



**Winpak Ltd.**  
**Interim Condensed Consolidated Financial Statements**  
**Fourth Quarter Ended: December 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	December 25 2022	December 26 2021
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents		398,673	377,461
Trade and other receivables	14	204,040	177,382
Income taxes receivable		3,573	9,825
Inventories	8	288,118	187,058
Prepaid expenses		5,602	6,702
		<u>900,006</u>	<u>758,428</u>
<b>Non-current assets:</b>			
Property, plant and equipment	9	518,590	515,247
Intangible assets and goodwill		33,110	34,472
Employee benefit plan assets		10,783	13,547
		<u>562,483</u>	<u>563,266</u>
<b>Total assets</b>		<u>1,462,489</u>	<u>1,321,694</u>
<b>Equity and Liabilities</b>			
<b>Current liabilities:</b>			
Trade payables and other liabilities		102,382	91,717
Contract liabilities		2,621	3,503
Income taxes payable		18,393	1,102
Derivative financial instruments		1,328	715
		<u>124,724</u>	<u>97,037</u>
<b>Non-current liabilities:</b>			
Employee benefit plan liabilities		8,334	9,837
Deferred income		17,946	17,685
Provisions and other long-term liabilities		12,062	13,029
Deferred tax liabilities		60,648	68,367
		<u>98,990</u>	<u>108,918</u>
<b>Total liabilities</b>		<u>223,714</u>	<u>205,955</u>
<b>Equity:</b>			
Share capital		29,195	29,195
Reserves		(972)	(524)
Retained earnings		1,174,551	1,050,949
<b>Total equity attributable to equity holders of the Company</b>		<u>1,202,774</u>	<u>1,079,620</u>
<b>Non-controlling interests</b>		<u>36,001</u>	<u>36,119</u>
<b>Total equity</b>		<u>1,238,775</u>	<u>1,115,739</u>
<b>Total equity and liabilities</b>		<u>1,462,489</u>	<u>1,321,694</u>

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		Year Ended	
		December 25 2022	December 26 2021	December 25 2022	December 26 2021
Revenue	6	292,365	279,053	1,181,133	1,001,994
Cost of sales		(212,866)	(202,158)	(849,369)	(727,546)
Gross profit		79,499	76,895	331,764	274,448
Sales, marketing and distribution expenses		(23,210)	(22,704)	(95,378)	(83,848)
General and administrative expenses		(10,010)	(7,538)	(38,783)	(31,556)
Research and technical expenses		(5,119)	(4,701)	(18,249)	(17,831)
Pre-production expenses		(486)	(43)	(3,401)	(43)
Other (expenses) income	7	(386)	(536)	(3,669)	1,268
<b>Income from operations</b>		40,288	41,373	172,284	142,438
Finance income		3,612	187	6,414	913
Finance expense		(1,822)	(397)	(4,612)	(1,738)
Income before income taxes		42,078	41,163	174,086	141,613
Income tax expense		(11,240)	(10,846)	(45,861)	(35,265)
<b>Net income for the period</b>		30,838	30,317	128,225	106,348
<b>Attributable to:</b>					
Equity holders of the Company		31,235	30,031	128,343	103,808
Non-controlling interests		(397)	286	(118)	2,540
		30,838	30,317	128,225	106,348
<b>Basic and diluted earnings per share - cents</b>	12	48	46	197	160

