



**Winpak Ltd.**  
**Interim Condensed Consolidated Financial Statements**  
**Fourth Quarter Ended: December 31, 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	December 31 2023	December 25 2022
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents		541,870	398,673
Trade and other receivables	15	207,355	204,040
Income taxes receivable		4,565	3,573
Inventories	8	219,763	288,118
Prepaid expenses		8,942	5,602
Derivative financial instruments		1,542	-
		<u>984,037</u>	<u>900,006</u>
<b>Non-current assets:</b>			
Property, plant and equipment	9	543,387	518,590
Intangible assets and goodwill		31,833	33,110
Employee benefit plan assets	10	12,209	10,783
		<u>587,429</u>	<u>562,483</u>
<b>Total assets</b>		<u>1,571,466</u>	<u>1,462,489</u>
<b>Equity and Liabilities</b>			
<b>Current liabilities:</b>			
Trade payables and other liabilities		89,359	102,382
Contract liabilities		1,478	2,621
Income taxes payable		3,109	18,393
Derivative financial instruments		-	1,328
		<u>93,946</u>	<u>124,724</u>
<b>Non-current liabilities:</b>			
Employee benefit plan liabilities	10	6,362	8,334
Deferred income		18,062	17,946
Provisions and other long-term liabilities		12,685	12,062
Deferred tax liabilities		56,762	60,648
		<u>93,871</u>	<u>98,990</u>
<b>Total liabilities</b>		<u>187,817</u>	<u>223,714</u>
<b>Equity:</b>			
Share capital		29,195	29,195
Reserves		1,361	(972)
Retained earnings		1,319,491	1,174,551
<b>Total equity attributable to equity holders of the Company</b>		<u>1,350,047</u>	<u>1,202,774</u>
<b>Non-controlling interests</b>		<u>33,602</u>	<u>36,001</u>
<b>Total equity</b>		<u>1,383,649</u>	<u>1,238,775</u>
<b>Total equity and liabilities</b>		<u>1,571,466</u>	<u>1,462,489</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 (Note 2)		Year Ended (Note 2)	
		December 31 2023	December 25 2022	December 31 2023	December 25 2022
Revenue	6	275,637	292,365	1,141,407	1,181,133
Cost of sales		(196,245)	(212,866)	(807,255)	(849,369)
Gross profit		79,392	79,499	334,152	331,764
Sales, marketing and distribution expenses		(22,639)	(23,210)	(93,156)	(95,378)
General and administrative expenses		(10,428)	(10,010)	(41,186)	(38,783)
Research and technical expenses		(5,611)	(5,119)	(20,349)	(18,249)
Pre-production expenses		-	(486)	-	(3,401)
Other income (expenses)	7	1,003	(386)	1,238	(3,669)
<b>Income from operations</b>		41,717	40,288	180,699	172,284
Finance income		7,268	3,612	24,418	6,414
Finance expense		(725)	(1,822)	(5,324)	(4,612)
Income before income taxes		48,260	42,078	199,793	174,086
Income tax expense		(13,244)	(11,240)	(52,200)	(45,861)
<b>Net income for the period</b>		35,016	30,838	147,593	128,225
<b>Attributable to:</b>					
Equity holders of the Company		34,846	31,235	148,130	128,343
Non-controlling interests		170	(397)	(537)	(118)
		35,016	30,838	147,593	128,225
<b>Basic and diluted earnings per share - cents</b>	13	54	48	228	197

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

	Note	Quarter Ended (Note 2)		Year Ended (Note 2)	
		December 31 2023	December 25 2022	December 31 2023	December 25 2022
<b>Net income for the period</b>		35,016	30,838	147,593	128,225
<u>Items that will not be reclassified to the statements of income:</u>					
Cash flow hedge gains recognized		779	-	912	-
Cash flow hedge losses (gains) transferred to property, plant and equipment		10	-	(49)	-
Employee benefit plan remeasurements		3,530	1,578	3,530	1,578
Income tax effect		(898)	(372)	(898)	(372)
		3,421	1,206	3,495	1,206
<u>Items that are or may be reclassified subsequently to the statements of income:</u>					
Cash flow hedge gains (losses) recognized		724	(24)	815	(1,703)
Cash flow hedge losses transferred to the statements of income	7	237	549	1,192	1,090
Income tax effect		(257)	(140)	(537)	165
		704	385	1,470	(448)
<b>Other comprehensive income for the period - net of income tax</b>		4,125	1,591	4,965	758
<b>Comprehensive income for the period</b>		39,141	32,429	152,558	128,983
<b>Attributable to:</b>					
Equity holders of the Company		38,971	32,826	153,095	129,101
Non-controlling interests		170	(397)	(537)	(118)
		39,141	32,429	152,558	128,983

