

NEWS RELEASE

Winpak Reports 2024 First Quarter Results

Winnipeg, Manitoba, April 22, 2024 - Winpak Ltd. (WPK) today reports consolidated results in US dollars for the first quarter of 2024, which ended on March 31, 2024.

	Quarter Ended (1)	
	March 31 2024	April 2 2023
<i>(thousands of US dollars, except per share amounts)</i>		
Revenue	276,783	304,516
Net income	35,775	38,736
Income tax expense	13,647	13,448
Net finance income	(6,174)	(3,634)
Depreciation and amortization	12,653	12,096
EBITDA (2)	55,901	60,646
Net income attributable to equity holders of the Company	35,522	39,287
Net income (loss) attributable to non-controlling interests	253	(551)
Net income	35,775	38,736
Basic and diluted earnings per share (cents)	55	60

Winpak Ltd. manufactures and distributes high-quality packaging materials and related packaging machines. The Company's products are used primarily for the packaging of perishable foods, beverages and in healthcare applications.

For further information: S.M. Taylor, Vice President and CFO, (204) 831-2254; O.Y. Muggli, President and CEO, (204) 831-2214

¹ The 2024 fiscal year comprises 52 weeks and the 2023 fiscal year comprised 53 weeks. Each quarter of 2024 and 2023 comprises 13 weeks with the exception of the first quarter of 2023, which comprised 14 weeks.

² EBITDA is not a recognized measure under IFRS Accounting Standards (IFRS). Management believes that in addition to net income, this measure provides useful supplemental information to investors including an indication of cash available for distribution prior to debt service, capital expenditures, payment of lease liabilities and income taxes. Investors should be cautioned, however, that this measure should not be construed as an alternative to net income, determined in accordance with IFRS, as an indicator of the Company's performance. The Company's method of calculating this measure may differ from other companies and, accordingly, the results may not be comparable.

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 first quarter of 2024 of \$35.5 million or 55 cents in earnings per share (EPS) declined by 9.6 percent from the \$39.3 million or 60 cents per share recorded in the corresponding quarter of 2023. Lower sales volumes subtracted 3.5 cents from EPS. Operating expenses reduced EPS by a further 5.0 cents. Foreign exchange, income taxes and the level of net income attributable to non-controlling interests narrowed EPS by 1.5 cents, 1.0 cent and 1.0 cent, respectively. Conversely, the sizeable expansion in gross profit raised EPS by 4.0 cents. Net finance income augmented EPS by 3.0 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 2023 fiscal year consisted of 53 weeks, with the first quarter comprising 14 weeks, one more week than the current year. The additional week included in the 2023 first quarter was essentially the last week of the 2022 calendar year which contained several statutory holidays. Consequently, it is estimated that this additional week contributed 6.0 percent to 2023 first quarter sales volumes and net income results.

Operating Segments and Product Groups

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

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.

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

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 first quarter of 2024 was \$276.8 million, \$27.7 million or 9.1 percent below the first quarter of 2023. Volume contraction of 5.9 percent was experienced compared to the initial quarter of 2023. After taking into account the additional week in the first quarter of 2023, volumes were essentially equal. Consumer demand improved slightly from the final quarter of 2023, but remained subdued. Within the flexible packaging operating segment, volume growth of 2 percent was realized. For the modified atmosphere packaging product group, limited volume growth reflected the challenges with respect to overall demand at meat protein accounts. Biaxially oriented nylon product group volumes advanced by more than 30 percent as the order level in the first quarter of 2023 was severely constrained while several core customers managed excessive inventory levels. Specialty film volumes were essentially unchanged. The rigid packaging and flexible lidding operating segment posted volume losses of 1 percent. For the lidding product group, volumes retreated by 2 percent. The drop in specialty beverage lidding volumes was partially offset by advances in retort pet food lidding. Rigid container volumes also fell slightly as gains with specialty beverage containers were eclipsed by lower retort pet food and snack food container activity. Building on the success achieved with pharmaceutical accounts in 2023, the specialized printed packaging product group's volumes surged by 16 percent. Taking into account the higher cost of capital, several packaging machinery customers delayed order placement and volumes declined by 24 percent as a result. Selling price and mix changes had a modest negative effect on revenue of 3.3 percent. Foreign exchange had a minor positive influence on revenue.

Gross Profit Margins

Gross profit margins in the first quarter of 2024 climbed by 2.3 percentage points to 31.1 percent of revenue from the 28.8 percent recorded in the same quarter of 2023. Despite the negative impact on selling prices of heightened competitive pressures and the pass-through of indexing adjustments, material costs declined to a greater extent, generating an increase in EPS of 8.5 cents. The effect of inflation on personnel costs, combined with higher depreciation and inventory obsolescence expenses, lowered EPS by 4.5 cents.

