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 fourth quarter of 2019 of $26.7 million or 41 cents in earnings per share (EPS) was equivalent to the result of the corresponding quarter of 2018. Foreign exchange enhanced EPS by 2.5 cents. Lower income taxes raised EPS by a further 0.5 cents. Conversely, the contraction in sales volumes and gross profit margins caused EPS to decline by 1.5 cents and 1.0 cent respectively. Higher operating expenses decreased EPS by 0.5 cents.

For the year ended December 29, 2019, net income attributable to equity holders of the Company of $114.8 million or $1.77 per share eclipsed the prior year net income of $108.9 million or $1.68 per share by 5.4 percent. Higher gross profit margins propelled EPS forward by 6.0 cents while foreign exchange and net finance income added 4.5 cents and 4.0 cents respectively. The minor reduction in income taxes augmented EPS by 1.0 cent. These positive factors were offset in part by higher operating expenses and lower sales volumes, which subtracted 3.0 cents and 2.5 cents respectively from EPS. Furthermore, a larger proportion of net income attributable to non-controlling interests lowered EPS by 1.0 cent.

On October 1, 2019, the Company signed a definitive agreement and closed the acquisition with respect to all the business (net assets including property and plant) of privately owned Cheringal Associates, Inc. and Norwood Printing, Inc. collectively ("Control Group") located in Norwood, New Jersey. Control Group provides specialized printed packaging formats to select markets. The purchase price of $42.7 million was paid from cash resources on hand. The acquired business now operates as Winpak Control Group Inc. (WCGI). Winpak's financial performance for the fourth quarter of 2019 and the year ended December 29, 2019 reflects the operating results of WCGI since October 1, 2019, including revenue of $5.2 million, and income from operations of $0.2 million.

Operating Segments and Product Groups

The Company provides three distinct types of packaging technologies: a) rigid packaging and flexible lidding, b) flexible packaging and c) packaging machinery. Each is deemed to be a separate operating segment.

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, industrial and healthcare. Specialized printed packaging provides packaging solutions to the pharmaceutical, healthcare, nutraceutical, cosmetic and personal care markets.

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.

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 fourth quarter of 2019 of $217.5 million was $4.7 million or 2.1 percent less than the final quarter of 2018. Volumes, in total, declined by 3.5 percent from the prior year comparable quarter after adjusting for the incremental volume from the Control Group acquisition, which added 2.3 percent to fourth quarter revenue. Within the rigid packaging and flexible lidding operating segment, volumes receded by 11 percent. This was a function of lost retort tray business in early 2019 and considerably lower specialty beverage container volumes reflecting the unfavorable impact from the conversion to the recyclable polypropylene cup. The lidding product group's positive performance was largely a function of strong specialty beverage lidding orders. The flexible packaging operating segment realized appreciable volume growth of 4 percent in the quarter. Healthy growth in modified atmosphere packaging volumes was partially offset by soft specialty films volumes. For the packaging machinery operating segment, solid volume growth of 8 percent was achieved in comparison to the fourth quarter of 2018. Selling price and mix changes lowered revenues for the quarter by 0.8 percent. The depreciation of the Canadian dollar in comparison to its US counterpart had a minor negative impact on revenue.

For 2019, revenue of $873.8 million represented a decrease of $15.8 million or 1.8 percent compared to 2018 revenue of $889.6 million. Volumes, in total, declined by 1.3 percent from the prior year after adjusting for the incremental volume from the Control Group acquisition, which added 0.5 percent to 2019 revenue. The rigid packaging and flexible lidding operating segment experienced a 7 percent contraction in volumes. Volumes for the rigid container product group were restrained, influenced by the contraction in specialty beverage and retort tray shipments. Conversely, the lidding product group benefitted from inroads made with respect to specialty beverage die-cut lidding. The flexible packaging operating segment advanced by 4 percent. Robust growth in biaxially oriented nylon volumes reflected the heightened activity at key accounts. Gains at protein and dairy producers, most notably in Mexico, generated modest volume growth in modified atmosphere packaging while specialty films experienced lighter activity in the year. Within the packaging machinery operating segment, volume growth was healthy at 9 percent. Compared to 2018, selling price and mix changes had a negative effect on revenue of 0.7 percent. Foreign exchange reduced reported revenues by another 0.3 percent.

Gross Profit Margins
Gross profit margins contracted slightly to 30.4 percent of revenue in the fourth quarter of 2019, down from the 30.6 percent recorded in the same quarter of 2018, lowering EPS by 1.0 cent. Diminished sale volumes has led to elevated production costs due to lower equipment utilization, causing a reduction in gross profit margins. On a positive note, raw material costs declined to a greater extent than the related selling price adjustments. This discrepancy stemmed from the systematic delay in passing along corresponding selling price modifications to customers on formal price indexing programs.

For the current year, gross profit margins climbed to 31.3 percent of revenue versus the 2018 level of 30.4 percent. This resulted in an overall increase in EPS of 6.0 cents. The sizeable decline in raw material costs for two of the Company's principal resins was a significant factor as the related selling price adjustments passed along to customers on contractual price indexing arrangements did not take effect until the second half of 2019. This resulted in an expansion in gross profit margins, raising EPS by 9.5 cents. With sales volumes receding marginally in the current year and fixed manufacturing costs rising, due to targeted capital expenditures in recent years, gross profit margins were negatively impacted which tempered EPS by 3.5 cents.