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 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>	12	-	-	(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
<b>Balance at December 26, 2022</b>		29,195	(972)	1,174,551	1,202,774	36,001	1,238,775
<b>Comprehensive income (loss) for the year</b>							
Cash flow hedge gains, net of tax		-	1,509	-	1,509	-	1,509
Cash flow hedge losses transferred to the statements of income, net of tax		-	873	-	873	-	873
Cash flow hedge gains transferred to property, plant and equipment		-	(49)	-	(49)	-	(49)
Employee benefit plan remeasurements, net of tax		-	-	2,632	2,632	-	2,632
<b>Other comprehensive income</b>		-	2,333	2,632	4,965	-	4,965
<b>Net income (loss) for the year</b>		-	-	148,130	148,130	(537)	147,593
<b>Comprehensive income (loss) for the year</b>		-	2,333	150,762	153,095	(537)	152,558
<b>Dividends</b>	12	-	-	(5,822)	(5,822)	(1,862)	(7,684)
<b>Balance at December 31, 2023</b>		29,195	1,361	1,319,491	1,350,047	33,602	1,383,649

See accompanying notes to condensed consolidated financial statements.

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

	Note	Quarter Ended (Note 2)		Year Ended (Note 2)	
		December 31 2023	December 25 2022	December 31 2023	December 25 2022
<b>Cash provided by (used in):</b>					
<b>Operating activities:</b>					
Net income for the period		35,016	30,838	147,593	128,225
Items not involving cash:					
Depreciation		11,937	11,897	47,906	47,688
Amortization - deferred income		(408)	(404)	(1,708)	(1,687)
Amortization - intangible assets		393	425	1,636	1,698
Employee defined benefit plan expenses		512	908	2,958	4,233
Net finance income		(6,543)	(1,790)	(19,094)	(1,802)
Income tax expense		13,244	11,240	52,200	45,861
Other		(1,359)	(686)	(3,537)	(3,046)
Cash flow from operating activities before the following		52,792	52,428	227,954	221,170
Change in working capital:					
Trade and other receivables		(17,979)	2,674	(3,315)	(26,180)
Inventories		21,987	(7,361)	68,355	(101,060)
Prepaid expenses		1,933	1,830	(3,340)	1,100
Trade payables and other liabilities		4,094	(7,854)	(13,909)	10,589
Contract liabilities		721	2,461	(1,143)	(882)
Employee defined benefit plan contributions		(7)	(237)	(2,315)	(1,912)
Income tax paid		(13,696)	(8,589)	(70,476)	(26,794)
Interest received		7,149	3,410	23,931	5,848
Interest paid		(394)	(1,736)	(4,903)	(4,310)
Net cash from operating activities		56,600	37,026	220,839	77,569
<b>Investing activities:</b>					
Acquisition of property, plant and equipment - net		(24,164)	(13,833)	(68,670)	(49,125)
Acquisition of intangible assets		(4)	(83)	(360)	(336)
		(24,168)	(13,916)	(69,030)	(49,461)
<b>Financing activities:</b>					
Payment of lease liabilities		(285)	(215)	(965)	(862)
Dividends paid	12	(1,436)	(1,437)	(5,785)	(6,034)
Dividend paid to non-controlling interests in subsidiary		(1,862)	-	(1,862)	-
		(3,583)	(1,652)	(8,612)	(6,896)
<b>Change in cash and cash equivalents</b>		28,849	21,458	143,197	21,212
<b>Cash and cash equivalents, beginning of period</b>		513,021	377,215	398,673	377,461
<b>Cash and cash equivalents, end of period</b>		541,870	398,673	541,870	398,673

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 IFRS Accounting 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 53<sup>rd</sup> week every five to six years. The 2023 fiscal year comprised 53 weeks and the 2022 fiscal year comprised 52 weeks. Each quarter of 2023 and 2022 comprised 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 Board of Directors on February 28, 2024.

