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# *NEWS RELEASE*

## Winpak Reports 2023 Third Quarter Results

**Winnipeg, Manitoba, October 26, 2023 -** Winpak Ltd. (WPK) today reports consolidated results in US dollars for the third quarter of 2023, which ended on October 1, 2023.

| | Quarter Ended (1) | | Year-To-Date Ended (1) | |
|---|---|---|---|---|
| | October 1 2023 | September 25 2022 | October 1 2023 | September 25 2022 |
| *(thousands of US dollars, except per share amounts)* | | | | |
| Revenue | 273,790 | 302,532 | 865,770 | 888,768 |
| Net income | 33,824 | 29,350 | 112,577 | 97,387 |
| | | | | |
| Income tax expense | 11,970 | 10,425 | 38,956 | 34,621 |
| Net finance income | (5,033) | (468) | (12,551) | (12) |
| Depreciation and amortization | 11,866 | 11,911 | 35,912 | 35,781 |
| EBITDA (2) | 52,627 | 51,218 | 174,894 | 167,777 |
| | | | | |
| Net income attributable to equity holders of the Company | 33,991 | 29,567 | 113,284 | 97,108 |
| Net (loss) income attributable to non-controlling interests | (167) | (217) | (707) | 279 |
| Net income | 33,824 | 29,350 | 112,577 | 97,387 |
| | | | | |
| Basic and diluted earnings per share (cents) | 52 | 45 | 174 | 149 |

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] The 2023 fiscal year comprises 53 weeks and the 2022 fiscal year comprised 52 weeks. Each quarter of 2023 and 2022 comprises 13 weeks with the exception of the first quarter of 2023, which comprised 14 weeks.

[2] 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. 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 2023 of $34.0 million or 52 cents in earnings per share (EPS) increased by $4.4 million or 7 cents per share from the comparable 2022 quarter. Net finance income raised EPS by 5.5 cents. Gross profit and foreign exchange were also influential, elevating EPS by 4.0 cents and 2.0 cents, respectively. Weaker sales volumes had the opposite effect, lowering EPS by 3.0 cents. Operating expenses dampened EPS by 1.5 cents.

For the nine months ended October 1, 2023, net income attributable to equity holders of the Company advanced by 16.7 percent to $113.3 million or $1.74 per share from the corresponding 2022 result of $97.1 million or $1.49 per share. The improvement in gross profit was a key factor, augmenting EPS by 9.0 cents. Net finance income and foreign exchange bolstered EPS by 14.0 cents and 7.0 cents, respectively. The level of net income attributable to non-controlling interests and income taxes each added 1.5 cents to EPS. The drop in sales volumes subtracted 3.5 cents from EPS. Operating expenses reduced EPS by a further 4.5 cents.

The fiscal year of the Company ends on the last Sunday of the calendar year and is usually 52 weeks in duration. However, the 2023 fiscal year consists of 53 weeks, with the first quarter comprising 14 weeks, one more week than the prior 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 2 percent to 2023 year-to-date 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 third quarter of 2023 was $273.8 million, falling short of the prior year comparable level of $302.5 million by 9.5 percent. Volumes contracted by 6.0 percent. Consistent with the experience of the second quarter, consumer demand was constrained, stifling the Company's growth aspirations. Within the flexible packaging operating segment, volumes declined at the rate of 8 percent. For the modified atmosphere packaging product group, much lower order levels for protein applications were only partially offset by the inroads made at cheese accounts. Specialty film volumes decreased by 19 percent due to customer loss. As a result of tempered demand from core accounts, in addition to customers securing secondary sources of supply, biaxially oriented nylon product group volumes contracted by 16 percent. Volumes for the rigid packaging and flexible lidding operating segment fell by 2 percent. Rigid container volumes were virtually unchanged as the drop in specialty beverage container shipments was offset by enhanced retort pet food container activity. Lidding product group volumes decreased by 5 percent due to the moderate drop in specialty beverage orders, a function of the major customer working through excess inventories. Attributed to the higher cost of capital and economic uncertainty, several packaging machinery customers have delayed order placement and volumes declined by 19 percent as a result. Selling price and mix changes had an unfavorable impact on revenue of 3.2 percent. Foreign exchange had a minor negative effect on revenue.

