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 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 second quarter of 2025 of $30.2 million declined by 22.2 percent from the $38.8 million recorded in the corresponding quarter in 2024. The deterioration in gross profit was a key factor, lowering Earnings by $6.6 million. In addition, net finance income led to a contraction in Earnings of $2.4 million. Furthermore, operating expenses subtracted $2.1 million from Earnings. Conversely, foreign exchange elevated Earnings by $2.3 million. In combination, all other factors raised Earnings by $0.2 million.

For the six months ended June 29, 2025, Earnings amounted to $64.8 million, a decrease of 12.9 percent compared to the 2024 first half result of $74.3 million. The sizeable contraction in gross profit reduced Earnings by $6.5 million. Additionally, net finance income dampened Earnings by $4.9 million. Earnings declined by $1.9 million due to higher operating expenses. Foreign exchange added $2.1 million to Earnings. In total, all remaining items boosted Earnings by $1.7 million.

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 2025 was $272.8 million, $10.7 million or 3.8 percent less than the second quarter of 2024. Volumes receded by 3.1 percent when compared to the second quarter of 2024. Muted customer demand within certain product categories contributed to the result. No significant customer loss has been experienced thus far in 2025. The flexible packaging operating segment recorded an expansion in volumes of 4 percent. Volume growth of 5 percent was attained by the modified atmosphere packaging product group, reflecting healthy gains with meat and dairy applications. Within the rigid packaging and flexible lidding operating segment, volumes dropped by 10 percent. The rigid container product group experienced an 8 percent decline in volumes stemming from lower snack food and juice container shipments. For the lidding product group, volumes fell by 10 percent because of weaker specialty beverage and retort pet food activity. Packaging machinery volumes decreased by 23 percent as a greater number of machines were delivered to customers in the second quarter of 2024. In the current year, several customers withheld order placement due to economic uncertainty. Selling price and mix changes had a negative effect on revenue of $1.0 million. Foreign exchange lowered revenue by an additional $0.7 million.

For the first six months of 2025, revenue fell by 0.5 percent to $557.6 million from $560.3 million in the comparable prior year period. Volumes were virtually unchanged. Within the flexible packaging operating segment, volume gains amounted to 4 percent. For the modified atmosphere packaging product group, solid volume growth of 6 percent reflected the inroads made with meat and dairy accounts. Biaxially oriented nylon product group volumes retreated by 8 percent as machine operating performance negatively impacted available capacity. The rigid packaging and flexible lidding operating segment's volumes narrowed by 5 percent. Rigid container volumes decreased by 3 percent due to a reduction in snack food, applesauce and juice container shipments. For the lidding product group, volumes declined by 8 percent. The contraction in specialty beverage and applesauce lidding volumes accounted for the negative variance. Packaging machinery volumes recorded a modest downturn of 3 percent. Selling price and mix changes raised revenue by 0.4 percent while foreign exchange lowered revenue by 0.6 percent.

Gross Profit Margins

Gross profit margins in the current quarter of 29.4 percent of revenue declined by 3.1 percentage points from the 2024 second quarter result of 32.5 percent of revenue. Raw material cost reductions were accompanied by a similar magnitude of selling price decreases, which included concessions stemming from heightened competitive pressures in the modified atmosphere packaging market. The Company's cost structure was adversely affected by higher personnel and quality related expenses. Personnel expenses included an aggregate of $2.3 million in one-time payments made to every employee to commemorate the 50th anniversary of Winpak's incorporation. Additionally, elevated production waste and diminished output levels increased the effective cost of production.

Gross profit margins in the first six months of 2025 contracted by 1.5 percentage points to 30.3 percent of revenue from the 31.8 percent recorded in the 2024 year-to-date comparative period. Higher selling prices, resulting from the change in product mix, combined with a decline in raw material costs, raised Earnings by $5.5 million. Other factors combined to reduce Earnings by $12.0 million, the most notable were production waste and expenses related to inventory disposals on account of quality issues. Also influential were the one-time employee payments and the substantial accumulation of finished goods inventories in the prior year which lowered the overall cost of production in that year.

During the second quarter of 2025, the raw material purchase price index was unchanged compared to the first quarter of 2025. Polypropylene resin increased by 5 percent while nylon resin experienced a decrease of 7 percent. Over the past 12 months, the index dropped by 6 percent.

Expenses and Other

Operating expenses in the second quarter of 2025, exclusive of foreign exchange, progressed at a rate of 3.7 percent whereas sales volumes decreased by 3.1 percent, resulting in a reduction in Earnings of $2.1 million. One-time employee payments amounted to $0.8 million. Furthermore, the continued inflationary impact on personnel expenses was unfavorable. Foreign exchange had a positive effect on Earnings of $2.3 million due to the favorable translation differences recorded on the revaluation of monetary assets and liabilities in comparison to the unfavorable translation differences recorded in the same quarter in 2024. Net finance income dampened Earnings by $2.4 million as the magnitude of cash invested in short-term deposits and money market accounts was much lower than a year earlier. The lower balance was largely a result of the share buyback program as well as the special dividend paid in early 2025.