In the first quarter of the year, the raw material purchase price index advanced by 9 percent compared to the fourth quarter of 2023. In the past 12 months, the index declined by 4 percent. During the first quarter, nylon resin had the most sizeable increase of 25 percent while aluminum foil experienced an increase of 11 percent.

Expenses and Other

Operating expenses in the current quarter, adjusted for foreign exchange, progressed at a rate of 5.9 percent whereas sales volumes decreased by 5.9 percent, resulting in a reduction in EPS of 5.0 cents. The main contributing factors were personnel expenses and costs associated with implementing an upgraded enterprise resource planning system, which commenced in late 2023. Foreign exchange subtracted 1.5 cents from EPS as significant favorable translation differences were recorded on the revaluation of monetary assets and liabilities denominated in Canadian dollars in the prior year. Permanent differences elevated the effective income tax rate by 1.8 percentage points, lowering EPS by 1.0 cent. A higher proportion of earnings attributable to non-controlling interests dampened EPS by 1.0 cent. Net finance income added 3.0 cents to EPS as the magnitude of cash invested in short-term deposits and money market accounts was much higher than a year earlier.

Capital Resources, Cash Flow and Liquidity

On February 29, 2024, the Toronto Stock Exchange (the "TSX") accepted a notice filed by Winpak of its intention to make a normal course issuer bid (the "NCIB") with respect to its outstanding common shares. The notice provides that Winpak may, during the 12-month period commencing March 4, 2024 and ending no later than March 3, 2025, purchase through the facilities of the TSX and other alternative Canadian trading systems up to a maximum of 1,950,000 common shares in total, being 3.0 percent of the issued and outstanding shares of Winpak as of February 21, 2024. The price which Winpak will pay for any common shares will be the market price at the time of acquisition. Daily purchases under the NCIB will be generally limited to 11,644 common shares, other than block purchases. All shares purchased will be canceled. In connection with the NCIB, Winpak has entered into an automatic share purchase plan ("ASPP") with CIBC World Markets Inc. to facilitate the purchase of common shares under the NCIB, including at times when Winpak would ordinarily not be permitted to purchase its common shares due to regulatory restrictions or self-imposed blackout periods. A copy of the notice filed with the TSX may be obtained upon request from the Secretary of the Company at 100 Saulteaux Crescent, Winnipeg, Manitoba, R3J 3T3, telephone (204) 889-1015, fax (204) 888-7806, or by email info@winpak.com.

The Company's cash and cash equivalents balance ended the first quarter of 2024 at \$554.4 million, an increase of \$12.5 million from the end of the prior year. Winpak continued to generate strong cash flow from operating activities before changes in working capital of \$56.2 million. Working capital generated \$17.7 million in cash. Trade and other receivables fell by \$5.4 million as the balance pertaining to extended term trade receivables that will be sold without recourse to financial institutions in exchange for cash decreased. Stemming from the timing of equipment purchases, trade payables and other liabilities advanced by \$12.2 million. Cash was utilized for property, plant and equipment expenditures of \$47.3 million, income tax payments of \$10.8 million, common share repurchases of \$6.3 million, dividend payments of \$1.5 million and other items totaling \$1.6 million. Property, plant and equipment expenditures included the land and building acquisition made by the specialized printed packaging product group. Net finance income provided incremental cash of \$6.1 million.



Summary of Quarterly Results

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

	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022
Revenue	276,783	275,637	273,790	287,464	304,516	292,365	302,532	310,254
Net income attributable to equity holders of the Company	35,522	34,846	33,991	40,006	39,287	31,235	29,567	33,671
EPS	55	54	52	62	60	48	45	52

Looking Forward

The first quarter provided solid earnings performance while sales volumes stabilized after declining in each of the three previous quarters. For the full year, Winpak is poised to set a new all-time high for net income attributable to equity holders.

The improved outlook for the North American economy, paired with a modest rebound in consumer demand, should have a positive impact on sales volumes for the remainder of 2024. Making inroads with new customers and new products is a key focus. The outlook for these catalysts of growth is positive, especially with new production equipment being commercialized within the modified atmosphere packaging and rigid container facilities later this year. Winpak expects sales volume growth for the remainder of 2024 to be in the range of 3 to 5 percent.

In aggregate, raw material costs rose by 7 percent over the past six months. The pass-through of these increases to customers with formal price indexing arrangements will be implemented, on average, after a time lag of four months. For the balance of 2024, market expectations are that overall resin prices will be relatively stable with some materials projected to increase moderately. The current rate of inflation remains well above recent norms and key components of the Company's cost structure continue to be impacted, especially personnel expenses. This is compounded by challenges in attracting and retaining personnel which puts further pressure on compensation levels. Within certain product markets, customer expectations for lower selling prices has intensified. Based on the preceding factors, gross profit margins for the rest of 2024 should be one to two percentage points lower than the level achieved in the first quarter of the year.