For the first nine months of 2023, revenue decreased by $23.0 million from the $888.8 million recorded in the corresponding prior year period. Volumes receded by 2.1 percent. When normalizing for the additional week in the first quarter of 2023, volumes were 4 percent lower. The flexible packaging operating segment recorded a reduction in volumes of 6 percent. Modified atmosphere packaging product group volumes fell by 2 percent as demand for protein and healthcare applications tapered off significantly. For the biaxially oriented nylon product group, volumes declined by more than 20 percent because of customer inventory destocking and losing sole supplier status at key accounts. Stemming from customer loss, specialty film volumes retreated by 17 percent. Within the rigid packaging and flexible lidding operating segment, volumes were essentially equivalent to the prior year. Healthy volume growth of 21 percent for the specialized printed packaging product group was facilitated by pharmaceutical business gains. Lidding product group volumes advanced by 1 percent. The stabilization of the aluminum foil supply contributed favorably to volume growth, however, this was substantially nullified by the performance of the specialty beverage product line. This same product line similarly influenced rigid container volumes, which decreased by 3 percent. With the sharp drop off in new machinery orders placed in the current year, packaging machinery volumes dropped by 8 percent. Selling price and mix changes had a positive effect on revenue of $0.6 million whereas foreign exchange lowered revenue by $5.0 million.

### *Gross Profit Margins*

Gross profit margins in the third quarter climbed by 2.3 percentage points to 29.2 percent of revenue from the 26.9 percent recorded in the same quarter of 2022. Material costs, which in the prior year included the remaining aluminum foil air freight transportation expenses, declined by a much larger extent than the corresponding selling prices, generating an increase in EPS of 12.0 cents. The impact of inflation on manufacturing costs and the unfavorable operating leverage arising from weaker sales volumes was substantial, lowering EPS by 8.0 cents.

For the first nine months of 2023, gross profit margins were 29.4 percent of revenue, expanding by 1.0 percentage point from the 28.4 percent of revenue achieved during the 2022 year-to-date comparative period. Raw material costs dropped by 8.0 percent whereas selling prices were virtually unchanged, generating an uplift in EPS of 38.0 cents. The pass-through of these savings onto customers governed by formal price indexing arrangements follows a contractual delay, temporarily benefitting the Company. Also noteworthy were the substantial non-recurring expenses incurred in the prior year to expedite the delivery of aluminum foil to the lidding plant in Montreal. Although the rate of inflation has moderated in recent months, the cumulative effect on the Company's cost structure was considerable. Simultaneously, the effective cost of production was hampered by diminished output levels, and on a combined basis, these factors lowered EPS by 29.0 cents.

The raw material purchase price index decreased by 6 percent compared to the second quarter of 2023. In relation to a year earlier, the index has fallen by 21 percent. During the third quarter, polypropylene and nylon resin prices each realized declines ranging between 10 and 14 percent while other resins and aluminum foil experienced more modest reductions.

### *Expenses and Other*

Operating expenses in the third quarter of 2023, adjusted for foreign exchange, declined at a rate that was approximately half of the corresponding deceleration in sales volumes and as such, lowered EPS by 1.5 cents. As a consequence of the inflationary environment, personnel costs advanced at a rate well above historical norms. This was partially offset by the notable drop in freight and pre-production expenses. Foreign exchange added 2.0 cents to EPS mainly on account of the diminished level of unfavorable translation differences recorded on the revaluation of monetary assets and liabilities denominated in Canadian dollars relative to the third quarter of 2022. Due to the substantial increase in the interest rates applied to the Company's cash and cash equivalents, net finance income boosted EPS by 5.5 cents.

