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 tariff rates; 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 fourth quarter of 2024 of $36.6 million increased by 5.1 percent from the $34.8 million recorded in the corresponding quarter in 2023. The improvement in gross profit was a key factor, elevating Earnings by $9.0 million. Conversely, higher operating expenses led to a contraction in Earnings of $2.4 million. In addition, foreign exchange lowered Earnings by $1.9 million. Furthermore, income taxes subtracted $1.1 million from Earnings. In combination, all other factors reduced Earnings by $1.8 million.

For the year ended December 29, 2024, Earnings advanced by 0.9 percent to $149.5 million from the comparable 2023 result of $148.1 million. The sizeable expansion in gross profit enhanced Earnings by $20.7 million. Operating expenses reduced Earnings by $10.8 million. Additionally, foreign exchange and income taxes dampened Earnings by $4.3 million and $3.4 million, respectively. In total, all remaining items lowered Earnings by $0.9 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 1.5 percent to 2023 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 fourth quarter of 2024 was $285.1 million, $9.5 million or 3.4 percent greater than the fourth quarter of 2023. Somewhat below expectations, volume growth of 0.5 percent was realized when compared to the fourth quarter of 2023. Certain commercial opportunites have been delayed until 2025. The flexible packaging operating segment recorded an expansion in volumes of 5 percent. Volume growth of 7 percent was attained by the modified atmosphere packaging product group, reflecting healthy gains in order levels for meat and cheese applications. Within the rigid packaging and flexible lidding operating segment, volumes dropped by 3 percent. The rigid container product group experienced a 14 percent decline in volumes stemming from lower specialty beverage and applesauce container shipments. For the lidding product group, volumes improved by 9 percent as the prior year's comparative quarter was impacted by extended unplanned downtime on a major piece of equipment. Packaging machinery volumes decreased by 9 percent as an unusually high number of machines were delivered to customers in the fourth quarter of 2023. Heavily influenced by adjustments to estimated customer rebate entitlements, selling price and mix changes had a positive effect on revenue of $8.2 million.

For 2024, revenue of $1,130.9 million decreased by 0.9 percent from the 2023 level of $1,141.4 million. Volumes contracted by 0.2 percent. After accounting for the additional week in the first quarter of 2023, volumes were 1.3 percent higher. 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 4 percent. For the modified atmosphere packaging product group, modest volume growth of 4 percent reflected business gains pertaining to meat and cheese packaging, which was partially mitigated by the curtailment in demand for frozen food packaging. Biaxially oriented nylon product group volumes advanced by 19 percent, a reflection of the recovery from the sharp downturn in demand during the first three quarters of 2023. Specialty film volumes were virtually unchanged. The rigid packaging and flexible lidding operating segment volumes narrowed by 1 percent. Rigid container volumes decreased by 6 percent due to a significant drop in specialty beverage and applesauce container shipments. For the lidding product group, volumes grew by 2 percent with advances recorded for retort pet food, condiment and cultured dairy lidding. Solid volume growth of 7 percent for the specialized printed packaging product group was fuelled by nutraceutical business gains. Packaging machinery volumes declined by 2 percent. Due to the higher cost of capital, several packaging machinery customers delayed order placement. This was nearly offset by a surge in replacement part sales. Selling price and mix changes had an unfavorable impact on revenue of 0.7 percent. Foreign exchange had a minor negative effect on revenue.

Gross Profit Margins

Gross profit margins in the current quarter of 32.3 percent of revenue ascended by 3.5 percentage points from the 2023 fourth quarter result of 28.8 percent of revenue. The magnitude of raw material cost savings, combined with adjustments made to customer rebates, enhanced Earnings by $10.8 million. Other factors combined to reduce Earnings by $1.8 million. The most notable were personnel and depreciation expenses.

For the current year, gross profit margins of 32.0 percent of revenue exceeded the 2023 level of 29.3 percent. Raw material cost reductions significantly outpaced the corresponding selling price decreases, which included the pass-through of indexing adjustments. This differential raised Earnings by $27.1 million. In total, all remaining items lowered Earnings by $6.4 million. The Company's cost structure was affected by higher personnel and depreciation expenses. Due to inflationary pressures, wages increased at a rate well above the historical norm. Conversely, heightened output levels improved the overall cost of production.

The raw material purchase price index dropped by 6 percent compared to the third quarter of 2024. Over the past year, the index has risen by 2 percent. During the fourth quarter, nylon resin and aluminum foil each realized decreases ranging between 9 and 13 percent.

Expenses and Other

Operating expenses in the fourth quarter of 2024, exclusive of foreign exchange, progressed at a rate of 8.9 percent whereas sales volumes increased by 0.5 percent, resulting in a reduction in Earnings of $2.4 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 $1.9 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. The rate at which income is taxed in the United States elevated the effective income tax rate by 2.3 percentage points, lowering Earnings by $1.1 million.

For the 2024 fiscal year, operating expenses, adjusted for foreign exchange, advanced at a rate of 9.3 percent in comparison to the 0.2 percent reduction in sales volumes, thereby having an unfavorable impact on Earnings of $10.8 million. Expenses pertaining to the ERP project were the main driver. Furthermore, as a consequence of the inflationary environment, personnel and freight costs expanded. Foreign exchange dampened Earnings by $4.3 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 2023. Due to the substantial increase in the average balance of cash invested in short-term deposits and money market accounts, net finance income boosted Earnings by $2.8 million. The effective income tax rate was pushed higher in 2024 because of permanent differences associated with foreign exchange and the higher tax rate applied to income earned within the United States, contracting Earnings by $3.4 million. Lastly, the level of net income attributable to non-controlling interests lessened Earnings by $2.2 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 provided 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, which was fulfilled on May 13, 2024. On October 17, 2024, the TSX accepted a notice filed by Winpak to amend the NCIB to a maximum of 3,250,000 common shares. 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. By the end of 2024, 2,854,126 common shares had been repurchased at a weighted average price of CDN $45.55 for aggregate consideration of CDN $129,992 (US $94,512). Subsequent to the year ended December 29, 2024, the Company completed the NCIB program, repurchasing 395,874 common shares at a weighted average price of CDN $45.93 for aggregate consideration of CDN $18,182 (US $12,609).