## 3. Accounting Standards Implemented in 2023

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

### **(a) Disclosure of Accounting Policies:**

In February 2021, the IASB issued "Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements)", which requires companies to disclose their material accounting policies rather than their significant accounting policies. The amendments were implemented, effective December 26, 2022. The amendments had no impact on the Company's unaudited interim condensed consolidated financial statements.

### **(b) 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.

### **(c) International Tax Reform - Pillar Two Model Rules:**

In May 2023, the IASB issued "International Tax Reform - Pillar Two Model Rules (Amendments to IAS 12)". The amendments provide a temporary mandatory exception from deferred tax accounting for the top-up tax, which is effective immediately, and require new disclosures about the Pillar Two exposure. The amendments were implemented with retrospective application, effective May 23, 2023. The amendments had no impact on the Company's unaudited interim condensed consolidated financial statements as no new legislation to implement the top-up tax was enacted or substantively enacted as at December 25, 2022 in any jurisdiction in which the Company operates and no related deferred tax was recognized at that date.

## 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.

**Notes to Condensed Consolidated Financial Statements**  
For the periods ended December 31, 2023 and December 25, 2022  
(thousands of US dollars, unless otherwise indicated) (Unaudited)

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 4 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 31 2023	December 25 2022
United States	256,065	249,075
Canada	301,261	284,019
Mexico	17,894	18,606
	<u>575,220</u>	<u>551,700</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 31 2023	December 25 2022	December 31 2023	December 25 2022
<b>Operating segment</b>				
Flexible packaging	144,897	159,590	606,315	640,209
Rigid packaging and flexible lidding	120,132	127,665	500,374	510,425
Packaging machinery	10,608	5,110	34,718	30,499
	<u>275,637</u>	<u>292,365</u>	<u>1,141,407</u>	<u>1,181,133</u>
<b>Geographic segment</b>				
United States	216,243	233,345	902,791	950,073
Canada	39,910	39,300	156,658	152,173
Mexico and other	19,484	19,720	81,958	78,887
	<u>275,637</u>	<u>292,365</u>	<u>1,141,407</u>	<u>1,181,133</u>

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 2023 and 2022. Other markets include medical, pharmaceutical, nutraceutical, personal care, industrial and other consumer goods.

## 7. Other Income (Expenses)

	Quarter Ended		Year Ended	
	December 31 2023	December 25 2022	December 31 2023	December 25 2022
Amounts shown on a net basis				
Foreign exchange gains (losses)	1,240	163	2,724	(2,579)
Cash flow hedge losses transferred from other comprehensive income	(237)	(549)	(1,192)	(1,090)
	1,003	(386)	1,532	(3,669)
Employee benefit plan settlement expense (Note 10)	-	-	(294)	-
	1,003	(386)	1,238	(3,669)

## 8. Inventories

	December 31 2023	December 25 2022
Raw materials	84,710	128,371
Work-in-process	39,891	46,022
Finished goods	76,825	97,163
Spare parts	18,337	16,562
	219,763	288,118

During the fourth quarter of 2023, the Company recorded, within cost of sales, inventory write-downs for slow-moving and obsolete inventory of \$3,472 (2022 - \$4,458) and reversals of previously written-down items of \$355 (2022 - \$453). During 2023, the Company recorded, within cost of sales, inventory write-downs for slow-moving and obsolete inventory of \$11,465 (2022 - \$11,760) and reversals of previously written-down items of \$3,939 (2022 - \$2,279).

## 9. Property, Plant and Equipment

At December 31, 2023, the Company has commitments to purchase property, plant and equipment of \$123,083 (December 25, 2022 - \$31,061). No impairment losses or impairment reversals were recognized during 2023 and 2022.

## 10. Employee Benefit Plans

On April 25, 2023, the Company entered into a contract to purchase annuities totaling \$12,744 with respect to certain retired members of the US defined benefit pension plan. The corresponding benefit obligation relating to these plan members was \$12,450, resulting in a loss on settlement of \$294 which was recorded in other income (expenses).