Capital expenditures for 2024 are forecast to be between \$110 and \$120 million. The extensive expansion of the Winnipeg, Manitoba modified atmosphere packaging facility is well underway and will make up approximately half of the current year's spending. At another manufacturing site, the Company is optimistic that by the second half of 2024 it will be in a position to undertake a sizeable building expansion and acquire additional extrusion capacity. Concurrently, Winpak will assess prospective acquisition opportunities that align strategically with the Company's core strengths in sophisticated high-barrier packaging for food, medical and pharmaceutical applications that provide long-term shareholder value. Based on the current share price, the Company's NCIB program will be fulfilled by the end of 2024. Winpak will continue to evaluate the mechanisms and extent to which capital can be returned to shareholders.

Accounting Changes - Accounting Standards Implemented in 2024

(a) Lease Liability in a Sale and Leaseback:

In September 2022, the IASB issued "Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)", that requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The amendments were implemented with retrospective application, effective January 1, 2024. The amendments had no impact on the Company's unaudited interim condensed consolidated financial statements.

Accounting Changes - Future Changes to Accounting Standards

(a) Presentation and Disclosure of Financial Statements:

In April 2024, the IASB issued IFRS 18 "Presentation and Disclosure in Financial Statements" to improve reporting of financial performance. IFRS 18 replaces IAS 1 "Presentation of Financial Statements". It carries forward many requirements from IAS 1 unchanged. IFRS 18 applies for annual reporting periods beginning on or after January 1, 2027 with early adoption permitted. The Company is currently assessing the impact of this new standard and does not intend to early adopt IFRS 18 in its 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 March 31, 2024 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") 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 March 31, 2024 to provide reasonable assurance that the financial information being reported is materially accurate. During the first quarter ended March 31, 2024, 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.





Winpak Ltd.
Interim Condensed Consolidated Financial Statements
First Quarter Ended: March 31, 2024

These interim condensed consolidated financial statements have not been audited or reviewed by the Company's independent external auditors, KPMG LLP.



Winpak Ltd.

Condensed Consolidated Balance Sheets

(thousands of US dollars) (unaudited)

	Note	March 31 2024	December 31 2023
Assets			
Current assets:			
Cash and cash equivalents		554,366	541,870
Trade and other receivables	14	201,977	207,355
Income taxes receivable		2,297	4,565
Inventories	8	217,132	219,763
Prepaid expenses		10,537	8,942
Derivative financial instruments		48	1,542
		<u>986,357</u>	<u>984,037</u>
Non-current assets:			
Property, plant and equipment	9	578,173	543,387
Intangible assets and goodwill		31,466	31,833
Employee benefit plan assets		11,591	12,209
		<u>621,230</u>	<u>587,429</u>
Total assets		<u>1,607,587</u>	<u>1,571,466</u>
Equity and Liabilities			
Current liabilities:			
Trade payables and other liabilities		116,254	89,359
Contract liabilities		559	1,478
Income taxes payable		4,467	3,109
Derivative financial instruments		410	-
		<u>121,690</u>	<u>93,946</u>
Non-current liabilities:			
Employee benefit plan liabilities		5,500	6,362
Deferred income		17,772	18,062
Provisions and other long-term liabilities		12,309	12,685
Deferred tax liabilities		55,029	56,762
		<u>90,610</u>	<u>93,871</u>
Total liabilities		<u>212,300</u>	<u>187,817</u>
Equity:			
Share capital	11	28,880	29,195
Reserves		(263)	1,361
Retained earnings		1,332,815	1,319,491
Total equity attributable to equity holders of the Company		<u>1,361,432</u>	<u>1,350,047</u>
Non-controlling interests		<u>33,855</u>	<u>33,602</u>
Total equity		<u>1,395,287</u>	<u>1,383,649</u>
Total equity and liabilities		<u>1,607,587</u>	<u>1,571,466</u>

See accompanying notes to condensed consolidated financial statements.

Winpak Ltd.**Condensed Consolidated Statements of Income***(thousands of US dollars, except per share amounts) (unaudited)*

	Note	Quarter Ended (Note 2)	
		March 31 2024	April 2 2023
Revenue	6	276,783	304,516
Cost of sales		(190,591)	(216,666)
Gross profit		86,192	87,850
Sales, marketing and distribution expenses		(24,649)	(25,394)
General and administrative expenses		(12,720)	(10,516)
Research and technical expenses		(5,296)	(4,278)
Other (expenses) income	7	(279)	888
Income from operations		43,248	48,550
Finance income		7,534	4,992
Finance expense		(1,360)	(1,358)
Income before income taxes		49,422	52,184
Income tax expense		(13,647)	(13,448)
Net income for the period		35,775	38,736
Attributable to:			
Equity holders of the Company		35,522	39,287
Non-controlling interests		253	(551)
		35,775	38,736
Basic and diluted earnings per share - cents	12	55	60

