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; 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 (Earnings) for the second quarter of 2024 of $38.8 million declined by 3.0 percent from the $40.0 million recorded in the corresponding quarter in 2023. Higher operating expenses led to a contraction in Earnings of $3.2 million. In addition, foreign exchange lowered Earnings by $1.8 million. Furthermore, income taxes subtracted $0.9 million from Earnings. Conversely, gross profit elevated Earnings by $3.7 million. Net finance income added $1.0 million to Earnings.

For the six months ended June 30, 2024, Earnings amounted to $74.3 million, a decrease of 6.2 percent compared to the 2023 first half result of $79.3 million. Operating expenses reduced Earnings by $6.7 million. The drop in sales volumes lowered Earnings by a further $2.2 million. Foreign exchange, income taxes and the level of net income attributable to non-controlling interests narrowed Earnings by $2.7 million, $1.8 million and $1.0 million, respectively. The sizeable expansion in gross profit enhanced Earnings by $6.3 million. Greater finance income benefitted Earnings to the extent of $3.1 million.

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 3.0 percent to 2023 first half 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 second quarter of 2024 was $283.5 million, $4.0 million or 1.4 percent less than the second quarter of 2023. In line with expectations, limited volume growth of 0.4 percent was realized when compared to the second quarter of 2023. The flexible packaging operating segment recorded an expansion in volumes of 3 percent. Volume growth of 3 percent was attained by the modified atmosphere packaging product group, reflecting a slight rebound in order levels for meat protein and cheese applications. For the biaxially oriented nylon product group, volume growth of 17 percent was a reflection of the recovery from the sharp downturn in demand during the first three quarters of 2023. Within the rigid packaging and flexible lidding operating segment, volumes dropped by 3 percent. The rigid container product group experienced a 5 percent decline in volumes stemming from lower specialty beverage container shipments. Lidding product group volumes were equal to the prior year's comparative quarter. Packaging machinery volumes achieved modest growth of 5 percent. Selling price and mix changes had a negative effect on revenue of $4.9 million.

For the first six months of 2024, revenue fell by 5.4 percent to $560.3 million from $592.0 million in the comparable prior year period. Volume contraction of 2.8 percent was recorded. After taking into account the additional week in the first quarter of 2023, volumes were essentially equal. The subsequent comments on operating segment and product group volumes are presented on an adjusted basis. Within the flexible packaging operating segment, volume gains amounted to 3 percent. For the modified atmosphere packaging product group, limited volume growth reflected the challenges with respect to overall demand at meat protein and frozen food accounts. Biaxially oriented nylon product group volumes advanced by 24 percent as the order level in the first half of 2023 was severely constrained while several core customers managed excessive inventory levels. Specialty film volumes were virtually unchanged. The rigid packaging and flexible lidding operating segment volumes narrowed by 2 percent. Rigid container volumes decreased by 3 percent due to a moderate drop in specialty beverage and retort pet food container shipments. For the lidding product group, volumes retreated by 1 percent. The contraction in specialty beverage lidding volumes was partially offset by advances in retort pet food and condiment lidding. Building on the inroads made with pharmaceutical accounts in 2023, the specialized printed packaging product group's volumes grew by 4 percent. Influenced by the higher cost of capital, several packaging machinery customers delayed order placement and volumes declined by 13 percent as a result. Selling price and mix changes lowered revenue by 2.5 percent.

*Gross Profit Margins*
Gross profit margins in the current quarter of 32.5 percent of revenue ascended by 2.3 percentage points from the 2023 second quarter result of 30.2 percent of revenue. Raw material cost reductions significantly outpaced the corresponding selling price decreases, which included the pass-through of indexing adjustments. Additionally, enhanced output levels decreased the effective cost of production. The Company's cost structure was adversely affected by higher personnel, depreciation and consumables expenses.

Gross profit margins in the first six months of 2024 climbed by 2.3 percentage points to 31.8 percent of revenue from the 29.5 percent recorded in the 2023 year-to-date comparative period. 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 Earnings of $9.6 million. Other factors combined to reduce Earnings by $3.3 million, the most notable were personnel and depreciation expenses. Due to inflationary pressures, wages increased at a rate well above the historical norm.

During the second quarter of 2024, the raw material purchase price index experienced a decrease of 3 percent compared to the initial quarter of 2024. Over the past 12 months, the index dropped by 2 percent. In the second quarter, polyethylene and nylon resins had the most substantial reductions of 5 percent and 4 percent, respectively.

*Expenses and Other*
Operating expenses in the second quarter of 2024, exclusive of foreign exchange, progressed at a rate of 11.6 percent whereas sales volumes increased by 0.4 percent, resulting in a reduction in Earnings of $3.2 million. The main contributing factors were personnel expenses and costs associated with implementing an upgraded enterprise resource planning (ERP) system, which commenced in late 2023. Foreign exchange had a negative effect on Earnings of $1.8 million due to the unfavorable translation differences recorded on the revaluation of monetary assets and liabilities in comparison to the favorable translation differences recorded in the same quarter in 2023. Net finance income added $1.0 million to Earnings as the magnitude of cash invested in short-term deposits and money market accounts was much higher than a year earlier. Permanent differences elevated the effective income tax rate by 2.4 percentage points, lowering Earnings by $0.9 million.

