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NEWS RELEASE

Winpak Reports 2022 Third Quarter Results

Winnipeg, Manitoba, October 20, 2022 - Winpak Ltd. (WPK) today reports consolidated results in US dollars for the third quarter of 2022, which ended on September 25, 2022.

	Quarter Ended		Year-To-Date Ended	
	September 25 2022	September 26 2021	September 25 2022	September 26 2021
(thousands of US dollars, except per share amounts)				
Revenue	302,532	254,166	888,768	722,941
Net income	29,350	21,350	97,387	76,031
Income tax expense	10,425	6,768	34,621	24,419
Net finance (income) expense	(468)	197	(12)	615
Depreciation and amortization	11,911	11,084	35,781	33,743
EBITDA (1)	51,218	39,399	167,777	134,808
Net income attributable to equity holders of the Company	29,567	20,762	97,108	73,777
Net (loss) income attributable to non-controlling interests	(217)	588	279	2,254
Net income	29,350	21,350	97,387	76,031
Basic and diluted earnings per share (cents)	45	32	149	114

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.

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[1] EBITDA is not a recognized measure under International Financial Reporting 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. In addition, factors arising as a result of the Coronavirus (COVID-19) global pandemic that could cause results to differ from those expected include, but are not limited to: potential government actions, changes in consumer behaviors and demand, changes in customer requirements, disruptions of the Company's suppliers and supply chain, availability of personnel and uncertainty about the extent and duration of the pandemic. 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 third quarter of 2022 of $29.6 million or 45 cents in earnings per share (EPS) increased by $8.8 million or 13 cents per share from the comparable 2021 quarter. The favorable result was heavily influenced by the sizeable expansion in gross profit which generated an advancement in EPS of 20.5 cents. The level of net income attributable to non-controlling interests resulted in an additional 1.0 cent added to EPS while sales volumes and net finance income each raised EPS by 0.5 cents. Operating expenses had the opposite effect, lowering EPS by 7.0 cents. Foreign exchange reduced EPS by a further 2.0 cents and higher income taxes subtracted 0.5 cents from EPS.

For the nine months ended September 25, 2022, net income attributable to equity holders of the Company advanced by 31.6 percent to $97.1 million or $1.49 per share from the corresponding 2021 result of $73.8 million or $1.14 per share. The improvement in gross profit was the dominant factor, augmenting EPS by a remarkable 56.5 cents. The level of net income attributable to non-controlling interests added 3.0 cents to EPS. The additional sales volumes benefitted EPS by 2.5 cents and net finance income provided another 0.5 cents. Conversely, higher operating expenses, foreign exchange and income taxes narrowed EPS by 19.5 cents, 5.0 cents and 3.0 cents, respectively.

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, 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 third quarter of 2022 was $302.5 million, exceeding the prior year comparable level of $254.2 million by 19.0 percent. Volume growth was modest at 2.0 percent when compared to the third quarter of 2021. Within the flexible packaging operating segment, volume gains amounted to 5 percent. The modified atmosphere packaging product group's volumes expanded significantly. Strong demand for retail meat and cheese products and the performance of the frozen food product launch that took place in the third quarter of 2021 were the catalysts. Conversely, biaxially oriented nylon volumes retreated as several core customers modified their order patterns in response to excess inventory levels they had accumulated during the recent period of severe supply chain challenges. In addition, specialty films volumes declined mainly on account of customer loss. The rigid packaging and flexible lidding operating segment's volumes were virtually unchanged. Rigid container volumes increased slightly as the rebound in specialty beverage shipments was largely offset by lower condiment container activity. Lidding product group volumes fell by 3 percent as the availability of production labor hampered manufacturing output. Packaging machinery volumes dropped in the quarter as a higher than typical number of machines were shipped in the third quarter of 2021. Selling price and mix changes had a large favorable impact on revenue of 17.4 percent, which was mainly due to the scale of raw material pass-through adjustments to customer selling prices. Foreign exchange had a minor negative influence on revenue.