Condensed Consolidated Statements of Comprehensive Income*(thousands of US dollars) (unaudited)*

	Note	Quarter Ended (Note 2)	
		March 31 2024	April 2 2023
Net income for the period		35,775	38,736
<u>Items that will not be reclassified to the statements of income:</u>			
Cash flow hedge (losses) gains recognized		(806)	288
Cash flow hedge gains transferred to property, plant and equipment		(51)	-
		(857)	288
<u>Items that are or may be reclassified subsequently to the statements of income:</u>			
Cash flow hedge (losses) gains recognized		(1,055)	410
Cash flow hedge losses transferred to the statements of income	7	8	286
Income tax effect		280	(187)
		(767)	509
Other comprehensive (loss) income for the period - net of income tax		(1,624)	797
Comprehensive income for the period		34,151	39,533
Attributable to:			
Equity holders of the Company		33,898	40,084
Non-controlling interests		253	(551)
		34,151	39,533

See accompanying notes to condensed consolidated financial statements.



Winpak Ltd.

Condensed Consolidated Statements of Changes in Equity

(thousands of US dollars) (unaudited)

	Attributable to equity holders of the Company						
	Note	Share capital	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at December 26, 2022		29,195	(972)	1,174,551	1,202,774	36,001	1,238,775
Comprehensive income for the period							
Cash flow hedge gains, net of tax		-	588	-	588	-	588
Cash flow hedge losses transferred to the statements of income, net of tax		-	209	-	209	-	209
Other comprehensive income		-	797	-	797	-	797
Net income (loss) for the period		-	-	39,287	39,287	(551)	38,736
Comprehensive income (loss) for the period		-	797	39,287	40,084	(551)	39,533
Dividends	11	-	-	(1,443)	(1,443)	-	(1,443)
Balance at April 2, 2023		29,195	(175)	1,212,395	1,241,415	35,450	1,276,865
Balance at January 1, 2024		29,195	1,361	1,319,491	1,350,047	33,602	1,383,649
Comprehensive (loss) income for the period							
Cash flow hedge losses, net of tax		-	(1,579)	-	(1,579)	-	(1,579)
Cash flow hedge losses transferred to the statements of income, net of tax		-	6	-	6	-	6
Cash flow hedge gains transferred to property, plant and equipment		-	(51)	-	(51)	-	(51)
Other comprehensive loss		-	(1,624)	-	(1,624)	-	(1,624)
Net income for the period		-	-	35,522	35,522	253	35,775
Comprehensive (loss) income for the period		-	(1,624)	35,522	33,898	253	34,151
Dividends	11	-	-	(1,436)	(1,436)	-	(1,436)
Repurchase of common shares	11	(315)	-	(20,762)	(21,077)	-	(21,077)
Balance at March 31, 2024		28,880	(263)	1,332,815	1,361,432	33,855	1,395,287

See accompanying notes to condensed consolidated financial statements.

Winpak Ltd.
Condensed Consolidated Statements of Cash Flows
(thousands of US dollars) (unaudited)

	Quarter Ended (Note 2)	
	March 31	April 2
	2024	2023
	Note	
Cash provided by (used in):		
Operating activities:		
Net income for the period	35,775	38,736
Items not involving cash:		
Depreciation	12,680	12,087
Amortization - deferred income	(418)	(418)
Amortization - intangible assets	391	427
Employee defined benefit plan expenses	659	751
Net finance income	(6,174)	(3,634)
Income tax expense	13,647	13,448
Other	(365)	(1,400)
Cash flow from operating activities before the following	56,195	59,997
Change in working capital:		
Trade and other receivables	5,378	3,602
Inventories	2,631	6,571
Prepaid expenses	(1,595)	(2,447)
Trade payables and other liabilities	12,175	(10,589)
Contract liabilities	(919)	(1,332)
Employee defined benefit plan contributions	(1,155)	(757)
Income tax paid	(10,795)	(25,517)
Interest received	7,392	4,941
Interest paid	(1,266)	(1,369)
Net cash from operating activities	68,041	33,100
Investing activities:		
Acquisition of property, plant and equipment - net	(47,343)	(9,443)
Acquisition of intangible assets	(23)	(207)
	(47,366)	(9,650)
Financing activities:		
Payment of lease liabilities	(397)	(219)
Dividends paid	11 (1,471)	(1,434)
Repurchase of common shares	11 (6,311)	-
	(8,179)	(1,653)
Change in cash and cash equivalents	12,496	21,797
Cash and cash equivalents, beginning of period	541,870	398,673
Cash and cash equivalents, end of period	554,366	420,470

See accompanying notes to condensed consolidated financial statements.

1. General

Winpak Ltd. (the "Company" or "Winpak") is incorporated under the Canada Business Corporations Act. The Company manufactures and distributes high-quality packaging materials and related packaging machines. The Company's products are used primarily for the packaging of perishable foods, beverages and in healthcare applications. The address of the Company's registered office is 100 Saulteaux Crescent, Winnipeg, Manitoba, Canada R3J 3T3.