On a year-to-date basis, operating expenses, exclusive of foreign exchange, advanced at a rate of 1.2 percent in comparison to the 2.1 percent reduction in sales volumes, thereby having an unfavorable impact on EPS of 4.5 cents. Inflationary forces raised employee compensation expenses. In contrast, freight expenses, which were heightened in the prior year, normalized in the current year. Additionally, significant pre-production costs were incurred during 2022 to commercialize a biaxially oriented polyamide (BOPA) line. Foreign exchange had a positive effect on EPS of 7.0 cents due to favorable translation differences recorded on the revaluation of monetary assets and liabilities in comparison to unfavorable translation differences recorded in 2022. Furthermore, the Company benefitted from the weakened value of the Canadian dollar that was employed to translate transactions in that currency into US dollars. Net finance income added 14.0 cents to EPS as the cash invested in short-term deposits and money market accounts was at much higher rates of interest than a year earlier. The effective income tax rate decreased by 0.5 percentage points in 2023, enhancing EPS by 1.5 cents. A smaller proportion of earnings attributable to non-controlling interests raised EPS by 1.5 cents.

### *Capital Resources, Cash Flow and Liquidity*

The Company's cash and cash equivalents balance ended the third quarter of 2023 at $513.0 million, an increase of $58.3 million from the end of the second quarter. Winpak continued to generate strong cash flows from operating activities before changes in working capital of $53.3 million. Working capital generated another $36.4 million in cash. The $26.0 million decrease in inventories was impacted by the systematic unwinding of raw materials and finished goods that had accumulated during 2022. Trade and other receivables declined by $9.0 million, reflecting the lower revenue level relative to the preceding quarter. Other cash outflows included: $22.9 million in property, plant and equipment additions, income tax payments of $10.4 million, employee defined benefit plan contributions of $1.5 million, dividend payments of $1.5 million and other items amounting to $0.3 million. Net finance income provided cash of $5.2 million.

For the first nine months of 2023, the cash and cash equivalents balance increased by $114.3 million. Cash flows generated from operating activities before changes in working capital were solid at $175.2 million. The net investment in working capital decreased by $35.9 million. The sizeable $46.4 million reduction in inventories arose due to the reversal of the strategic accumulation of raw materials in 2022 to combat supply chain challenges, especially with aluminum foil. Lower sales volumes and raw material prices also contributed to the contraction. In addition, trade and other receivables fell by $14.7 million due to the lower level of revenue in the current quarter compared to the final quarter of 2022. Stemming from the magnitude of raw material purchases, trade payables and other liabilities decreased by $18.0 million. Cash was utilized for income tax payments of $56.8 million, property, plant and equipment additions of $44.5 million, dividend payments of $4.3 million, employee defined benefit plan contributions of $2.3 million and other items totaling $1.2 million. Net finance income produced incremental cash of $12.3 million.

### *Summary of Quarterly Results*

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

| | Q3 2023 | Q2 2023 | Q1 2023 | Q4 2022 | Q3 2022 | Q2 2022 | Q1 2022 | Q4 2021 |
|---|---|---|---|---|---|---|---|---|
| Revenue | 273,790 | 287,464 | 304,516 | 292,365 | 302,532 | 310,254 | 275,982 | 279,053 |
| Net income attributable to equity holders of the Company | 33,991 | 40,006 | 39,287 | 31,235 | 29,567 | 33,671 | 33,870 | 30,031 |
| EPS | 52 | 62 | 60 | 48 | 45 | 52 | 52 | 46 |

### *Looking Forward*

Although profitability reached an all-time high for the first three quarters of 2023, Winpak is cautiously optimistic about the outlook for the balance of 2023 and the upcoming year. Overall, inflation has remained elevated for a longer period of time than was anticipated a year ago. This has eroded consumer demand and dampened projections for the North American economy, which is still at risk for a recession. Additionally, the effect of the developing crisis in the Middle East, especially with respect to oil prices, is unclear at the present time.