For the first nine months of 2022, revenue grew by $165.8 million or 22.9 percent from the $722.9 million recorded in the corresponding prior year period. Volumes increased by 2.5 percent. The flexible packaging operating segment achieved volume growth of 6 percent. Exceptional volume growth for the modified atmosphere packaging product group reflected business gains and enhanced demand for protein and cheese packaging, especially for customers that supply retail food industries. The frozen food packaging business was a critical component of the growth as well. Within the rigid packaging and flexible lidding operating segment, volumes narrowed by 2 percent. Rigid container volumes retreated by 3 percent as gains in retort pet food and creamer container shipments were eclipsed by lower condiment container activity. For the lidding product group, volumes were restrained due to the shortage of manufacturing labor and the aluminum foil procurement challenges experienced in the first quarter of 2022. Packaging machinery volumes improved by 10 percent. Selling price and mix changes had a substantial positive effect on revenue of $149.3 million as the considerable rise in raw material and other costs since mid-2021 resulted in much higher selling prices to customers. The impact of foreign exchange on revenue was negligible.

Gross Profit Margins

Gross profit margins in the current quarter of 26.9 percent of revenue ascended by 2.5 percentage points from the 2021 third quarter result of 24.4 percent of revenue. A sizeable increase in EPS of 20.5 cents took place as a result. Selling prices advanced to a much larger extent than raw material costs, which included the remaining aluminum foil air freight transportation expenses to the lidding plant in Montreal, raising EPS by 30.0 cents. During the third quarter of 2021, the unfavorable divergence between the rise in raw material costs and the related selling price adjustments was enormous. Furthermore, in the past 12 months, a sequence of inflationary selling price adjustments have been implemented. Compared to the third quarter of 2021, the rate of growth of fixed manufacturing overheads outpaced the level of sales volume growth. This mismatch, along with expenses pertaining to inventory obsolescence, lowered EPS by 9.5 cents.

For the first nine months of 2022, gross profit margins were 28.4 percent of revenue, expanding by 1.1 percentage points from the 27.3 percent of revenue achieved during the 2021 year-to-date comparative period. In dollar terms, gross profit climbed by an incredible 27.7 percent over the same period. Accordingly, EPS vaulted by 56.5 cents. The magnitude of selling price increases significantly surpassed the corresponding rise in raw material costs, including the non-recurring expenses incurred to expedite aluminum foil. This discrepancy elevated EPS by 75.0 cents. During 2021, raw material costs increased considerably while selling price increases were limited. In addition, non-contractual, inflationary selling price increases have been implemented since the fourth quarter of 2021 to partially recover advances in key cost categories such as consumables, freight and distribution and energy. With respect to operating leverage, manufacturing costs increased to a greater extent than the gain in sales volumes, tempering EPS by 18.5 cents.

The raw material purchase price index increased by less than 1 percent compared to the second quarter of 2022. In relation to a year earlier, the index has risen by 4 percent. During the third quarter, nylon resin and aluminum foil each realized increases ranging between 5 and 8 percent. In contrast, polypropylene and polyethylene resin prices declined by 20 percent and 5 percent, respectively.

Expenses and Other

Operating expenses in the third quarter of 2022, adjusted for foreign exchange, progressed at a larger rate relative to the expansion in sales volumes and as such, lowered EPS by 7.0 cents. Heightened freight and distribution costs were the main contributing factor, accounting for approximately half of the EPS contraction. Pre-production costs of $2.0 million were also significant. Foreign exchange subtracted 2.0 cents from EPS due to the unfavorable translation differences recorded on the revaluation of monetary assets and liabilities denominated in Canadian dollars. The effective income tax rate was almost two percentage points higher in the third quarter of 2022, deducting 0.5 cents from EPS. Lastly, a lesser proportion of net income attributable to non-controlling interests and net finance income enhanced EPS by 1.0 cent and 0.5 cents, respectively.