2. Basis of Presentation

Statement of compliance

The unaudited interim condensed consolidated financial statements were prepared in accordance with IFRS Accounting Standards (IFRS). The unaudited interim condensed consolidated financial statements are in compliance with IAS 34. Accordingly, certain information and note disclosures normally included in annual consolidated financial statements prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB) have been omitted or condensed. These unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2023, which are included in the Company's 2023 Annual Report.

The fiscal year of the Company ends on the last Sunday of the calendar year. As a result, the Company's fiscal year is usually 52 weeks in duration, but includes a 53rd week every five to six years. The 2024 fiscal year comprises 52 weeks and the 2023 fiscal year comprised 53 weeks. Each quarter of 2024 and 2023 comprises 13 weeks with the exception of the first quarter of 2023, which comprised 14 weeks.

The unaudited interim condensed consolidated financial statements were approved by the Audit Committee on behalf of the Board of Directors on April 22, 2024.

3. Accounting Standards Implemented in 2024

The following accounting standards came into effect commencing in the Company's 2024 fiscal year:

(a) Lease Liability in a Sale and Leaseback:

In September 2022, the IASB issued "Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)", that requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The amendments were implemented with retrospective application, effective January 1, 2024. The amendments had no impact on the Company's unaudited interim condensed consolidated financial statements.

4. Future Accounting Standards

(a) Presentation and Disclosure of Financial Statements:

In April 2024, the IASB issued IFRS 18 "Presentation and Disclosure in Financial Statements" to improve reporting of financial performance. IFRS 18 replaces IAS 1 "Presentation of Financial Statements". It carries forward many requirements from IAS 1 unchanged. IFRS 18 applies for annual reporting periods beginning on or after January 1, 2027 with early adoption permitted. The Company is currently assessing the impact of this new standard and does not intend to early adopt IFRS 18 in its consolidated financial statements.

5. Segment Reporting

Operating segments and product groups

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

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.

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

Notes to Condensed Consolidated Financial Statements
For the periods ended March 31, 2024 and April 2, 2023
(thousands of US dollars, unless otherwise indicated) (Unaudited)

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.

Due to similar economic characteristics, including long-term sales volume growth and long-term average gross profit margins, and having similar products, production processes, types of customers and distribution methods, the flexible packaging and rigid packaging and flexible lidding operating segments have been aggregated as one reportable segment. In addition, the packaging machinery operating segment has been aggregated with these two segments as the segment's revenue and assets represents less than 3 percent of total Company revenue and assets.

The Company operates principally in Canada and the United States. See note 6 for a breakdown of revenue by operating and geographic segment. The following summary presents property, plant and equipment, intangible assets and goodwill information by geographic segment:

	March 31 2024	December 31 2023
United States	276,416	256,065
Canada	315,536	301,261
Mexico	17,687	17,894
	<u>609,639</u>	<u>575,220</u>

6. Revenue

Most of the Company's contracts have a single performance obligation as the promise to transfer the individual goods. Revenue for each of the three operating segments is recognized at a point in time when the customer obtains control of a product, which typically takes place when legal title and physical possession of the product is transferred to the customer. These conditions are usually fulfilled upon shipment, however, in some instances, upon delivery. Invoices are generated when control has transferred and are usually payable within 30 to 60 days.

Disaggregation of Revenue

	Quarter Ended	
	March 31 2024	April 2 2023
Operating segment		
Flexible packaging	147,297	164,000
Rigid packaging and flexible lidding	122,200	130,049
Packaging machinery	7,286	10,467
	<u>276,783</u>	<u>304,516</u>
Geographic segment		
United States	219,914	244,796
Canada	37,521	38,960
Mexico and other	19,348	20,760
	<u>276,783</u>	<u>304,516</u>

The Company's products are primarily used for the packaging of perishable foods and beverages, which accounted for more than 90 percent of sales during both the first quarter of 2024 and 2023. Other markets include medical, pharmaceutical, nutraceutical, personal care, industrial and other consumer goods.

7. Other (Expenses) Income

	Quarter Ended	
	March 31 2024	April 2 2023
Amounts shown on a net basis		
Foreign exchange (losses) gains	(271)	1,174
Cash flow hedge losses transferred from other comprehensive income	(8)	(286)
	<u>(279)</u>	<u>888</u>

8. Inventories

	March 31 2024	December 31 2023
Raw materials	73,872	84,710
Work-in-process	44,353	39,891
Finished goods	80,484	76,825
Spare parts	18,423	18,337
	217,132	219,763

During the first quarter of 2024, the Company recorded, within cost of sales, inventory write-downs for slow-moving and obsolete inventory of \$2,919 (2023 - \$2,828) and reversals of previously written-down items of \$2,249 (2023 - \$2,306).