It is expected that weakened consumer demand will continue to be impactful in the upcoming quarter and at least the first half of 2024. However, it is anticipated that this headwind will be less severe than was experienced in the two most recent quarters. The Company's growth strategy is focused on new product launches, new customer onboarding and customer contract renewals, especially within the rigid container, flexible lidding and modified atmosphere packaging product groups. Based on the preceding factors, the Company is projecting sales volume growth in the range of 0 to 2 percent for the final quarter of 2023.

Current market expectations are for raw material costs to be stable in the fourth quarter of 2023 and then advance moderately throughout 2024. The reduction in raw material costs over the past six months will benefit margins in the next two quarters until they are fully passed through to customer selling prices. With higher than normal unsold capacity in the product markets that the Company participates, pricing pressure has intensified. Overall, gross profit margins in the fourth quarter of 2023 should be slightly higher than the immediately preceding quarter.

Capital expenditures for 2023 are forecast to be in the range of $65 to $70 million. During the third quarter, the Company dedicated significant resources to the multi-year expansion project at the Winnipeg, Manitoba modified atmosphere packaging facility. As the largest capital project in Winpak's history, it will establish the foundation for sizeable volume growth and the development of sustainable packaging solutions. More immediately, a new cast co-extrusion line is scheduled for start-up in early 2024 at the same facility, targeting additional growth in the dairy market. Furthermore, the Company is currently evaluating a potential building expansion at one of its key manufacturing sites. Concurrently, 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 2023*

*(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 were implemented with retrospective application, effective December 26, 2022. The amendments had no impact on the Company's unaudited interim condensed consolidated financial statements.

## *Accounting Changes - Future Changes to Accounting Standards*

*(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 are effective for annual reporting periods beginning on or after January 1, 2024 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 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 October 1, 2023 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 October 1, 2023 to provide reasonable assurance that the financial information being reported is materially accurate. During the third quarter ended October 1, 2023, 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: October 1, 2023**

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 | October 1 2023 | December 25 2022 |
|---|---|---|---|
| **Assets** | | | |
| **Current assets:** | | | |
| Cash and cash equivalents | | 513,021 | 398,673 |
| Trade and other receivables | 15 | 189,376 | 204,040 |
| Income taxes receivable | | 4,224 | 3,573 |
| Inventories | 8 | 241,750 | 288,118 |
| Prepaid expenses | | 10,875 | 5,602 |
| Derivative financial instruments | | 128 | - |
| | | 959,374 | 900,006 |
| **Non-current assets:** | | | |
| Property, plant and equipment | 9 | 527,835 | 518,590 |
| Intangible assets and goodwill | | 32,223 | 33,110 |
| Employee benefit plan assets | 10 | 11,119 | 10,783 |
| | | 571,177 | 562,483 |
| **Total assets** | | 1,530,551 | 1,462,489 |
| **Equity and Liabilities** | | | |
| **Current liabilities:** | | | |
| Trade payables and other liabilities | | 84,576 | 102,382 |
| Contract liabilities | | 757 | 2,621 |
| Income taxes payable | | 3,988 | 18,393 |
| Derivative financial instruments | | 335 | 1,328 |
| | | 89,656 | 124,724 |
| **Non-current liabilities:** | | | |
| Employee benefit plan liabilities | 10 | 8,388 | 8,334 |
| Deferred income | | 17,347 | 17,946 |
| Provisions and other long-term liabilities | | 11,355 | 12,062 |
| Deferred tax liabilities | | 55,964 | 60,648 |
| | | 93,054 | 98,990 |
| **Total liabilities** | | 182,710 | 223,714 |
| **Equity:** | | | |
| Share capital | | 29,195 | 29,195 |
| Reserves | | (132) | (972) |
| Retained earnings | | 1,283,484 | 1,174,551 |
| **Total equity attributable to equity holders of the Company** | | 1,312,547 | 1,202,774 |
| **Non-controlling interests** | | 35,294 | 36,001 |
| **Total equity** | | 1,347,841 | 1,238,775 |
| **Total equity and liabilities** | | 1,530,551 | 1,462,489 |

See accompanying notes to condensed consolidated financial statements.