## 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 December 31, 2023, potential future lease payments not included in lease liabilities totalled \$4,890 on a discounted basis.

## 12. Dividends

During the fourth quarter of 2023, dividends in Canadian dollars of 3 cents per common share were declared (2022 - 3 cents) and during 2023, 12 cents per common share were declared (2022 - 12 cents).

## 13. Earnings Per Share

	Quarter Ended		Year Ended	
	December 31 2023	December 25 2022	December 31 2023	December 25 2022
Net income attributable to equity holders of the Company	34,846	31,235	148,130	128,343
Weighted average shares outstanding (000's)	65,000	65,000	65,000	65,000
Basic and diluted earnings per share - cents	54	48	228	197



#### 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
<u>At December 31, 2023</u>				
Foreign currency forward contracts - net	-	1,542	-	1,542
<u>At December 25, 2022</u>				
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 December 31, 2023, the supplier rebate receivable balance that was offset was \$8,769 (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 income (expenses). As a result of the Company's CDN dollar net asset monetary position as at December 31, 2023, a one-cent change in the period-end foreign exchange rate from 0.7546 to 0.7446 (CDN to US dollars) would have decreased net income by \$219 for the fourth quarter of 2023. Conversely, a one-cent change in the period-end foreign exchange rate from 0.7546 to 0.7646 (CDN to US dollars) would have increased net income by \$219 for the fourth 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 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 forward contracts matured during the fourth quarter of 2023 and the Company realized pre-tax foreign exchange losses of \$247 (year-to-date losses - \$1,143). Of these foreign exchange differences, losses of \$237 were recorded in other income (expenses) (year-to-date losses - \$1,192) and losses of \$10 were recorded in property, plant and equipment (year-to-date gains - \$49). During the fourth quarter of 2022, the Company realized pre-tax foreign exchange losses of \$549 (year-to-date losses - \$1,090) which were recorded in other income (expenses).

As at December 31, 2023, the Company had US to CDN dollar foreign currency forward contracts outstanding with a notional amount of US \$71.5 million at an average exchange rate of 1.3487 maturing between January and December 2024. The fair value of these financial instruments was \$1,542 US and the corresponding unrealized gain has been recorded in other comprehensive income. The Company did not recognize any ineffectiveness on the hedging instruments during 2023 and 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 December 31, 2023 cash and cash equivalents balance of \$541.9 million, a 1.0 percent increase/decrease in interest rate fluctuations would increase/decrease income before income taxes by \$5,419 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 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 \$541.9 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 2024. 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:

	December 31 2023	December 25 2022
Cash and cash equivalents	541,870	398,673
Trade and other receivables	207,355	204,040
Foreign currency forward contracts	1,542	-
	750,767	602,713

**Notes to Condensed Consolidated Financial Statements**  
For the periods ended December 31, 2023 and December 25, 2022  
(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 fourth quarter of 2023, the Company incurred costs on the sale of trade receivables of \$283 (2022 - \$1,753). Of these costs, \$258 was recorded in finance expense (2022 - \$1,624) and \$25 was recorded in general and administrative expenses (2022 - \$129). During 2023, the Company incurred costs on the sale of trade receivables of \$4,768 (2022 - \$4,274). Of these costs, \$4,440 was recorded in finance expense (2022 - \$3,843) and \$328 was recorded in general and administrative expenses (2022 - \$431).

As at December 31, 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) 30 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 47 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 2023, the Company recorded impairment losses on trade and other receivables of \$457 (2022 - \$275). During 2023, the Company recorded impairment losses on trade and other receivables of \$663 (2022 - \$249).

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 31 2023	December 25 2022
Current (not past due)	183,819	176,720
1 - 30 days past due	18,639	22,119
31 - 60 days past due	3,970	3,145
More than 60 days past due	<u>3,087</u>	<u>3,573</u>
	209,515	205,557
Less: Allowance for expected credit losses	<u>(2,160)</u>	<u>(1,517)</u>
Total trade and other receivables, net	<u>207,355</u>	<u>204,040</u>

**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.