9. Property, Plant and Equipment

At March 31, 2024, the Company has commitments to purchase property, plant and equipment of \$84,701 (December 31, 2023 - \$123,083). No impairment losses or impairment reversals were recognized in the first quarter of 2024 or 2023.

10. Leases

Extension Options

Some leases of office and manufacturing facilities contain extension options exercisable by the Company up to one year before the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Company and not by the lessors. The Company assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control. At March 31, 2024, potential future lease payments not included in lease liabilities totalled \$4,852 on a discounted basis.

11. Share Capital

The following table presents changes in the Company's share capital:

	Number of Common Shares	Amount
Opening balance, January 1, 2024	65,000,000	29,195
Repurchase of common shares	(208,504)	(315)
Closing balance, March 31, 2024	64,791,496	28,880

Repurchase of common shares during the first quarter of 2024 does not include the shares that may be repurchased subsequent to the end of the quarter under the automatic share purchase plan ("ASPP"), which is described below. However, the ending share capital balance reflects a reduction of \$221 related to the ASPP.

Dividends

During the first quarter of 2024, dividends in Canadian dollars of 3 cents per common share were declared (2023 - 3 cents).

Share Redemptions

On February 29, 2024, the Toronto Stock Exchange (the "TSX") accepted a notice filed by Winpak of its intention to make a normal course issuer bid (the "NCIB") with respect to its outstanding common shares. The notice provides that Winpak may, during the 12-month period commencing March 4, 2024 and ending no later than March 3, 2025, purchase through the facilities of the TSX and other alternative Canadian trading systems up to a maximum of 1,950,000 common shares in total, being 3.0 percent of the issued and outstanding shares of Winpak as of February 21, 2024. The price which Winpak will pay for any common shares will be the market price at the time of acquisition. Daily purchases under the NCIB will be generally limited to 11,644 common shares, other than block purchases. All shares purchased will be canceled. In connection with the NCIB, Winpak has entered into an ASPP with CIBC World Markets Inc. to facilitate the purchase of common shares under the NCIB, including at times when Winpak would ordinarily not be permitted to purchase its common shares due to regulatory restrictions or self-imposed blackout periods.

During the first quarter of 2024, 208,504 common shares were repurchased under the NCIB program for cancellation at a weighted average price of CDN \$40.87 for aggregate consideration of CDN \$8,521 (US \$6,311) of which \$94 was recorded to share capital and the remaining \$6,217 was recorded to retained earnings.

Notes to Condensed Consolidated Financial Statements
For the periods ended March 31, 2024 and April 2, 2023
(thousands of US dollars, unless otherwise indicated) (Unaudited)

At March 31, 2024, the Company recorded an obligation to repurchase common shares of \$14,766 under the ASPP in trade payables and other liabilities of which \$221 was recorded to share capital and the remaining \$14,545 was recorded to retained earnings. Subsequent to the quarter ended March 31, 2024, the Company repurchased an additional 261,908 common shares for cancellation as at the close of trading on April 19, 2024. The transactions were completed at a weighted average price of CDN \$39.81 for aggregate consideration of CDN \$10,426 (US \$7,698).

12. Earnings Per Share

	March 31 2024	April 2 2023
Net income attributable to equity holders of the Company	35,522	39,287
Weighted average shares outstanding (000's)	64,963	65,000
Basic and diluted earnings per share - cents	55	60

13. Financial Instruments

The Company measures assets and liabilities under the following fair value hierarchy in accordance with IFRS. The inputs used for fair value measurements, including their classification within the required three levels of the fair value hierarchy that prioritizes the inputs used for fair value measurement, are as follows:

- Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 - inputs that are not based on observable market data.

The fair value of cash and cash equivalents, trade and other receivables, including trade and other receivables subject to factoring arrangements and classified as measured at fair value through other comprehensive income (FVOCI), trade payables and other liabilities approximate their carrying value because of the short-term maturity of these instruments. The fair value of foreign currency forward contracts, designated as cash flow hedges, has been determined by valuing those contracts to market against prevailing forward foreign exchange rates as at the reporting date.

The following table presents the classification of financial instruments within the fair value hierarchy:

Financial Assets (Liabilities)	Level 1	Level 2	Level 3	Total
<u>At March 31, 2024</u>				
Foreign currency forward contracts - net	-	(362)	-	(362)
<u>At December 31, 2023</u>				
Foreign currency forward contracts - net	-	1,542	-	1,542

When the Company has a legally enforceable right to set off supplier rebates accounts receivable against supplier trade payables and intends to settle the amount on a net basis or simultaneously, the balance is presented as an offset within 'Trade payables and other liabilities' on the consolidated balance sheet. At March 31, 2024, the supplier rebate receivable balance that was offset was \$4,621 (December 31, 2023 - \$8,769).