On a year-to-date basis, operating expenses, exclusive of foreign exchange, advanced at a rate of 19.7 percent in relation to the 2.5 percent acceleration in sales volumes, thereby having a major negative impact on EPS of 19.5 cents. Significantly higher freight and distribution costs, greater employee compensation expenses, along with pre-production costs incurred to commercialize the new biaxially oriented polyamide (BOPA) line, drove the elevated operating expenses. Foreign exchange had a negative effect on EPS of 5.0 cents 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 period in 2021. Furthermore, the foreign exchange contracts that matured in the 2021 year-to-date period were at a more beneficial average exchange rate. The effective income tax rate reduced EPS by 3.0 cents, however, this was offset by a smaller proportion of earnings attributable to non-controlling interests. Net finance income added 0.5 cents to EPS.

Capital Resources, Cash Flow and Liquidity

The Company's cash and cash equivalents balance ended the third quarter of 2022 at $377.2 million, an increase of $8.2 million from the end of the second quarter. Winpak continued to generate strong cash flows from operating activities before changes in working capital of $52.9 million. Working capital consumed $30.6 million in cash. The $20.5 million increase in inventories was impacted by aluminum foil purchase commitments that were entered into during the significant supply chain challenges experienced in the early stages of 2022. Also relevant was the targeted accumulation of raw material resin inventories in advance of hurricane season. Due to the timing of supplier payments, trade payables and other liabilities dropped by $15.7 million. Trade and other receivables declined by $5.2 million, reflecting the lower revenue level relative to the preceding quarter. Cash outflows included: $11.8 million in plant and equipment additions, dividend payments of $1.5 million and other items amounting to $0.8 million.

For the first nine months of 2022, the cash and cash equivalents balance decreased by $0.2 million. Cash flows generated from operating activities before changes in working capital were solid at $168.8 million. The net investment in working capital increased by $108.2 million. The extraordinary $93.7 million growth in inventories arose due to the deliberate accumulation of raw materials in order to manage the uncertainty caused by supply chain challenges, especially with aluminum foil. Finished goods inventories grew since the start of the year, reflecting an increase in the number of customer inventory management programs and also to support the higher sales volumes. In addition, trade and other receivables grew by $28.9 million due to the timing of customer payments and the higher level of revenue in the current quarter compared to the final quarter of 2021. Stemming from the magnitude of raw material purchases, trade payables and other liabilities advanced by $18.4 million. Cash was utilized for property, plant and equipment additions of $35.3 million, income tax payments of $18.2 million, dividend payments of $4.6 million, employee defined benefit plan contributions of $1.7 million and other items totaling $1.0 million.

Summary of Quarterly Results

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

	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020
Revenue	302,532	310,254	275,982	279,053	254,166	243,969	224,806	212,091
Net income attributable to equity holders of the Company	29,567	33,671	33,870	30,031	20,762	28,520	24,495	27,256
EPS	45	52	52	46	32	44	38	42

Looking Forward

As expected, central banks raised interest rates significantly during the third quarter of 2022. With further increases projected over the next 12 months, paired with the continued conflict in Ukraine, the risk of a North American recession has increased. However, this aggressive monetary policy, along with recovering supply chains, are likely to have a moderating impact on inflation and upgrade the availability of labor.

Although customer order patterns and limited loss of business muted the magnitude of volume expansion in the third quarter of 2022, the Company projects a slightly higher rate of growth for the fourth quarter of 2022. As a result of operational improvements and modest gains in labor availability, the elevated productive capacity of the lidding product group will support enhanced sales volumes. In addition, the new cast co-extrusion line commercialized at the modified atmosphere packaging plant in late 2021 has facilitated the acquisition of sizeable new protein and cheese business. Based on customer order activity, specialty beverage container volumes will be disproportionately weighted towards the fourth quarter of 2022 whereas the opposite occurrence took place in the prior year.