On a year-to-date basis, operating expenses, adjusted for foreign exchange, advanced at a rate of 8.7 percent in comparison to the 2.8 percent reduction in sales volumes, thereby having an unfavorable impact on Earnings of $6.7 million. Expenses pertaining to the ERP project were the main driver. Furthermore, as a consequence of the inflationary environment and strategic headcount additions, personnel costs expanded markedly. Foreign exchange dampened Earnings by $2.7 million. The negative translation differences recorded on the revaluation of monetary assets and liabilities denominated in Canadian dollars was in contrast to the positive translation differences recorded in the first six months of 2023. Due to the substantial increase in the balance of cash invested in short-term deposits and money market accounts, net finance income boosted Earnings by $3.1 million. The effective income tax rate was pushed higher in 2024 because of permanent differences associated with foreign exchange, contracting Earnings by $1.8 million. Lastly, the level of net income attributable to non-controlling interests lessened Earnings by $1.0 million.

*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 program was fulfilled on May 13, 2024. The price which Winpak paid for any common shares was the market price at the time of acquisition. Daily purchases under the NCIB were generally limited to 11,644 common shares, other than block purchases. All shares purchased were canceled. In connection with the NCIB, Winpak 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 was not permitted to purchase its common shares due to regulatory restrictions or self-imposed blackout periods.

The Company's cash and cash equivalents balance ended the second quarter of 2024 at $490.3 million, a decrease of $64.0 million from the end of the prior quarter. Winpak generated strong cash flows from operating activities before changes in working capital of $61.2 million. The net investment in working capital increased by $21.5 million. Trade and other receivables grew by $12.5 million, reflecting the higher revenue level relative to the preceeding quarter. Inventory amounts climbed by $10.0 million as a result of accumulating finished goods inventories prior to the upcoming summer plant maintenance shutdowns. Cash was used for common share repurchases of $56.6 million, property, plant and equipment additions of $27.1 million, income tax payments of $23.8 million, dividend payments of $1.4 million and other items totaling $0.4 million. Net finance income provided cash of $5.6 million.

For the first half of 2024, the cash and cash equivalents balance declined by $51.5 million. Cash flows generated from operating activities before changes in working capital were solid at $117.4 million. Working capital consumed $3.8 million in cash. The $7.3 million increase in inventories was caused by the seasonal buildup of finished goods inventories. Additionally, trade and other receivables escalated by $7.1 million, coinciding with the rise in revenue from the fourth quarter of 2023 to the second quarter of 2024. Stemming from the timing of equipment purchases, trade payables and other liabilities expanded by $11.0 million. Cash outflows included: property, plant and equipment expenditures of $74.4 million, common share repurchases of $62.9 million, income tax payments of $34.6 million, dividend payments of $2.9 million and other items amounting to $2.1 million. Net finance income produced incremental cash of $11.8 million.

*Summary of Quarterly Results*

| | Thousands of US dollars, except per share amounts (US cents) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Q2 2024 | Q1 2024 | Q4 2023 | Q3 2023 | Q2 2023 | Q1 2023 | Q4 2022 | Q3 2022 |
| Revenue | 283,496 | 276,783 | 275,637 | 273,790 | 287,464 | 304,516 | 292,365 | 302,532 |
| Net income attributable to equity holders of the Company | 38,825 | 35,522 | 34,846 | 33,991 | 40,006 | 39,287 | 31,235 | 29,567 |
| EPS | 61 | 55 | 54 | 52 | 62 | 60 | 48 | 45 |

*Looking Forward*

Building upon the positive profitability performance of the most recent quarter, Winpak is optimistic about the second half of the year. With inflation approaching the targets set by central banks, the anticipated cycle of significant interest rate cuts appears imminent, which should have a positive impact on North American economic growth.

For the balance of 2024, sales volumes will be positively impacted by new rigid container and retort pet food lidding business. In addition, the completion of much needed capacity expansions within the modified atmosphere packaging facility will facilitate further volume growth. For the remainder of 2024, the Company projects sales volume growth to be in the range of 4 to 6 percent.

With raw material costs dropping by 3 percent over the past three months, the pass-through of these decreases to customers with formal price indexing arrangements will be implemented, on average, after a time lag of four months. In the next two quarters, market expectations are that overall resin prices will be relatively stable with some materials projected to increase moderately. The current rate of inflation remains 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, putting further pressure on compensation levels. Within certain product markets, customer expectations for lower selling prices remains heightened. In contrast, forecasted sales volume growth would serve to lower the overall cost of production on a per unit basis. Taking the above factors into account, gross profit margins for the second half of 2024 should be similar to the level achieved in the most recently completed quarter.

Capital expenditures of approximately $125 to $135 million are forecast for 2024, highlighted by the extensive expansion of the Winnipeg, Manitoba modified atmosphere packaging facility.  Winpak is also assessing prospective acquisition opportunities that align strategically with the Company's core strengths.  After successfully completing the current NCIB program, the Company is evaluating both the expansion of the current program and its renewal in March 2025.

## *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 June 30, 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 June 30, 2024 to provide reasonable assurance that the financial information being reported is materially accurate.  During the second quarter ended June 30, 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.