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

| | Note | Quarter Ended (Note 2) October 1 2023 | Quarter Ended (Note 2) September 25 2022 | Year-To-Date Ended (Note 2) October 1 2023 | Year-To-Date Ended (Note 2) September 25 2022 |
|---|---|---|---|---|---|
| Revenue | 6 | 273,790 | 302,532 | 865,770 | 888,768 |
| Cost of sales | | (193,781) | (221,051) | (611,010) | (636,503) |
| Gross profit | | 80,009 | 81,481 | 254,760 | 252,265 |
| Sales, marketing and distribution expenses | | (22,564) | (23,881) | (70,517) | (72,168) |
| General and administrative expenses | | (10,647) | (9,524) | (30,758) | (28,773) |
| Research and technical expenses | | (4,980) | (4,380) | (14,738) | (13,130) |
| Pre-production expenses | | - | (1,995) | - | (2,915) |
| Other (expenses) income | 7 | (1,057) | (2,394) | 235 | (3,283) |
| **Income from operations** | | 40,761 | 39,307 | 138,982 | 131,996 |
| Finance income | | 6,697 | 1,847 | 17,150 | 2,802 |
| Finance expense | | (1,664) | (1,379) | (4,599) | (2,790) |
| Income before income taxes | | 45,794 | 39,775 | 151,533 | 132,008 |
| Income tax expense | | (11,970) | (10,425) | (38,956) | (34,621) |
| **Net income for the period** | | 33,824 | 29,350 | 112,577 | 97,387 |
| **Attributable to:** | | | | | |
| Equity holders of the Company | | 33,991 | 29,567 | 113,284 | 97,108 |
| Non-controlling interests | | (167) | (217) | (707) | 279 |
| | | 33,824 | 29,350 | 112,577 | 97,387 |
| **Basic and diluted earnings per share - cents** | 13 | 52 | 45 | 174 | 149 |

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

| | Note | Quarter Ended (Note 2) October 1 2023 | Quarter Ended (Note 2) September 25 2022 | Year-To-Date Ended (Note 2) October 1 2023 | Year-To-Date Ended (Note 2) September 25 2022 |
|---|---|---|---|---|---|
| **Net income for the period** | | 33,824 | 29,350 | 112,577 | 97,387 |
| <u>Items that will not be reclassified to the statements of income:</u> | | | | | |
| Cash flow hedge (losses) gains recognized | | (633) | - | 133 | - |
| Cash flow hedge gains transferred to property, plant and equipment | | (42) | - | (59) | - |
| | | (675) | - | 74 | - |
| <u>Items that are or may be reclassified subsequently to the statements of income:</u> | | | | | |
| Cash flow hedge (losses) gains recognized | | (863) | (1,575) | 91 | (1,679) |
| Cash flow hedge losses transferred to the statements of income | 7 | 37 | 263 | 955 | 541 |
| Income tax effect | | 222 | 351 | (280) | 305 |
| | | (604) | (961) | 766 | (833) |
| **Other comprehensive (loss) income for the period - net of income tax** | | (1,279) | (961) | 840 | (833) |
| **Comprehensive income for the period** | | 32,545 | 28,389 | 113,417 | 96,554 |
| **Attributable to:** | | | | | |
| Equity holders of the Company | | 32,712 | 28,606 | 114,124 | 96,275 |
| Non-controlling interests | | (167) | (217) | (707) | 279 |
| | | 32,545 | 28,389 | 113,417 | 96,554 |

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 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** | 12 | - | - | (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 |
| | | | | | | | |
| **Balance at December 26, 2022** | | 29,195 | (972) | 1,174,551 | 1,202,774 | 36,001 | 1,238,775 |
| **Comprehensive income (loss) for the period** | | | | | | | |
| Cash flow hedge gains, net of tax | | - | 199 | - | 199 | - | 199 |
| Cash flow hedge losses transferred to the statements of income, net of tax | | - | 700 | - | 700 | - | 700 |
| Cash flow hedge gains transferred to property, plant and equipment | | - | (59) | - | (59) | - | (59) |
| **Other comprehensive income** | | - | 840 | - | 840 | - | 840 |
| **Net income (loss) for the period** | | - | - | 113,284 | 113,284 | (707) | 112,577 |
| **Comprehensive income (loss) for the period** | | - | 840 | 113,284 | 114,124 | (707) | 113,417 |
| **Dividends** | 12 | - | - | (4,351) | (4,351) | - | (4,351) |
| **Balance at October 1, 2023** | | 29,195 | (132) | 1,283,484 | 1,312,547 | 35,294 | 1,347,841 |