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

	Note	Quarter Ended		Year Ended	
		December 25 2022	December 26 2021	December 25 2022	December 26 2021
<b>Net income for the period</b>		30,838	30,317	128,225	106,348
<u>Items that will not be reclassified to the statements of income:</u>					
Cash flow hedge losses recognized		-	-	-	(867)
Employee benefit plan remeasurements		1,578	12,727	1,578	12,727
Income tax effect		(372)	(3,419)	(372)	(3,419)
		1,206	9,308	1,206	8,441
<u>Items that are or may be reclassified subsequently to the statements of income:</u>					
Cash flow hedge losses recognized		(24)	(384)	(1,703)	(102)
Cash flow hedge losses (gains) transferred to the statements of income	7	549	(136)	1,090	(1,751)
Income tax effect		(140)	139	165	495
		385	(381)	(448)	(1,358)
<b>Other comprehensive income for the period - net of income tax</b>		1,591	8,927	758	7,083
<b>Comprehensive income for the period</b>		32,429	39,244	128,983	113,431
<b>Attributable to:</b>					
Equity holders of the Company		32,826	38,958	129,101	110,891
Non-controlling interests		(397)	286	(118)	2,540
		32,429	39,244	128,983	113,431

See accompanying notes to condensed consolidated financial statements.

**Winpak Ltd.**
**Condensed Consolidated Statements of Changes in Equity**
*(thousands of US dollars) (unaudited)*

	Note	Attributable to equity holders of the Company					
		Share capital	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
<b>Balance at December 28, 2020</b>		29,195	834	1,103,435	1,133,464	33,579	1,167,043
<b>Comprehensive (loss) income for the year</b>							
Cash flow hedge losses, net of tax		-	(75)	(867)	(942)	-	(942)
Cash flow hedge gains transferred to the statements of income, net of tax		-	(1,283)	-	(1,283)	-	(1,283)
Employee benefit plan remeasurements, net of tax		-	-	9,308	9,308	-	9,308
<b>Other comprehensive (loss) income</b>		-	(1,358)	8,441	7,083	-	7,083
<b>Net income for the year</b>		-	-	103,808	103,808	2,540	106,348
<b>Comprehensive (loss) income for the year</b>		-	(1,358)	112,249	110,891	2,540	113,431
<b>Dividends</b>	11	-	-	(164,735)	(164,735)	-	(164,735)
<b>Balance at December 26, 2021</b>		29,195	(524)	1,050,949	1,079,620	36,119	1,115,739
<b>Balance at December 27, 2021</b>		29,195	(524)	1,050,949	1,079,620	36,119	1,115,739
<b>Comprehensive (loss) income for the year</b>							
Cash flow hedge losses, net of tax		-	(1,247)	-	(1,247)	-	(1,247)
Cash flow hedge losses transferred to the statements of income, net of tax		-	799	-	799	-	799
Employee benefit plan remeasurements, net of tax		-	-	1,206	1,206	-	1,206
<b>Other comprehensive (loss) income</b>		-	(448)	1,206	758	-	758
<b>Net income (loss) for the year</b>		-	-	128,343	128,343	(118)	128,225
<b>Comprehensive (loss) income for the year</b>		-	(448)	129,549	129,101	(118)	128,983
<b>Dividends</b>	11	-	-	(5,947)	(5,947)	-	(5,947)
<b>Balance at December 25, 2022</b>		29,195	(972)	1,174,551	1,202,774	36,001	1,238,775

See accompanying notes to condensed consolidated financial statements.

