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 third quarter of 2017 of $25.4 million or 39 cents in earnings per share (EPS) surpassed the comparable 2016 quarter by $1.3 million or 2 cents per share, an advancement of 5.5 percent. Organic volume growth and favorable foreign exchange both enhanced EPS by 1.0 cent. This was supplemented by the impact of higher gross profit margins of 0.5 cents per share. The increase in net finance expense lowered EPS by 0.5 cents.

For the nine months ended October 1, 2017, net income attributed to equity holders of the Company climbed to $79.7 million or $1.23 per share, exceeding the 2016 corresponding result of $75.8 million or $1.17 per share by 5.1 percent. Organic volume growth in 2017 was the main factor, advancing EPS by 10.5 cents, while foreign exchange added a further 3.0 cents. This was augmented by reduced income taxes and restrained growth in operating expenses of 2.0 cents and 1.5 cents respectively in EPS. Conversely, a significant drop in gross profit margin lowered EPS by 10.0 cents. The increase in net finance expense reduced EPS by 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 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 2 percent to 2017 year-to-date volumes and net income results.

Revenue

Revenue in the third quarter of 2017 of $218.3 million exceeded the prior year level of $204.7 million by 6.7 percent. Volumes, in total, were up marginally from the prior year comparable quarter, increasing by 2.8 percent. Organic growth varied across product groups. Modified atmosphere packaging volumes were modest, advancing in the mid-single-digit range in comparison to a very strong third quarter of 2016. After experiencing negative growth in the first half of 2017, specialty film volumes rebounded and out-distanced the prior year's third quarter by 4 percent. Lidding volumes increased in the low single-digit range with increases realized in both specialty beverage and condiment lids. Rigid container volumes also progressed in the low single-digit range as strong sheet and tray sales were largely offset by a decline in specialty beverage shipments. Biaxially oriented nylon volumes were similar to the prior year. Although packaging machinery recorded a volume decline of 6 percent, the order backlog is substantial heading into the fourth quarter. Selling price and mix changes had a favorable influence on third quarter revenue of 3.5 percent as indexed selling prices followed the increase in raw material costs that have taken place over the past twelve months. The appreciation of the Canadian dollar in comparison to its US counterpart had a minor 0.4 percent positive effect on revenue versus the comparable prior year quarter.

For the first three quarters of 2017, revenue ascended by $57.5 million or 9.5 percent to $664.5 million from $607.0 million recorded in the corresponding prior year period. Volumes grew by a sizeable 8.6 percent and even after accounting for the additional week in the first quarter of 2017, volume growth was approximately 7 percent. Rigid containers led the Company, exceeding prior year volumes by more than 10 percent due to increased sales of specialty beverage, tray and condiment packaging. Due to higher sales of sophisticated packaging for processed meat and cheese applications, modified atmosphere packaging achieved healthy volume growth in the high single-digit range. Following the gains made with die-cut yogurt and condiment lids, mid-single-digit lidding growth was realized. Capacity constraints within the biaxially oriented nylon product group limited volume growth to the mid-single-digit range. Demand for specialty films was lower, causing a slight decline in shipments. Packaging machinery and part sales were robust, growing by 12 percent from the first three quarters of 2016. In comparison to 2016, selling price and mix changes in 2017 favorably influenced revenues by 0.7 percent while foreign exchange had virtually no impact on reported revenue.

Gross profit margins

Gross profit margins contracted in the current quarter to 30.3 percent of revenue from the 31.3 percent of revenue recorded in the third quarter of 2016. However, selling price increases were slightly higher than the corresponding increase in raw material costs. Consequently, gross profit in dollar terms rose by 3.2 percent, keeping up with the increase in sales volume of 2.8 percent, resulting in a slight increase in EPS.

For the first three quarters of 2017, gross profit margins of 31.2 percent of revenue dropped by 1.7 percentage points from the 2016 year-to-date level of 32.9 percent. This caused a decrease in EPS of 10.0 cents. The sustained rise in raw material costs, along with competitive pricing conditions with certain 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 26, 2016 to reflect the mix of the eight primary raw materials purchased in 2016.

Quarter and Year	3/17	2/17	1/17	4/16	3/16	2/16	1/16	4/15	3/15
Purchase Price Index	153.1	154.4	147.8	143.9	140.2	138.1	136.4	139.1	147.7

The purchase price index declined slightly by 0.8 percent versus the previous quarter. The decrease would have been even greater were it not for the temporary disruption in resin supply caused by the hurricane in the gulf coast of the United States. Over the past twelve months, the index increased by 9.2 percent, reflecting the tightness of resin supply in the market place during this time period. During the third quarter, nylon resin experienced the most significant increase of 6 percent while polypropylene recorded a more modest increase of 2 percent. In contrast, resin price drops were realized on polystyrene and polyethylene of 6 percent and 3 percent respectively.