Current market expectations are for raw material costs to decline moderately in the fourth quarter of 2022 and then again throughout 2023. In accordance with customer agreements, these lower costs would lead to a contraction in selling prices, although with an estimated average delay of four months. The Company's cost structure continues to be impacted by inflationary pressures. After implementing several non-contractual price increases over the past 12 months, it has become increasingly difficult to pass along further increases to customers. On balance, the net impact of these counteracting factors should be relatively neutral in the final quarter of 2022, thereby having minimal effect on gross profit margins.

Capital expenditures for 2022 are forecast to be in the range of $50 to $55 million. During the third quarter, the Company continued to dedicate significant resources to the installation of the new BOPA line in Winnipeg, Manitoba. It is estimated that the line will be fully commercialized in the first half of 2023. The expansionary projects relating to new co-extrusion capacity at the modified atmosphere packaging plant and the next phase of the injection molded container endeavor are proceeding as scheduled and will be completed in the second half of 2023. Furthermore, the Company is currently evaluating potential building expansions at two of its key manufacturing sites. Simultaneously, Winpak will continue to 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.

Accounting Changes - Accounting Standards Implemented in 2022

(a) Property, Plant and Equipment: Proceeds Before Intended Use

In May 2020, the IASB issued "Property, Plant and Equipment: Proceeds Before Intended Use (Amendments to IAS 16)", which prohibits deducting amounts received from selling items produced while preparing the asset for its intended use from the cost of property, plant and equipment. Instead, such sales proceeds and related costs will be recognized within the statement of income. The amendments were implemented with retrospective application, effective December 27, 2021. The amendments had no impact on the Company's unaudited interim condensed consolidated financial statements.

(b) Onerous Contracts - Cost of Fulfilling a Contract

In May 2020, the IASB issued "Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)", which specifies which costs a company includes when assessing whether a contract will be loss-making. The amendments were implemented, effective December 27, 2021. The amendments had no impact on the Company's unaudited interim condensed consolidated financial statements.

Accounting Changes - Future Changes to Accounting Standards

(a) Deferred Taxes Related to Assets and Liabilities Arising from a Single Transaction:

In May 2021, the IASB issued "Deferred Taxes Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12)", which introduces an exception to the initial recognition exemption for deferred tax on transactions such as leases and decommissioning obligations. Applying this exception, a company does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and are to be applied retrospectively. The Company does not expect the amendments to have a significant impact on the consolidated financial statements when they are adopted in 2023.

(b) 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 are effective for annual reporting periods beginning on or after January 1, 2024 and are to be applied retrospectively. Early adoption is permitted. The Company does not expect the amendments to have a significant impact on the consolidated financial statements when they are adopted in 2024.

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 September 25, 2022 to provide reasonable assurance that the information being disclosed is recorded, summarized and reported as required.

Internal Controls Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Internal control systems, no matter how well designed, have inherent limitations and therefore can only provide reasonable assurance as to the effectiveness of internal controls over financial reporting, including the possibility of human error and the circumvention or overriding of the controls and procedures. Management used the Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013) as the control framework in designing its internal controls over financial reporting.

Based on management's design of the Company's internal controls over financial reporting, the Company's Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures are designed as of September 25, 2022 to provide reasonable assurance that the financial information being reported is materially accurate. During the third quarter ended September 25, 2022, 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
Third Quarter Ended: September 25, 2022