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

	Note	Quarter Ended		Year Ended	
		December 25 2022	December 26 2021	December 25 2022	December 26 2021
<b>Cash provided by (used in):</b>					
<b>Operating activities:</b>					
Net income for the period		30,838	30,317	128,225	106,348
Items not involving cash:					
Depreciation		11,897	11,598	47,688	45,604
Amortization - deferred income		(404)	(372)	(1,687)	(1,881)
Amortization - intangible assets		425	414	1,698	1,660
Employee defined benefit plan expenses		908	1,041	4,233	4,533
Net finance (income) expense		(1,790)	210	(1,802)	825
Income tax expense		11,240	10,846	45,861	35,265
Other		(686)	(3,154)	(3,046)	(6,352)
Cash flow from operating activities before the following		52,428	50,900	221,170	186,002
Change in working capital:					
Trade and other receivables		2,674	(15,009)	(26,180)	(41,976)
Inventories		(7,361)	(13,724)	(101,060)	(51,429)
Prepaid expenses		1,830	337	1,100	(3,574)
Trade payables and other liabilities		(7,854)	15,485	10,589	27,056
Contract liabilities		2,461	1,024	(882)	1,728
Employee defined benefit plan contributions		(237)	(29)	(1,912)	(1,074)
Income tax paid		(8,589)	(2,356)	(26,794)	(19,069)
Interest received		3,410	151	5,848	791
Interest paid		(1,736)	(350)	(4,310)	(1,400)
Net cash from operating activities		37,026	36,429	77,569	97,055
<b>Investing activities:</b>					
Acquisition of property, plant and equipment - net		(13,833)	(9,446)	(49,125)	(48,291)
Acquisition of intangible assets		(83)	(64)	(336)	(245)
		(13,916)	(9,510)	(49,461)	(48,536)
<b>Financing activities:</b>					
Payment of lease liabilities		(215)	(208)	(862)	(807)
Dividends paid	11	(1,437)	(1,542)	(6,034)	(165,597)
		(1,652)	(1,750)	(6,896)	(166,404)
<b>Change in cash and cash equivalents</b>		21,458	25,169	21,212	(117,885)
<b>Cash and cash equivalents, beginning of period</b>		377,215	352,292	377,461	495,346
<b>Cash and cash equivalents, end of period</b>		398,673	377,461	398,673	377,461

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 53<sup>rd</sup> 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 Board of Directors on February 28, 2023.

## 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. 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.

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:

	December 25 2022	December 26 2021
United States	249,075	258,001
Canada	284,019	272,552
Mexico	18,606	19,166
	<u>551,700</u>	<u>549,719</u>

## 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 Ended	
	December 25 2022	December 26 2021	December 25 2022	December 26 2021
<b>Operating segment</b>				
Flexible packaging	159,590	147,082	640,209	519,798
Rigid packaging and flexible lidding	127,665	124,544	510,425	451,729
Packaging machinery	5,110	7,427	30,499	30,467
	292,365	279,053	1,181,133	1,001,994
<b>Geographic segment</b>				
United States	233,345	225,002	950,073	806,232
Canada	39,300	36,212	152,173	126,765
Mexico and other	19,720	17,839	78,887	68,997
	292,365	279,053	1,181,133	1,001,994

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 2022 and 2021. Other markets include medical, pharmaceutical, nutraceutical, personal care, industrial and other consumer goods.

**7. Other (Expenses) Income**

	Quarter Ended		Year Ended	
	December 25 2022	December 26 2021	December 25 2022	December 26 2021
<b>Amounts shown on a net basis</b>				
Foreign exchange gains (losses)	163	(672)	(2,579)	(483)
Cash flow hedge (losses) gains transferred from other comprehensive income	(549)	136	(1,090)	1,751
	(386)	(536)	(3,669)	1,268

**8. Inventories**

	December 25 2022	December 26 2021
Raw materials	128,371	65,065
Work-in-process	46,022	32,435
Finished goods	97,163	74,834
Spare parts	16,562	14,724
	288,118	187,058

During the fourth quarter of 2022, the Company recorded, within cost of sales, inventory write-downs for slow-moving and obsolete inventory of \$4,458 (2021 - \$1,623) and reversals of previously written-down items of \$453 (2021 - \$397). During 2022, the Company recorded, within cost of sales, inventory write-downs for slow-moving and obsolete inventory of \$11,760 (2021 - \$6,392) and reversals of previously written-down items of \$2,279 (2021 - \$2,666).

**9. Property, Plant and Equipment**

At December 25, 2022, the Company has commitments to purchase plant and equipment of \$31,061 (December 26, 2021 - \$15,769). No impairment losses or impairment reversals were recognized during 2022 and 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 December 25, 2022, potential future lease payments not included in lease liabilities totalled \$4,396 on a discounted basis.