See accompanying notes to condensed consolidated financial statements.

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

| | | Quarter Ended (Note 2) | | Year-To-Date Ended (Note 2) | |
|---|---|---|---|---|---|
| | | October 1 | September 25 | October 1 | September 25 |
| | Note | 2023 | 2022 | 2023 | 2022 |
| **Cash provided by (used in):** | | | | | |
| **Operating activities:** | | | | | |
| Net income for the period | | 33,824 | 29,350 | 112,577 | 97,387 |
| Items not involving cash: | | | | | |
| Depreciation | | 11,930 | 11,912 | 35,969 | 35,791 |
| Amortization - deferred income | | (461) | (429) | (1,300) | (1,283) |
| Amortization - intangible assets | | 397 | 428 | 1,243 | 1,273 |
| Employee defined benefit plan expenses | | 623 | 1,149 | 2,446 | 3,325 |
| Net finance income | | (5,033) | (468) | (12,551) | (12) |
| Income tax expense | | 11,970 | 10,425 | 38,956 | 34,621 |
| Other | | 76 | 523 | (2,178) | (2,336) |
| Cash flow from operating activities before the following | | 53,326 | 52,890 | 175,162 | 168,766 |
| Change in working capital: | | | | | |
| Trade and other receivables | | 8,970 | 5,181 | 14,664 | (28,854) |
| Inventories | | 26,003 | (20,451) | 46,368 | (93,699) |
| Prepaid expenses | | (1,530) | 1,987 | (5,273) | (730) |
| Trade payables and other liabilities | | 3,009 | (15,692) | (18,003) | 18,419 |
| Contract liabilities | | (29) | (1,647) | (1,864) | (3,343) |
| Employee defined benefit plan contributions | | (1,523) | (35) | (2,308) | (1,675) |
| Income tax paid | | (10,407) | (902) | (56,780) | (18,205) |
| Interest received | | 6,700 | 1,703 | 16,782 | 2,438 |
| Interest paid | | (1,547) | (1,293) | (4,509) | (2,574) |
| Net cash from operating activities | | 82,972 | 21,741 | 164,239 | 40,543 |
| **Investing activities:** | | | | | |
| Acquisition of property, plant and equipment - net | | (22,921) | (11,801) | (44,506) | (35,292) |
| Acquisition of intangible assets | | (70) | (22) | (356) | (253) |
| | | (22,991) | (11,823) | (44,862) | (35,545) |
| **Financing activities:** | | | | | |
| Payment of lease liabilities | | (234) | (219) | (680) | (647) |
| Dividends paid | 12 | (1,472) | (1,512) | (4,349) | (4,597) |
| | | (1,706) | (1,731) | (5,029) | (5,244) |
| **Change in cash and cash equivalents** | | 58,275 | 8,187 | 114,348 | (246) |
| **Cash and cash equivalents, beginning of period** | | 454,746 | 369,028 | 398,673 | 377,461 |
| **Cash and cash equivalents, end of period** | | 513,021 | 377,215 | 513,021 | 377,215 |

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 25, 2022, which are included in the Company’s 2022 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 2023 fiscal year comprises 53 weeks and the 2022 fiscal year comprised 52 weeks. Each quarter of 2023 and 2022 comprises 13 weeks with the exception of the first quarter of 2023, which comprised 14 weeks.

The unaudited interim condensed consolidated financial statements were approved by the Audit Committee on behalf of the Board of Directors on October 26, 2023.