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	September 25 2022	December 26 2021
Assets			
Current assets:			
Cash and cash equivalents		377,215	377,461
Trade and other receivables	14	206,236	177,382
Income taxes receivable		6,101	9,825
Inventories	8	280,757	187,058
Prepaid expenses		7,432	6,702
		877,741	758,428
Non-current assets:			
Property, plant and equipment	9	516,062	515,247
Intangible assets and goodwill		33,454	34,472
Employee benefit plan assets		12,515	13,547
		562,031	563,266
Total assets		1,439,772	1,321,694
Equity and Liabilities			
Current liabilities:			
Trade payables and other liabilities		110,201	91,717
Contract liabilities		160	3,503
Income taxes payable		13,381	1,102
Derivative financial instruments		1,852	715
		125,594	97,037
Non-current liabilities:			
Employee benefit plan liabilities		11,032	9,837
Deferred income		17,730	17,685
Provisions and other long-term liabilities		12,345	13,029
Deferred tax liabilities		65,290	68,367
		106,397	108,918
Total liabilities		231,991	205,955
Equity:			
Share capital		29,195	29,195
Reserves		(1,357)	(524)
Retained earnings		1,143,545	1,050,949
Total equity attributable to equity holders of the Company		1,171,383	1,079,620
Non-controlling interests		36,398	36,119
Total equity		1,207,781	1,115,739
Total equity and liabilities		1,439,772	1,321,694

See accompanying notes to condensed consolidated financial statements.

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

		Quarter Ended		Year-To-Date Ended	
	Note	September 25 2022	September 26 2021	September 25 2022	September 26 2021
Revenue	6	302,532	254,166	888,768	722,941
Cost of sales		(221,051)	(192,138)	(636,503)	(525,388)
Gross profit		81,481	62,028	252,265	197,553
Sales, marketing and distribution expenses		(23,881)	(21,187)	(72,168)	(61,144)
General and administrative expenses		(9,524)	(7,863)	(28,773)	(24,018)
Research and technical expenses		(4,380)	(4,519)	(13,130)	(13,130)
Pre-production expenses		(1,995)	-	(2,915)	-
Other (expenses) income	7	(2,394)	(144)	(3,283)	1,804
Income from operations		39,307	28,315	131,996	101,065
Finance income		1,847	237	2,802	726
Finance expense		(1,379)	(434)	(2,790)	(1,341)
Income before income taxes		39,775	28,118	132,008	100,450
Income tax expense		(10,425)	(6,768)	(34,621)	(24,419)
Net income for the period		29,350	21,350	97,387	76,031
Attributable to:					
Equity holders of the Company		29,567	20,762	97,108	73,777
Non-controlling interests		(217)	588	279	2,254
		29,350	21,350	97,387	76,031
Basic and diluted earnings per share - cents	12	45	32	149	114

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

		Quarter Ended		Year-To-Date Ended	
	Note	September 25 2022	September 26 2021	September 25 2022	September 26 2021
Net income for the period		29,350	21,350	97,387	76,031
Items that will not be reclassified to the statements of income:					
Cash flow hedge losses recognized		-	(867)	-	(867)
		-	(867)	-	(867)
Items that are or may be reclassified subsequently to the statements of income:					
Cash flow hedge (losses) gains recognized		(1,575)	(933)	(1,679)	282
Cash flow hedge losses (gains) transferred to the statements of income	7	263	(540)	541	(1,615)
Income tax effect		351	394	305	356
		(961)	(1,079)	(833)	(977)
Other comprehensive loss for the period - net of income tax		(961)	(1,946)	(833)	(1,844)
Comprehensive income for the period		28,389	19,404	96,554	74,187
Attributable to:					
Equity holders of the Company		28,606	18,816	96,275	71,933
Non-controlling interests		(217)	588	279	2,254
		28,389	19,404	96,554	74,187

See accompanying notes to condensed consolidated financial statements.

Winpak Ltd.

Condensed Consolidated Statements of Changes in Equity

(thousands of US dollars) (unaudited)