The weighted indexed cost of the Company's primary raw materials fell by 2.5 percent from the third quarter of 2019. During the fourth quarter, polypropylene resin costs decreased by 6 percent while polyethylene and polystyrene resins experienced more modest declines. In comparison to 2018, the index dropped by 12.2 percent due to the markedly lower costs for polyethylene and polypropylene resins.

Expenses and Other
Operating expenses, exclusive of foreign exchange and the acquisition of Control Group, in the fourth quarter of 2019 receded at a similar rate relative to the decline in sales volumes, thereby having a negligible impact on EPS. Higher pre-production expenses reflected product development initiatives. Foreign exchange raised EPS by 2.5 cents in the quarter due to the positive translation differences on the revaluation of Canadian dollar monetary assets and liabilities. In contrast, significant negative translation differences were recorded in the fourth quarter of 2018. A slight decrease in the effective income tax rate in the current quarter elevated EPS by 0.5 cents.

For the 2019 fiscal year, operating expenses, adjusted for foreign exchange and the acquisition of Control Group, grew at a rate of 0.9 percent in relation to the drop in sales volumes, generating a decline in EPS of 3.0 cents. During 2019, additional one-time personnel costs were incurred due to the closure and relocation of an administration office. Pre-production costs in 2019 were $0.9 million higher than 2018 and related primarily to new production lines being commercialized along with new product development. In total, foreign exchange had a positive impact on EPS of 4.5 cents. The continued strengthening of the Canadian dollar during the year resulted in positive translation differences with respect to Canadian dollar monetary assets and liabilities. In the prior year, significant negative translation differences were recorded. Furthermore, the depreciation in the average exchange rate of the Canadian dollar in relation to the US dollar had a favorable influence on EPS. Net finance income elevated EPS by 4.0 cents and was the outcome of advancements in both the level of cash and cash equivalents on hand and the rate of interest earned thereon. The effective income tax rate dropped by half a percentage point, adding 1.0 cent to EPS. This was offset by a higher proportion of earnings attributable to non-controlling interests.

Capital Resources, Cash Flow and Liquidity

The Company's cash and cash equivalents balance ended the current year at $397.2 million, a decrease of $18.0 million from the end of the third quarter. Winpak continued to generate strong and consistent cash flow from operating activities before changes in working capital of $49.7 million. Cash was consumed by net working capital additions of $1.7 million. In addition, cash was utilized for the Control Group business acquisition of $42.7 million, plant and equipment additions of $14.3 million, income tax payments of $8.2 million, dividends of $1.5 million and other items totaling $0.4 million while net finance income provided cash of $1.1 million.

For the year, the cash and cash equivalents balance advanced by $52.8 million, fueled by the exceptional cash flow generated from operating activities before changes in working capital of $199.4 million. Working capital additions utilized cash of $4.2 million. Trade and other receivables grew by $6.0 million due to the timing of cash receipts. The acquisition of Control Group consumed cash of $42.7 million. Additional uses of cash included: plant and equipment additions of $58.1 million, income tax payments of $37.8 million, dividends of $5.8 million and other items amounting to $3.1 million. The main plant and equipment expenditures included: the completion of the new flexible packaging facility in Querétaro, Mexico; a new extrusion line at the Senoia, Georgia plant; two new thermoforming lines at the Sauk Village, Illinois operation; and the building expansion in Winnipeg, Manitoba that will house the new state-of-the-art biaxially oriented polyamide (BOPA) line. Net finance income produced incremental cash of $5.1 million.

Summary of Quarterly Results

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

	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Revenue	217,456	212,734	219,618	224,035	222,138	220,647	225,191	221,665
Net income attributable to equity holders of the Company	26,679	28,578	31,086	28,429	26,683	27,835	28,042	26,361
EPS	41	44	48	44	41	43	43	41

The Company has initially applied IFRS 16 "Leases" at December 31, 2018 and IFRS 15 "Revenue From Contracts With Customers" and IFRS 9 "Financial Instruments" at January 1, 2018. Under the transition methods chosen by the Company, comparative information has not been restated.