Expenses and Other

Operating expenses, exclusive of foreign exchange impact, increased at a similar overall rate relative to the corresponding increase in sales volumes, thereby having a negligible impact on EPS. The maturation of foreign exchange forward contracts at more favorable rates compared to the third quarter of 2016 more than offset the negative impact of the stronger Canadian dollar in the current quarter. Consequently, foreign exchange raised EPS by 1.0 cent. 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. Accordingly, net finance expense increased and lowered EPS by 0.5 cents.

On a year-to-date basis, operating expenses, adjusted for foreign exchange, increased by 7.0 percent in contrast to the 8.6 percent advancement in sales volumes. Although share-based incentive expenses were heightened, disciplined spending in other operating expense categories, in addition to lower pre-production expenses, more than offset those costs, leading to incremental EPS of 1.5 cents. Additionally, foreign exchange had a positive effect on EPS of 3.0 cents as the pre-tax gains realized on the maturing foreign exchange forward contracts in 2017 represented a $1.9 million turnaround from the prior year. The effective income tax rate dropped by more than 1 percentage point, adding 2.0 cents to EPS. Lastly, net finance expense reduced EPS by 1.0 cent.

Summary of Quarterly Results

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

	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
Revenue	218,348	217,752	228,351	215,550	204,699	204,129	198,154	205,746
Net income attributable to equity holders of the Company	25,368	25,745	28,552	28,578	24,036	25,166	26,564	27,635
EPS	39	40	44	44	37	39	41	43

Capital Resources, Cash Flow and Liquidity

The Company's cash and cash equivalents balance ended the third quarter of 2017 at $263.3 million, a modest increase of $12.8 million from the end of the previous quarter. Winpak continued to generate robust cash flows from operating activities before changes in working capital of $47.5 million. Working capital consumed $11.6 million in cash as trade payables and other liabilities declined by $12.7 million. Coinciding with the retirement of the previous President and CEO, the liability with respect to the share-based incentive plan was settled. Cash was utilized for plant and equipment additions of $11.6 million, income tax payments of $9.6 million, dividends of $1.5 million and other items totaling $0.4 million.

For the first nine months of 2017, the cash and cash equivalents balance rose by $52.1 million from the start of the year. Cash flows generated from operating activities before change in working capital were exceptional at $146.5 million. The net investment in working capital amounted to $9.0 million. In support of the organic sales volume growth and because of the significant rise in raw material costs, inventories grew by $10.0 million. On the other hand, trade and other receivables receded by $5.8 million as the Company sold certain accounts receivable to a financial institution for cash. Other uses of cash included plant and equipment additions of $40.6 million, income tax payments of $38.1 million, dividends of $4.4 million and other items amounting to $2.3 million.

Looking Forward

The Company remains positive for growth in sales volume and earnings for the remainder of 2017. Sales volumes are anticipated to grow at a pace similar to that of the third quarter. From a gross profit margin perspective, customer indexed selling price increases implemented during the third quarter and at the start of the fourth quarter, following the raw material cost increases over the past six months, will expand gross profit margins for the next quarter. Due to the temporary disruption in resin supply caused by the hurricane in the gulf coast of the United States, resin prices for polyethylene, polypropylene, polystyrene and certain specialty resins increased in the latter part of the third quarter and the initial stages of the fourth quarter. These higher resin prices will elevate cost of goods sold in the upcoming quarter and put downward pressure on gross profit margins. As a result of the foregoing factors, gross profit margins are expected to tighten further from the levels realized in the third quarter. In the short term, there is uncertainty in the industry as to when these resin price increases may possibly start to recede. In regards to continued sales volume growth, Winpak will need to secure new business as well as maintain and increase volumes with current customers when renewing contracts. Competitive pressure for lower selling prices in the Company's product markets has intensified and this environment will possibly result in a contraction in gross profit margins from present levels by as much as one to two percentage points in 2018. To counteract the likely reduction in gross profit margins, the Company will focus on improving manufacturing performance to elevate production competencies and efficiencies as well as optimizing operating expense leverage.

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 preceding quarter. New extrusion capacity at the Sauk Village, Illinois plant and converting capacity at the Senoia, Georgia and Vaudreuil, Quebec operations will commence in the fourth quarter. Extrusion capacity at the Senoia, Georgia location will come on stream in the first quarter of 2018. Capital spending for the first nine months reached $40.6 million and is expected to be approximately $60 million for 2017. Winpak remains focused on organic growth with capital investment in its infrastructure and new technologies to expand upon current product offerings and lower production costs. The Company will continue to assess acquisition opportunities when the proper strategic fit and price are present and complement Winpak's core competencies in sophisticated packaging for food and healthcare applications 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 October 1, 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 October 1, 2017 to provide reasonable assurance that the financial information being reported is materially accurate. During the third quarter ended October 1, 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.