	Note	Share capital	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
		Attributable to equity holders of the Company					
Balance at December 28, 2020		29,195	834	1,103,435	1,133,464	33,579	1,167,043
Comprehensive (loss) income for the period							
Cash flow hedge gains (losses), net of tax		-	206	(867)	(661)	-	(661)
Cash flow hedge gains transferred to the statements of income, net of tax		-	(1,183)	-	(1,183)	-	(1,183)
Other comprehensive loss		-	(977)	(867)	(1,844)	-	(1,844)
Net income for the period		-	-	73,777	73,777	2,254	76,031
Comprehensive (loss) income for the period		-	(977)	72,910	71,933	2,254	74,187
Dividends	11	-	-	(163,213)	(163,213)	-	(163,213)
Balance at September 26, 2021		29,195	(143)	1,013,132	1,042,184	35,833	1,078,017
Balance at December 27, 2021		29,195	(524)	1,050,949	1,079,620	36,119	1,115,739
Comprehensive (loss) income for the period							
Cash flow hedge losses, net of tax		-	(1,230)	-	(1,230)	-	(1,230)
Cash flow hedge losses transferred to the statements of income, net of tax		-	397	-	397	-	397
Other comprehensive loss		-	(833)	-	(833)	-	(833)
Net income for the period		-	-	97,108	97,108	279	97,387
Comprehensive (loss) income for the period		-	(833)	97,108	96,275	279	96,554
Dividends	11	-	-	(4,512)	(4,512)	-	(4,512)
Balance at September 25, 2022		29,195	(1,357)	1,143,545	1,171,383	36,398	1,207,781

See accompanying notes to condensed consolidated financial statements.

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

	Note	Quarter Ended September 25 2022	Quarter Ended September 26 2021	Year-To-Date Ended September 25 2022	Year-To-Date Ended September 26 2021
Cash provided by (used in):					
Operating activities:					
Net income for the period		29,350	21,350	97,387	76,031
Items not involving cash:					
Depreciation		11,912	11,390	35,791	34,006
Amortization - deferred income		(429)	(718)	(1,283)	(1,509)
Amortization - intangible assets		428	412	1,273	1,246
Employee defined benefit plan expenses		1,149	1,135	3,325	3,492
Net finance (income) expense		(468)	197	(12)	615
Income tax expense		10,425	6,768	34,621	24,419
Other		523	(370)	(2,336)	(3,194)
Cash flow from operating activities before the following		52,890	40,164	168,766	135,106
Change in working capital:					
Trade and other receivables		5,181	(7,362)	(28,854)	(26,967)
Inventories		(20,451)	(12,662)	(93,699)	(37,705)
Prepaid expenses		1,987	(995)	(730)	(3,911)
Trade payables and other liabilities		(15,692)	(879)	18,419	11,571
Contract liabilities		(1,647)	(1,405)	(3,343)	704
Employee defined benefit plan contributions		(35)	(31)	(1,675)	(1,045)
Income tax paid		(902)	(5,174)	(18,205)	(16,713)
Interest received		1,703	204	2,438	640
Interest paid		(1,293)	(331)	(2,574)	(1,050)
Net cash from operating activities		21,741	11,529	40,543	60,630
Investing activities:					
Acquisition of property, plant and equipment - net		(11,801)	(11,296)	(35,292)	(38,845)
Acquisition of intangible assets		(22)	-	(253)	(185)
		(11,823)	(11,296)	(35,545)	(39,030)
Financing activities:					
Payment of lease liabilities		(219)	(205)	(647)	(599)
Dividends paid	11	(1,512)	(160,987)	(4,597)	(164,055)
		(1,731)	(161,192)	(5,244)	(164,654)
Change in cash and cash equivalents		8,187	(160,959)	(246)	(143,054)
Cash and cash equivalents, beginning of period		369,028	513,251	377,461	495,346
Cash and cash equivalents, end of period		377,215	352,292	377,215	352,292

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 International Financial Reporting 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 26, 2021, which are included in the Company's 2021 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 2022 and 2021 fiscal years are both comprised of 52 weeks and each quarter of 2022 and 2021 are comprised of 13 weeks.

The unaudited interim condensed consolidated financial statements were approved by the Audit Committee on behalf of the Board of Directors on October 20, 2022.

