.8 million as the Company sold certain accounts receivable to a financial institution for cash. Conversely, inventory expanded by $13.4 million, reflecting the investment driven by the organic sales volume growth as well as the rise in raw material costs. Other uses of cash included plant and equipment additions of $29.0 million, income tax payments of $28.5 million, dividends of $2.9 million and other items totaling $1.9 million.

Looking Forward

Continuing on the momentum created in the first half of the year, the Company remains positive regarding sales volume growth and earnings advancement in the second half of 2017. In this regard, Winpak will have to continue to retain sales volumes with existing customers by executing contracts as they come up for renewal and realize new business with customers. From a raw material perspective, the prices of the Company's widely used resins have risen in the first six months of the year due mostly to tightness of supply in the North American market. Price increases announced in the first half of the year, for most resins, will likely keep gross profit margins at levels similar to those realized in the first six months of the year as elevated resin costs make their way into cost of goods sold before they are reflected in higher indexed selling prices in the upcoming quarters. The supply and demand in the North American market for resins is relatively balanced and it appears changes in raw material costs in aggregate should not vary significantly in the third quarter. To enhance gross profit margins, the Company will concentrate on improving manufacturing results where new product offerings and equipment require more knowledge and experience to elevate production competencies and productivity. The building expansions at the Company's specialty films operation in Senoia, Georgia and rigid container facility in Sauk Village, Illinois were completed in the second quarter of 2017. New extrusion capacity at the two aforementioned plants are expected to be in place by the end of 2017. In addition, converting capacity will be coming on stream at the Senoia, Georgia and Vaudreuil, Quebec operations. Capital spending for the first six months has reached $29 million and is expected to be between $60 to $70 million for the current year. The Company remains focused on organic growth through capital investment and will continue to pursue acquisition opportunities in Winpak's core competencies in sophisticated food and healthcare packaging executing a transaction when the proper price and fit are present to add long-term shareholder value.

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.

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.

IFRIC Interpretation 23 "Uncertainty over Income Tax Treatments" was issued in June 2017. The Interpretation is effective for annual periods beginning on or after January 1, 2019. 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 does not intend to early adopt the Interpretation.

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