## 3. Accounting Standards Implemented in 2023

The following accounting standards came into effect commencing in the Company’s 2023 fiscal year:

***(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 were implemented with retrospective application, effective December 26, 2022. The amendments had no impact on the Company’s unaudited interim condensed consolidated financial statements.

## 4. Future Accounting Standards

***(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 are effective for annual reporting periods beginning on or after January 1, 2024 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 2024.

## 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.

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

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.

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:

| | October 1 2023 | December 25 2022 |
|---|---|---|
| United States | 253,167 | 249,075 |
| Canada | 288,867 | 284,019 |
| Mexico | 18,024 | 18,606 |
| | 560,058 | 551,700 |

## 6. Revenue

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

***Disaggregation of Revenue***

| | Quarter Ended | | Year-To-Date Ended | |
|---|---|---|---|---|
| | October 1 2023 | September 25 2022 | October 1 2023 | September 25 2022 |
| **Operating segment** | | | | |
| Flexible packaging | 146,251 | 167,033 | 461,418 | 480,619 |
| Rigid packaging and flexible lidding | 121,034 | 127,486 | 380,242 | 382,760 |
| Packaging machinery | 6,505 | 8,013 | 24,110 | 25,389 |
| | 273,790 | 302,532 | 865,770 | 888,768 |
| **Geographic segment** | | | | |
| United States | 215,886 | 244,980 | 686,548 | 716,728 |
| Canada | 37,734 | 36,536 | 116,748 | 112,873 |
| Mexico and other | 20,170 | 21,016 | 62,474 | 59,167 |
| | 273,790 | 302,532 | 865,770 | 888,768 |

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 October 1, 2023 and September 25, 2022. 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 | October 1 2023 | September 25 2022 | October 1 2023 | September 25 2022 |
| Foreign exchange (losses) gains | (1,020) | (2,131) | 1,484 | (2,742) |
| Cash flow hedge losses transferred from other comprehensive income | (37) | (263) | (955) | (541) |
| | (1,057) | (2,394) | 529 | (3,283) |
| Employee benefit plan settlement expense (Note 10) | - | - | (294) | - |
| | (1,057) | (2,394) | 235 | (3,283) |

### 8. Inventories

| | October 1 2023 | December 25 2022 |
|---|---|---|
| Raw materials | 94,537 | 128,371 |
| Work-in-process | 42,433 | 46,022 |
| Finished goods | 86,467 | 97,163 |
| Spare parts | 18,313 | 16,562 |
| | 241,750 | 288,118 |

During the third quarter of 2023, the Company recorded, within cost of sales, inventory write-downs for slow-moving and obsolete inventory of $3,323 (2022 - $3,438) and reversals of previously written-down items of $497 (2022 - $461). On a year-to-date basis, the Company recorded, within cost of sales, inventory write-downs for slow-moving and obsolete inventory of $7,993 (2022 - $7,302) and reversals of previously written-down items of $3,584 (2022 - $1,826).

### 9. Property, Plant and Equipment

At October 1, 2023, the Company has commitments to purchase plant and equipment of $99,006 (December 25, 2022 - $31,061). No impairment losses or impairment reversals were recognized during the year-to-date periods ended October 1, 2023 and September 25, 2022.

### 10. Employee Benefit Plans

On April 25, 2023, the Company entered into a contract to purchase annuities totaling $12,794 with respect to certain retired members of the US defined benefit pension plan. The corresponding benefit obligation relating to these plan members was $12,500, resulting in a loss on settlement of $294 which was recorded in other (expenses) income.

### 11. 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 October 1, 2023, potential future lease payments not included in lease liabilities totalled $4,407 on a discounted basis.

### 12. Dividends

During the third quarter of 2023, dividends in Canadian dollars of 3 cents per common share were declared (2022 - 3 cents) and on a year-to-date basis, 9 cents per common share were declared (2022 - 9 cents).