3. Accounting Standards Implemented in 2022

The following accounting standards came into effect commencing in the Company's 2022 fiscal year:

(a) Property, Plant and Equipment: Proceeds Before Intended Use:
In May 2020, the IASB issued "Property, Plant and Equipment: Proceeds Before Intended Use (Amendments to IAS 16)", which prohibits deducting amounts received from selling items produced while preparing the asset for its intended use from the cost of property, plant and equipment. Instead, such sales proceeds and related costs will be recognized within the statement of income. The amendments were implemented with retrospective application, effective December 27, 2021. The amendments had no impact on the Company's unaudited interim condensed consolidated financial statements.

(b) Onerous Contracts - Cost of Fulfilling a Contract:
In May 2020, the IASB issued "Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)", which specifies which costs a company includes when assessing whether a contract will be loss-making. The amendments were implemented, effective December 27, 2021. The amendments had no impact on the Company's unaudited interim condensed consolidated financial statements.

4. Future Accounting Standards

(a) Deferred Taxes Related to Assets and Liabilities Arising from a Single Transaction:
In May 2021, the IASB issued "Deferred Taxes Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12)", which introduces an exception to the initial recognition exemption for deferred tax on transactions such as leases and decommissioning obligations. Applying this exception, a company does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and are to be applied retrospectively. The Company does not expect the amendments to have a significant impact on the consolidated financial statements when they are adopted in 2023.

(b) 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 are effective for annual reporting periods beginning on or after January 1, 2024 and are to be applied retrospectively. Early adoption is permitted. The Company does not expect the amendments to have a significant impact on the consolidated financial statements when they are adopted in 2024.

(thousands of US dollars, unless otherwise indicated) (Unaudited)

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, 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.

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:

	September 25 2022	December 26 2021
United States	248,693	258,001
Canada	282,118	272,552
Mexico	18,705	19,166
	549,516	549,719

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.

(thousands of US dollars, unless otherwise indicated) (Unaudited)

Disaggregation of Revenue

	Quarter Ended		Year-To-Date Ended	
	September 25 2022	September 26 2021	September 25 2022	September 26 2021
Operating segment				
Flexible packaging	167,033	131,930	480,619	372,716
Rigid packaging and flexible lidding	127,486	113,185	382,760	327,185
Packaging machinery	8,013	9,051	25,389	23,040
	302,532	254,166	888,768	722,941
Geographic segment				
United States	244,980	206,411	716,728	581,230
Canada	36,536	30,747	112,873	90,553
Mexico and other	21,016	17,008	59,167	51,158
	302,532	254,166	888,768	722,941

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 the year-to-date periods ended September 25, 2022 and September 26, 2021. Other markets include medical, pharmaceutical, nutraceutical, personal care, industrial and other consumer goods.

7. Other (Expenses) Income

	Quarter Ended		Year-To-Date Ended	
Amounts shown on a net basis	September 25 2022	September 26 2021	September 25 2022	September 26 2021
Foreign exchange (losses) gains	(2,131)	(684)	(2,742)	189
Cash flow hedge (losses) gains transferred from other comprehensive income	(263)	540	(541)	1,615
	(2,394)	(144)	(3,283)	1,804

8. Inventories

	September 25 2022	December 26 2021
Raw materials	127,635	65,065
Work-in-process	40,055	32,435
Finished goods	96,988	74,834
Spare parts	16,079	14,724
	280,757	187,058

During the third quarter of 2022, the Company recorded, within cost of sales, inventory write-downs for slow-moving and obsolete inventory of $3,438 (2021 - $2,334) and reversals of previously written-down items of $461 (2021 - $570). On a year-to-date basis, the Company recorded, within cost of sales, inventory write-downs for slow-moving and obsolete inventory of $7,302 (2021 - $4,769) and reversals of previously written-down items of $1,826 (2021 - $2,269).

9. Property, Plant and Equipment

At September 25, 2022, the Company has commitments to purchase plant and equipment of $30,120 (December 26, 2021 - $15,769). No impairment losses or impairment reversals were recognized during the year-to-date periods ended September 25, 2022 and September 26, 2021.

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 September 25, 2022, potential future lease payments not included in lease liabilities totaled $4,338 on a discounted basis.