On a year-to-date basis, operating expenses, adjusted for foreign exchange, advanced at a rate of 2.8 percent in comparison to the 0.3 percent reduction in sales volumes, thereby having an unfavorable impact on Earnings of $1.9 million. This was attributed to the rise in personnel expenses. Foreign exchange elevated Earnings by $2.1 million. The positive translation differences recorded on the revaluation of monetary assets and liabilities denominated in Canadian dollars was in contrast to the negative translation differences recorded in the first six months of 2024. Due to the substantial decrease in the balance of cash invested in short-term deposits and money market accounts, net finance income tempered Earnings by $4.9 million.

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Capital Resources, Cash Flow and Liquidity

On March 24, 2025, the Toronto Stock Exchange (the "TSX") accepted a notice filed by Winpak of its intention to renew its 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 26, 2025 and ending no later than March 25, 2026, purchase through the facilities of the TSX and other alternative Canadian trading systems up to a maximum of 3,087,500 common shares in total, being 5.0 percent of the issued and outstanding shares of Winpak as of March 18, 2025. 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 13,761 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 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. As at June 29, 2025, the Company had purchased 235,649 common shares under its current NCIB.

The Company's cash and cash equivalents balance ended the second quarter of 2025 at $356.0 million, a decrease of $0.4 million from the end of the prior quarter. Winpak generated strong cash flows from operating activities before changes in working capital of $50.8 million. The net investment in working capital increased by $1.9 million. In order to limit the impact of potential, upcoming tariffs, the Company continued to accumulate inventories within the United States. Cash was used for property, plant and equipment additions of $26.5 million, income tax payments of $15.9 million, common share repurchases of $5.5 million, dividend payments of $2.2 million and other items totaling $1.9 million. Net finance income provided cash of $2.7 million.

For the first half of 2025, the cash and cash equivalents balance declined by $141.2 million. Cash flows generated from operating activities before changes in working capital were solid at $109.2 million. Working capital consumed $21.7 million in cash. The $20.3 million build up of inventories was largely due to the measures taken since early 2025 to minimize the effect of cross-border import tariffs. Cash outflows included: dividend payments of $135.4 million (including special dividend of $131.1 million), property, plant and equipment expenditures of $45.9 million, income tax payments of $30.9 million, common share repurchases of $19.2 million and other items amounting to $2.5 million. Net finance income produced incremental cash of $5.2 million.

Summary of Quarterly Results

	Thousands of US dollars, except per share amounts (US cents)							
	Q2 2025	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023
Revenue	272,800	284,802	285,143	285,473	283,496	276,783	275,637	273,790
Net income attributable to equity holders of the Company	30,205	34,576	36,622	38,486	38,825	35,522	34,846	33,991
EPS	49	56	58	61	61	55	54	52

Looking Forward

Despite the challenges and uncertainties relating to the current trade environment, Winpak remains optimistic about the profitability level for the second half of the year. However, modifications to the currently enacted tariffs could have a sizeable impact on the Company's growth aspirations and manufacturing costs.

With the exception of foil-based products, the Company's entire product portfolio is presently exempt from tariffs under the United States-Mexico-Canada Agreement (USMCA). Furthermore, nearly all raw materials sourced within North America are exempt from tariffs. The Company has implemented and will continue to implement an assortment of counter measures to minimize the impact of tariffs in both the short and long-term. In addition, the Company is reevaluating the overall strategic roadmap in order to augment its resilience to a more protectionist trade environment.

For the balance of 2025, onboarding new business opportunities will be the key to achieving sales volume growth. Recently added extrusion capacity within the modified atmosphere packaging facility will continue to be a key contributor, targeting the dairy market. In addition, the initiation of recently awarded pet food and healthcare business will expand volumes. Based on the preceding factors, sales volume growth for the remainder of 2025 should reflect a modest improvement over relatively flat volume growth posted for the first half of 2025.

Raw material costs have moved within a narrow range over the past six months. Market expectations are that overall resin and foil prices will be relatively stable for the balance of the year. The Company is optimistic that the majority of the foil import tariffs will be passed along to customers. Going forward, the additional manufacturing costs relating to waste and quality should be curtailed significantly. Winpak expects gross profit margins for the second half of 2025 to be within the range of 30 to 32 percent.

Capital expenditures of approximately $100 to $110 million are forecast for 2025, highlighted by the completion of the extensive expansion of the Winnipeg, Manitoba modified atmosphere packaging facility. Concurrently, Winpak will assess prospective acquisition opportunities that align strategically with the Company's core strengths, especially those that are focused on medical and pharmaceutical applications.

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 June 29, 2025 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 29, 2025 to provide reasonable assurance that the financial information being reported is materially accurate. During the second quarter ended June 29, 2025, 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.