### 13. Earnings Per Share

| | Quarter Ended | | Year-To-Date Ended | |
|---|---|---|---|---|
| | October 1 2023 | September 25 2022 | October 1 2023 | September 25 2022 |
| Net income attributable to equity holders of the Company | 33,991 | 29,567 | 113,284 | 97,108 |
| Weighted average shares outstanding (000's) | 65,000 | 65,000 | 65,000 | 65,000 |
| Basic and diluted earnings per share - cents | 52 | 45 | 174 | 149 |

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

**14. 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 |
|---|---|---|---|---|
| At October 1, 2023 | | | | |
| Foreign currency forward contracts - net | - | (207) | - | (207) |
| At December 25, 2022 | | | | |
| Foreign currency forward contracts - net | - | (1,328) | - | (1,328) |

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 October 1, 2023, the supplier rebate receivable balance that was offset was $5,967 (December 25, 2022 - $7,002).

**15. 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 October 1, 2023, a one-cent change in the period-end foreign exchange rate from 0.7366 to 0.7266 (CDN to US dollars) would have decreased net income by $157 for the third quarter of 2023. Conversely, a one-cent change in the period-end foreign exchange rate from 0.7366 to 0.7466 (CDN to US dollars) would have increased net income by $157 for the third quarter of 2023.

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 for special dividend payments made in CDN dollars and when equipment purchases will be settled in other foreign currencies such as the Euro dollar. 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.

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

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 2023 and the Company realized pre-tax foreign exchange gains of $5 (year-to-date losses - $896). Of these foreign exchange differences, losses of $37 were recorded in other (expenses) income (year-to-date losses - $955) and gains of $42 were recorded in property, plant and equipment (year-to-date gains $59). During the third quarter of 2022, the Company realized pre-tax foreign exchange losses of $263 (year-to-date losses - $541) which were recorded in other (expenses) income.

As at October 1, 2023, the Company had US to CDN dollar foreign currency forward contracts outstanding with a notional amount of US $58.4 million at an average exchange rate of 1.3479 maturing between October 2023 and August 2024. The fair value of these financial instruments was negative $207 US and the corresponding unrealized loss has been recorded in other comprehensive income. The Company did not recognize any ineffectiveness on the hedging instruments for the year-to-date periods ended October 1, 2023 and September 25, 2022.

***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 October 1, 2023 cash and cash equivalents balance of $513.0 million, a 1.0 percent increase/decrease in interest rate fluctuations would increase/decrease income before income taxes by $5,130 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 October 1, 2023, 76 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 $513.0 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.

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

| | October 1 2023 | December 25 2022 |
|---|---|---|
| Cash and cash equivalents | 513,021 | 398,673 |
| Trade and other receivables | 189,376 | 204,040 |
| Foreign currency forward contracts | 128 | - |
| | 702,525 | 602,713 |

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

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 2023, the Company incurred costs on the sale of trade receivables of $1,554 (2022 - $1,294). Of these costs, $1,452 was recorded in finance expense (2022 - $965) and $102 was recorded in general and administrative expenses (2022 - $329). On a year-to-date basis, the Company incurred costs on the sale of trade receivables of $4,482 (2022 - $2,521). Of these costs, $4,179 was recorded in finance expense (2022 - $1,943) and $303 was recorded in general and administrative expenses (2022 - $578).

As at October 1, 2023, 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) 31 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 40 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 2023, the Company recorded impairment losses on trade and other receivables of $97 (2022 - $34 impairment recoveries). On a year-to-date basis, the Company recorded impairment losses on trade and other receivables of $206 (2022 - $26 impairment recoveries).

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:

| | October 1 2023 | December 25 2022 |
|---|---|---|
| Current (not past due) | 165,606 | 176,720 |
| 1 - 30 days past due | 20,572 | 22,119 |
| 31 - 60 days past due | 1,552 | 3,145 |
| More than 60 days past due | 3,632 | 3,573 |
| | 191,362 | 205,557 |
| Less: Allowance for expected credit losses | (1,986) | (1,517) |
| Total trade and other receivables, net | 189,376 | 204,040 |

## 16. 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.