14. Financial Risk Management

In the normal course of business, the Company has risk exposures consisting primarily of foreign exchange risk, interest rate risk, commodity price risk, liquidity risk, and credit risk. The Company manages its risks and risk exposures through a combination of derivative financial instruments, insurance, a system of internal and disclosure controls and sound business practices. The Company does not purchase any derivative financial instruments for speculative purposes.

Financial risk management is primarily the responsibility of the Company's corporate finance function. Significant risks are regularly monitored and actions are taken, when appropriate, according to the Company's approved policies, established for that purpose. In addition, as required, these risks are reviewed with the Company's Board of Directors.

Foreign Exchange Risk

Translation differences arise when foreign currency monetary assets and liabilities are translated at foreign exchange rates that change over time. These foreign exchange gains and losses are recorded in other (expenses) income. As a result of the Company's CDN dollar net asset monetary position as at March 31, 2024, a one-cent change in the period-end foreign exchange rate from 0.7383 to 0.7283 (CDN to US dollars) would have decreased net income by \$187 for the first quarter of 2024. Conversely, a one-cent change in the period-end foreign exchange rate from 0.7383 to 0.7483 (CDN to US dollars) would have increased net income by \$187 for the first quarter of 2024.

The Company's Foreign Exchange Policy requires that between 50 and 80 percent of the Company's net requirement of CDN dollars for the ensuing 9 to 15 months will be hedged at all times with a combination of cash and cash equivalents and forward or zero-cost option foreign currency contracts. The Company may also enter into foreign currency forward contracts when equipment purchases, share repurchases and special dividend payments will be settled in foreign currencies. Transactions are only conducted with certain approved 'AA' rated or higher Schedule 1 CDN financial institutions. All foreign currency contracts are designated as cash flow hedges of the highly probable CDN dollar expenditures. These derivatives meet the hedge effectiveness criteria as a result of the following factors:

- a) An economic relationship exists between the hedged item and the hedging instrument as notional amounts match and both the hedged item and hedging instrument fair values move in response to the same risk - foreign exchange rates. There are no significant reasons or causes for the designated hedged item and hedging instrument to be mismatched since the hedging instrument matures during the same month as the expected hedged expenditures are incurred. The correlation between the foreign exchange rate of the hedged item and the hedging instrument should be highly correlated and closely aligned as the maturity and the notional amount are the same.
- b) The hedge ratio is one to one for this hedging relationship as the hedged item is foreign currency risk that is hedged with a foreign currency hedging instrument.
- c) Credit risk is not material in the fair value of the hedging instrument.

The Company has identified two sources of potential ineffectiveness: a) the timing of cash flow differences between the expenditure and the related derivative and b) the inclusion of credit risk in the fair value of the derivative not replicated in the hedged item. The Company expects the impact of these sources of hedge ineffectiveness to be minimal. The timing of hedge settlements and incurred expenditures are closely aligned as they are expected to occur within 30 days of each other. Credit risk is not a material component of the fair value of the Company's hedging instruments as all counterparties are 'AA' rated or higher Schedule 1 CDN financial institutions.

Certain foreign currency forward contracts matured during the first quarter of 2024 and the Company realized pre-tax foreign exchange gains of \$43. Of these foreign exchange differences, losses of \$8 were recorded in other (expenses) income and gains of \$51 were recorded in property, plant and equipment. During the first quarter of 2023, the Company realized pre-tax foreign exchange losses of \$286 which were recorded in other (expenses) income.

As at March 31, 2024, the Company had US to CDN dollar foreign currency forward contracts outstanding with a notional amount of US \$89.2 million at an average exchange rate of 1.3467 maturing between April 2024 and March 2025. The fair value of these financial instruments was negative \$362 US and the corresponding unrealized loss has been recorded in other comprehensive income. The Company did not recognize any ineffectiveness on the hedging instruments in the first quarter of 2024 or 2023.

In addition, as at March 31, 2024, the Company has US to CDN dollar foreign currency forward contracts outstanding with a notional amount of US \$28.0 million at an average rate of 1.3547 maturing between April and October 2024 to partially fund the NCIB.

Interest Rate Risk

The Company's interest rate risk arises from interest rate fluctuations on the finance income that it earns on its cash invested in money market accounts and short-term deposits. The Company developed and implemented an investment policy, which was approved by the Company's Board of Directors, with the primary objective to preserve capital, minimize risk and provide liquidity. Regarding the March 31, 2024 cash and cash equivalents balance of \$554.4 million, a 1.0 percent increase/decrease in interest rate fluctuations would increase/decrease income before income taxes by \$5,544 annually.