During the third quarter of 2024, the quarterly dividend was raised to 5 cents (Canadian dollars) per common share, a significant increase from the 3 cents (Canadian dollars) per common share that had been paid on a quarterly basis since 2007. In addition, the Company paid a special dividend of $3.00 (Canadian dollars) per common share on January 10, 2025. Sufficient cash resources are available to fund both capital expenditures for organic growth and potential acquisition opportunities.

The Company’s cash and cash equivalents balance ended the current year at $497.3 million, a decrease of $18.7 million from the end of the third quarter. Winpak continued to generate strong cash flows from operating activities before changes in working capital of $59.5 million. The net investment in working capital increased by $17.3 million. Inventory amounts climbed by $17.8 million mainly as a result of accumulating work-in-process and finished goods inventories within the United States prior to the potential enactment of tariffs on sales of goods from Canada into the United States. Cash was used for common share repurchases of $31.6 million, property, plant and equipment additions of $22.1 million, income tax payments of $8.9 million and other items totaling $3.2 million. Net finance income provided cash of $4.9 million.

For the year, the cash and cash equivalents balance declined by $44.6 million. Cash flows generated from operating activities before changes in working capital were solid at $236.8 million. Working capital consumed $23.1 million in cash. The $30.6 million increase in inventories was caused by the accumulation of manufactured inventories to satisfy the projected growth in customer demand and to partially mitigate the impact of tariffs that could be implemented by the United States in early 2025 on goods shipped from the Company’s Canadian facilities. Additionally, trade and other receivables escalated by $10.9 million, coinciding with the rise in revenue from the fourth quarter of 2023 to the fourth quarter of 2024. Stemming from the timing of raw material inventory purchases, trade payables and other liabilities expanded by $15.9 million. Property, plant and equipment additions were $123.3 million. Expenditures relating to the multi-year expansion project at the Winnipeg, Manitoba modified atmosphere packaging facility influenced the higher than normal capital expenditure outlays. Other uses of cash included: common share repurchases of $94.5 million, income tax payments of $53.0 million and other items amounting to $9.9 million. Net finance income produced incremental cash of $22.4 million.

Summary of Quarterly Results

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

	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023
Revenue	285,143	285,473	283,496	276,783	275,637	273,790	287,464	304,516
Net income attributable to equity holders of the Company	36,622	38,486	38,825	35,522	34,846	33,991	40,006	39,287
EPS	58	61	61	55	54	52	62	60

Looking Forward

Building upon the solid volume growth achieved by core product groups in the second half of 2024, as well as commercializing opportunities within the current business pipeline, Winpak is optimistic about the 2025 fiscal year. However, there is significant uncertainty regarding the nature, extent and duration of various protectionist trade measures that have been and may be enacted within North America and the consequential impact on economic growth, inflation, foreign exchange and interest rates in addition to the immediate impact on the Company’s cost structure. The Company has assessed and will continue to assess both the short-term and long-term countermeasures that can be undertaken to mitigate the potential negative impacts.

Winpak is acutely focused on successfully onboarding opportunities with new customers in addition to new opportunities with existing customers. Pet food, in-mold-label, dairy and healthcare markets are the primary targets. The Company is projecting sales volume growth in the range of 5 to 7 percent for 2025.

For 2025, market expectations are for overall resin prices to be relatively stable. The collective bargaining agreement covering the largest employee base will expire in mid-2025, adding a level of uncertainty to the Company's future cost structure. Conversely the anticipated sales volume growth will favorably influence equipment utilization rates, lowering the overall cost of production on a per unit basis. In addition, challenging capacity constraints that persisted for most of 2024 will significantly abate in 2025. Manufacturing efficiencies will improve as a result. Furthermore, the additional costs incurred relating to the outsourcing of converting operations will significantly decrease. Overall, gross profit margins should be within the range of 31 to 32 percent.

Capital expenditures of approximately $110 to $130 million are forecast for 2025, the majority of which relates to the completion of the significant expansion of the Winnipeg, Manitoba modified atmosphere packaging facility. Winpak is also evaluating prospective acquisition opportunities that align strategically with the Company's core strengths. After successfully fulfilling the initial share buyback program, the Company is assessing 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.

(b) Amendments to the Classification and Measurement of Financial Instruments:

In May 2024, the IASB issued "Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)", that clarify the recognition date and derecognition date of certain financial assets and liabilities, clarify and add guidance to assess whether a financial asset meets the solely payments of principal and interest criteria. The amendments include additional disclosure requirements for certain instruments with contractual terms that could change cash flows and updates the disclosure requirements relating to equity instruments at fair value through other comprehensive income. The amendments are effective for annual reporting periods beginning on or after January 1, 2027 with early adoption permitted. The Company does not expect the amendments to have a significant impact on the consolidated financial statements when they are adopted in 2027.

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, 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 December 29, 2024 to provide reasonable assurance that the financial information being reported is materially accurate. During the fourth quarter ended December 29, 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.