**Notes to Condensed Consolidated Financial Statements**  
For the periods ended December 25, 2022 and December 26, 2021  
(thousands of US dollars, unless otherwise indicated) (Unaudited)

## 11. Dividends

During the fourth quarter of 2022, dividends in Canadian dollars of 3 cents per common share were declared (2021 - 3 cents) and during 2022, 12 cents per common share were declared (2021 - 12 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 Ended	
	December 25 2022	December 26 2021	December 25 2022	December 26 2021
Net income attributable to equity holders of the Company	31,235	30,031	128,343	103,808
Weighted average shares outstanding (000's)	65,000	65,000	65,000	65,000
Basic and diluted earnings per share - cents	48	46	197	160

## 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 December 25, 2022</u>		(1,328)		(1,328)
Foreign currency forward contracts - net	-		-	
<u>At December 26, 2021</u>		(715)		(715)
Foreign currency forward contracts - net	-		-	(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 December 25, 2022, the supplier rebate receivable balance that was offset was \$7,002 (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 December 25, 2022, a one-cent change in the period-end foreign exchange rate from 0.7356 to 0.7256 (CDN to US dollars) would have decreased net income by \$42 for the fourth quarter of 2022. Conversely, a one-cent change in the period-end foreign exchange rate from 0.7356 to 0.7456 (CDN to US dollars) would have increased net income by \$42 for the fourth 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 fourth quarter of 2022 and the Company realized pre-tax foreign exchange losses of \$549 (year-to-date losses - \$1,090) which were recorded in other (expenses) income. During the fourth quarter of 2021, the Company realized pre-tax foreign exchange gains of \$136 (year-to-date gains - \$884) of which gains of \$136 were recorded in other (expenses) income (year-to-date gains - \$1,751) and \$0 was recorded directly to equity (year-to-date losses - \$867).

As at December 25, 2022, the Company had US to CDN dollar foreign currency forward contracts outstanding with a notional amount of US \$45.0 million at an average exchange rate of 1.3170 maturing between January and September 2023. The fair value of these financial instruments was negative \$1,328 US and the corresponding unrealized loss has been recorded in other comprehensive income. The Company did not recognize any ineffectiveness on the hedging instruments during 2022 and 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 December 25, 2022 cash and cash equivalents balance of \$398.7 million, a 1.0 percent increase/decrease in interest rate fluctuations would increase/decrease income before income taxes by \$3,987 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 2022, 74 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 \$398.7 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 2023. 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.

**Notes to Condensed Consolidated Financial Statements**  
For the periods ended December 25, 2022 and December 26, 2021  
(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:

	December 25 2022	December 26 2021
Cash and cash equivalents	398,673	377,461
Trade and other receivables	204,040	177,382
	<u>602,713</u>	<u>554,843</u>

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 fourth quarter of 2022, the Company incurred costs on the sale of trade receivables of \$1,753 (2021 - \$358). Of these costs, \$1,624 was recorded in finance expense (2021 - \$273) and \$129 was recorded in general and administrative expenses (2021 - \$85). During 2022, the Company incurred costs on the sale of trade receivables of \$4,274 (2021 - \$1,275). Of these costs, \$3,843 was recorded in finance expense (2021 - \$919) and \$431 was recorded in general and administrative expenses (2021 - \$356).

As at December 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) 28 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 fourth quarter of 2022, the Company recorded impairment losses on trade and other receivables of \$275 (2021 - \$1,019 impairment recoveries). During 2022, the Company recorded impairment losses on trade and other receivables of \$249 (2021 - \$946 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:

	December 25 2022	December 26 2021
Current (not past due)	176,720	149,824
1 - 30 days past due	22,119	22,504
31 - 60 days past due	3,145	3,351
More than 60 days past due	3,573	2,710
	<u>205,557</u>	<u>178,389</u>
Less: Allowance for expected credit losses	<u>(1,517)</u>	<u>(1,007)</u>
Total trade and other receivables, net	<u>204,040</u>	<u>177,382</u>

## 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.