11. Dividends

During the third quarter of 2022, dividends in Canadian dollars of 3 cents per common share were declared (2021 - 3 cents) and on a year-to-date basis, 9 cents per common share were declared (2021 - 9 cents). In addition, the Company paid a special dividend in Canadian dollars of $3.00 per common share on July 9, 2021.

12. Earnings Per Share

	Quarter Ended		Year-To-Date Ended	
	September 25 2022	September 26 2021	September 25 2022	September 26 2021
Net income attributable to equity holders of the Company	29,567	20,762	97,108	73,777
Weighted average shares outstanding (000's)	65,000	65,000	65,000	65,000
Basic and diluted earnings per share - cents	45	32	149	114

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 September 25, 2022</u>		(1,852)		(1,852)
Foreign currency forward contracts - net	-		-	
<u>At December 26, 2021</u>				
Foreign currency forward contracts - net	-	(715)	-	(715)

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 September 25, 2022, the supplier rebate receivable balance that was offset was $6,111 (December 26, 2021 - $6,972).

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 September 25, 2022, a one-cent change in the period-end foreign exchange rate from 0.7368 to 0.7268 (CDN to US dollars) would have decreased net income by $174 for the third quarter of 2022. Conversely, a one-cent change in the period-end foreign exchange rate from 0.7368 to 0.7468 (CDN to US dollars) would have increased net income by $174 for the third quarter of 2022.

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 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 contracts matured during the third quarter of 2022 and the Company realized pre-tax foreign exchange losses of $263 (year-to-date losses - $541) which were recorded in other (expenses) income. During the third quarter of 2021, the Company realized pre-tax foreign exchange losses of $327 (year-to-date gains - $748) of which gains of $540 were recorded in other (expenses) income (year-to-date gains - $1,615) and losses of $867 were recorded directly to equity (year-to-date losses - $867).

As at September 25, 2022, the Company had US to CDN dollar foreign currency forward contracts outstanding with a notional amount of US $33.0 million at an average exchange rate of 1.2814 maturing between October 2022 and July 2023. The fair value of these financial instruments was negative $1,852 US and the corresponding unrealized loss has been recorded in other comprehensive loss. The Company did not recognize any ineffectiveness on the hedging instruments for the year-to-date periods ended September 25, 2022 and September 26, 2021.

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 September 25, 2022 cash and cash equivalents balance of $377.2 million, a 1.0 percent increase/decrease in interest rate fluctuations would increase/decrease income before income taxes by $3,772 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 year-to-date period ended September 25, 2022, 71 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 $377.2 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 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.

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.

(thousands of US dollars, unless otherwise indicated) (Unaudited)

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

	September 25 2022	December 26 2021
Cash and cash equivalents	377,215	377,461
Trade and other receivables	206,236	177,382
	583,451	554,843

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 third quarter of 2022, the Company incurred costs on the sale of trade receivables of $1,294 (2021 - $334). Of these costs, $965 was recorded in finance expense (2021 - $230) and $329 was recorded in general and administrative expenses (2021 - $104). On a year-to-date basis, the Company incurred costs on the sale of trade receivables of $2,521 (2021 - $917). Of these costs, $1,943 was recorded in finance expense (2021 - $646) and $578 was recorded in general and administrative expenses (2021 - $271).

As at September 25, 2022, 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) 27 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 39 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 third quarter of 2022, the Company recorded impairment recoveries on trade and other receivables of $34 (2021 - $222 impairment recoveries). On a year-to-date basis, the Company recorded impairment recoveries on trade and other receivables of $26 (2021 - $73 impairment losses).

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:

	September 25 2022	December 26 2021
Current (not past due)	179,796	149,824
1 - 30 days past due	20,932	22,504
31 - 60 days past due	2,807	3,351
More than 60 days past due	3,715	2,710
	207,250	178,389
Less: Allowance for expected credit losses	(1,014)	(1,007)
Total trade and other receivables, net	206,236	177,382

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.