Commodity Price Risk

The Company's manufacturing costs are affected by the price of raw materials, namely petroleum-based and natural gas-based plastic resins and aluminum. In order to manage its risk, the Company has entered into selling price-indexing programs with certain customers. Changes in raw material prices for these customers are reflected in selling price adjustments but there is a slight time lag. For the quarter ended March 31, 2024, 75 percent of revenue was generated from customers with selling price-indexing programs. For all other customers, the Company's preferred practice is to match raw material cost changes with selling price adjustments, albeit with a slight time lag. This matching is not always possible, as customers react to selling price pressures related to raw material cost fluctuations according to conditions pertaining to their markets.

Liquidity Risk

Liquidity risk is the risk that the Company would not be able to meet its financial obligations as they come due. Management believes that the liquidity risk is low due to the strong financial condition of the Company. This risk assessment is based on the following: (a) cash and cash equivalents amounts of \$554.4 million, (b) no outstanding bank loans, (c) unused credit facilities comprised of unsecured operating lines of \$38 million, (d) the ability to obtain term-loan financing to fund an acquisition, if needed, (e) an informal investment grade credit rating and (f) the Company's ability to generate positive cash flows from ongoing operations. Management believes that the Company's cash flows are more than sufficient to cover its operating costs, working capital requirements, capital expenditures, payment of lease liabilities, share repurchases and dividend payments in the next twelve months. The Company's trade payables and other liabilities and derivative financial instrument liabilities are all due within twelve months.

Notes to Condensed Consolidated Financial Statements
For the periods ended March 31, 2024 and April 2, 2023
(thousands of US dollars, unless otherwise indicated) (Unaudited)

Credit Risk

The Company is exposed to credit risk from its cash and cash equivalents held with banks and financial institutions, derivative financial instruments (foreign currency forward contracts), as well as credit exposure to customers, including outstanding trade and other receivable balances.

The following table details the maximum exposure to the Company's counterparty credit risk which represents the carrying value of the financial asset:

	March 31 2024	December 31 2023
Cash and cash equivalents	554,366	541,870
Trade and other receivables	201,977	207,355
Foreign currency forward contracts	48	1,542
	<u>756,391</u>	<u>750,767</u>

Credit risk on cash and cash equivalents and other financial instruments arises in the event of non-performance by the counterparties when the Company is entitled to receive payment from the counterparty who fails to perform. The Company has established an investment policy to manage its cash. The policy requires that the Company manage its risk by investing its excess cash on hand on a short-term basis, up to a maximum of six months, with several financial institutions and/or governmental bodies that must be rated 'AA' or higher for CDN financial institutions and 'A-1' or higher for US financial institutions by recognized international credit rating agencies or insured 100 percent by the US government or a 'AAA' rated CDN federal or provincial government. The Company manages its counterparty risk on its financial instruments by only dealing with 'AA' rated or higher Schedule 1 CDN financial institutions.

In the normal course of business, the Company is exposed to credit risk on its trade and other receivables from customers. To mitigate such risk, the Company performs ongoing customer credit evaluations and assesses their credit quality by taking into account their financial position, past experience and other pertinent factors. Management regularly monitors customer credit limits, performs credit reviews and, in certain cases insures trade and other receivables against credit losses.

During the first quarter of 2024, the Company incurred costs on the sale of trade receivables of \$1,257 (2023 - \$1,355). Of these costs, \$1,146 was recorded in finance expense (2023 - \$1,261) and \$111 was recorded in general and administrative expenses (2023 - \$94).

As at March 31, 2024, the Company believes that the credit risk for trade and other receivables is mitigated due to the following: a) a broad customer base which is dispersed across varying market sectors and geographic locations, b) 97 percent of the gross trade and other receivables balance is within 30 days of the agreed upon payment terms with customers, c) the sale of certain extended term trade receivables without recourse to a third party and d) 30 percent of the trade and other receivables balance is insured against credit losses. The Company's exposure to the ten largest customer balances, on aggregate, accounted for 46 percent of the total trade and other receivables balance.

The carrying amount of trade and other receivables is reduced through the use of an allowance for expected credit losses and the amount of the loss is recognized in the statement of income within general and administrative expenses. When a receivable balance is considered uncollectible, it is written off against the allowance for expected credit losses. Subsequent recoveries of amounts previously written off are credited against general and administrative expenses in the statement of income. During the first quarter of 2024, the Company recorded impairment losses on trade and other receivables of \$498 (2023 - \$28).

The following table sets out the aging details of the Company's trade and other receivables balances outstanding based on when the receivable was due and payable and related allowance for expected credit losses:

	March 31 2024	December 31 2023
Current (not past due)	178,976	183,819
1 - 30 days past due	18,865	18,639
31 - 60 days past due	2,980	3,970
More than 60 days past due	3,677	3,087
	<u>204,498</u>	<u>209,515</u>
Less: Allowance for expected credit losses	<u>(2,521)</u>	<u>(2,160)</u>
Total trade and other receivables, net	<u>201,977</u>	<u>207,355</u>

15. Seasonality

The Company experiences seasonal variation in revenue, with revenue typically being the highest in the second and fourth quarters, and lowest in the first quarter.