Looking Forward

In 2019, the North American food packaging markets exhibited nominal growth. Winpak's sales volumes receded slightly due to weak/lost rigid container business which overshadowed the positive volume gains realized from the Company's other product groups. During 2019, considerably lower raw material resin costs for polyethylene and polypropylene provided the catalyst for elevated gross profit margins and earnings advancement. The decline in these resin costs resulted in lower customer selling prices as 69 percent of the Company's revenues are indexed to the price of raw materials albeit with a three to four-month time lag. In 2020, a key strategic focus for the Company will be to continue developing and expanding its portfolio of recyclable/reusable products to meet customers' expectations for sustainable plastic food packaging. Winpak expects revenues and earnings to advance from sales volume growth however, there is a degree of uncertainty on timing as customers control the onboarding of new business. Sales volumes are projected to expand in the flexible lidding and flexible packaging segments. The new Mexican flexible packaging facility is fully operational and will provide local customers with unique, high-quality print technology capabilities for the protein and cheese markets. The acquisition of Control Group will provide an uplift to revenues and earnings. In addition, this strategic investment provides Winpak with the ability to realize synergies and pursue new business opportunities with its clients. Rigid container sales volumes will expand from new business being secured with customers, including new product launches however, this growth will be more than offset by the reduced participation in supplying the specialty beverage business with the new recyclable polypropylene cup. Competitive selling price pressures are prevalent which will apply pressure on gross profit margins. As raw material resin costs declined marginally in the fourth quarter of 2019, downward pressure will be applied on selling prices in the first quarter of 2020. Polyethylene and polypropylene resin costs are forecast to rise in the first half of the year however, these resin costs should still be lower from a year-over-year perspective. Production costs may be elevated as new and retrofitted extrusion lines strive to achieve commercial status, the extent of which will depend on the technical challenges that may be encountered. Gross profit margins are not expected to deviate from levels attained in recent years by more than a few percentage points. The Company will continue to focus on elevating operational performance by reducing production waste, introducing lower cost raw material formulations and improving productivity. With the reduction in US interest rates in the second half of 2019 and the potential for further interest rate reductions in 2020, finance income will be negatively affected in the coming year.

Capital expenditures of $60 to $70 million are forecasted for 2020. To secure future organic growth prospects, cash resources will be put towards capital projects that significantly elevate the Company's material science acumen and technical capabilities with new production technologies and processes to drive the development of recyclable/reusable products that North American customers are now trying to effectively source. In this regard, two cast coextrusion lines are undergoing substantial modifications and upgrades, at the modified atmosphere packaging plant in Winnipeg, Manitoba, to broaden the Company's product portfolio with a new generation of recyclable/reusable high-barrier thermoformable transparent films. Both retrofit projects are scheduled to be completed by the end of 2020. Other major capital expenditures being completed in the upcoming year include: a new extrusion line will be operational by the end of the first quarter at the Senoia, Georgia specialty films facility; additional capacity from a polypropylene thermoforming line is planned to be commercial in the second quarter at the Sauk Village, Illinois rigid container plant; the packaging machinery operations will be relocating in the fourth quarter from San Bernardino to Rialto, California, occupying a new, significantly larger leased facility to accommodate future growth requirements; and the state-of-the-art biaxially oriented polyamide (BOPA) line and building expansion in Winnipeg, Manitoba continues to move forward with the new line projected to be commercial in the first quarter of 2021. Winpak's strong financial resources enable management to assess strategic business acquisition opportunities that meet and align with its principal competencies in sophisticated plastic packaging for food, beverage and healthcare applications providing enhanced long-term shareholder returns.

Accounting Changes - Accounting Standards Implemented in 2019

a) Uncertainty over Income Tax Treatments

In June 2017, IFRIC Interpretation 23 "Uncertainty over Income Tax Treatments" was issued and aims to reduce diversity in how companies recognize and measure a tax liability or tax asset when there is uncertainty over income tax treatments. The Interpretation was implemented with retrospective application, effective December 31, 2018, and had no impact on the Company's unaudited interim condensed consolidated financial statements.

b) Employee Benefit Plan Amendment, Curtailment or Settlement

In February 2018, amendments to IAS 19 "Employee Benefits" were issued to specify how an entity determines pension expenses when changes to a defined benefit plan occur. When a change to a plan takes place, including an amendment, curtailment or settlement, IAS 19 requires an entity to remeasure its employee benefit plan liability or asset. The amendments require an entity to use the updated assumptions from this remeasurement to determine current service cost and the net finance cost for the remainder of the reporting period after the change to the plan occurs. The amendments were implemented with prospective application, effective December 31, 2018, and had no impact on the Company's unaudited interim condensed consolidated financial statements.

c) Leases

The Company has adopted IFRS 16 "Leases" with a date of initial application of December 31, 2018. The new standard introduces a balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases. As a result, most leases are recognized on the balance sheet. Certain exemptions apply for short-term leases and leases for low-value assets. Lessors continue to classify leases as operating and finance leases. IFRS 16 replaces IAS 17 "Leases" and the related interpretations.

As a result of the adoption of IFRS 16, the Company's accounting policies have been updated. See notes 3 and 10 to the unaudited interim condensed consolidated financial statements for the accounting policy changes, the consequential financial impact as well as the new disclosure requirements.

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17. On initial application, the Company has elected to record right-of-use assets based on the corresponding lease liability. Right-of-use assets and lease liabilities of $568 were recorded as of December 31, 2018, with no net impact on retained earnings. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at December 31, 2018. The weighted-average rate applied was 4.5%. For leases with a lease term ending within 12 months of the date of initial application, the Company has elected to apply the practical expedient to account for them as short-term leases.

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 December 29, 2019 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 December 29, 2019 to provide reasonable assurance that the financial information being reported is materially accurate. During the fourth quarter ended December 29, 2019, 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.