Winpak Ltd.
Interim Condensed Consolidated Financial Statements
Second Quarter Ended: June 30, 2024

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	June 30 2024	December 31 2023
Assets			
Current assets:			
Cash and cash equivalents		490,333	541,870
Trade and other receivables	15	214,486	207,355
Income taxes receivable		7,461	4,565
Inventories	8	227,083	219,763
Prepaid expenses		8,783	8,942
Derivative financial instruments		-	1,542
		948,146	984,037
Non-current assets:			
Property, plant and equipment	9	592,701	543,387
Intangible assets and goodwill		31,087	31,833
Employee benefit plan assets	10	11,200	12,209
		634,988	587,429
Total assets		1,583,134	1,571,466
Equity and Liabilities			
Current liabilities:			
Trade payables and other liabilities		101,141	89,359
Contract liabilities		950	1,478
Provisions		600	-
Income taxes payable		2,489	3,109
Derivative financial instruments		765	-
		105,945	93,946
Non-current liabilities:			
Employee benefit plan liabilities	10	5,861	6,362
Deferred income		17,878	18,062
Provisions and other long-term liabilities		11,387	12,685
Deferred tax liabilities		52,547	56,762
		87,673	93,871
Total liabilities		193,618	187,817
Equity:			
Share capital	12	28,319	29,195
Reserves		(622)	1,361
Retained earnings		1,327,770	1,319,491
Total equity attributable to equity holders of the Company		1,355,467	1,350,047
Non-controlling interests		34,049	33,602
Total equity		1,389,516	1,383,649
Total equity and liabilities		1,583,134	1,571,466

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) June 30 2024	Quarter Ended (Note 2) July 2 2023	Year-To-Date Ended (Note 2) June 30 2024	Year-To-Date Ended (Note 2) July 2 2023
Revenue	6	283,496	287,464	560,279	591,980
Cost of sales		(191,431)	(200,563)	(382,022)	(417,229)
Gross profit		92,065	86,901	178,257	174,751
Sales, marketing and distribution expenses		(24,418)	(22,559)	(49,067)	(47,953)
General and administrative expenses		(12,414)	(9,595)	(25,134)	(20,111)
Research and technical expenses		(5,435)	(5,480)	(10,731)	(9,758)
Other (expenses) income	7	(1,730)	404	(2,009)	1,292
Income from operations		48,068	49,671	91,316	98,221
Finance income		7,094	5,461	14,628	10,453
Finance expense		(1,162)	(1,577)	(2,522)	(2,935)
Income before income taxes		54,000	53,555	103,422	105,739
Income tax expense		(14,981)	(13,538)	(28,628)	(26,986)
Net income for the period		39,019	40,017	74,794	78,753
Attributable to:					
Equity holders of the Company		38,825	40,006	74,347	79,293
Non-controlling interests		194	11	447	(540)
		39,019	40,017	74,794	78,753
Basic and diluted earnings per share - cents	13	61	62	116	122

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

	Note	Quarter Ended (Note 2) June 30 2024	Quarter Ended (Note 2) July 2 2023	Year-To-Date Ended (Note 2) June 30 2024	Year-To-Date Ended (Note 2) July 2 2023
Net income for the period		39,019	40,017	74,794	78,753
<u>Items that will not be reclassified to the statements of income:</u>					
Cash flow hedge (losses) gains recognized		(354)	478	(1,160)	766
Cash flow hedge losses (gains) transferred to property, plant and equipment		115	(17)	64	(17)
		(239)	461	(1,096)	749
<u>Items that are or may be reclassified subsequently to the statements of income:</u>					
Cash flow hedge (losses) gains recognized		(508)	544	(1,563)	954
Cash flow hedge losses transferred to the statements of income	7	344	632	352	918
Income tax effect		44	(315)	324	(502)
		(120)	861	(887)	1,370
Other comprehensive (loss) income for the period - net of income tax		(359)	1,322	(1,983)	2,119
Comprehensive income for the period		38,660	41,339	72,811	80,872
Attributable to:					
Equity holders of the Company		38,466	41,328	72,364	81,412
Non-controlling interests		194	11	447	(540)
		38,660	41,339	72,811	80,872

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 26, 2022		29,195	(972)	1,174,551	1,202,774	36,001	1,238,775
Comprehensive income for the period							
Cash flow hedge gains, net of tax		-	1,464	-	1,464	-	1,464
Cash flow hedge losses transferred to the statements of income, net of tax		-	672	-	672	-	672
Cash flow hedge gains transferred to property, plant and equipment		-	(17)	-	(17)	-	(17)
Other comprehensive income		-	2,119	-	2,119	-	2,119
Net income (loss) for the period		-	-	79,293	79,293	(540)	78,753
Comprehensive income (loss) for the period		-	2,119	79,293	81,412	(540)	80,872
Dividends	12	-	-	(2,914)	(2,914)	-	(2,914)
Balance at July 2, 2023		29,195	1,147	1,250,930	1,281,272	35,461	1,316,733
Balance at January 1, 2024		29,195	1,361	1,319,491	1,350,047	33,602	1,383,649
Comprehensive (loss) income for the period							
Cash flow hedge losses, net of tax		-	(2,305)	-	(2,305)	-	(2,305)
Cash flow hedge losses transferred to the statements of income, net of tax		-	258	-	258	-	258
Cash flow hedge losses transferred to property, plant and equipment		-	64	-	64	-	64
Other comprehensive loss		-	(1,983)	-	(1,983)	-	(1,983)
Net income for the period		-	-	74,347	74,347	447	74,794
Comprehensive (loss) income for the period		-	(1,983)	74,347	72,364	447	72,811
Dividends	12	-	-	(2,818)	(2,818)	-	(2,818)
Repurchase of common shares	12	(876)	-	(63,250)	(64,126)	-	(64,126)
Balance at June 30, 2024		28,319	(622)	1,327,770	1,355,467	34,049	1,389,516

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) June 30 2024	Quarter Ended (Note 2) July 2 2023	Year-To-Date Ended (Note 2) June 30 2024	Year-To-Date Ended (Note 2) July 2 2023
Cash provided by (used in):					
Operating activities:					
Net income for the period		39,019	40,017	74,794	78,753
Items not involving cash:					
Depreciation		13,086	11,952	25,766	24,039
Amortization - deferred income		(426)	(421)	(844)	(839)
Amortization - intangible assets		387	419	778	846
Employee defined benefit plan expenses		697	1,072	1,356	1,823
Net finance income		(5,932)	(3,884)	(12,106)	(7,518)
Income tax expense		14,981	13,538	28,628	26,986
Other		(652)	(854)	(1,017)	(2,254)
Cash flow from operating activities before the following		61,160	61,839	117,355	121,836
Change in working capital:					
Trade and other receivables		(12,509)	2,092	(7,131)	5,694
Inventories		(9,951)	13,794	(7,320)	20,365
Prepaid expenses		1,754	(1,296)	159	(3,743)
Trade payables and other liabilities		(1,180)	(10,423)	10,995	(21,012)
Contract liabilities		391	(503)	(528)	(1,835)
Employee defined benefit plan contributions		(19)	(28)	(1,174)	(785)
Income tax paid		(23,803)	(20,856)	(34,598)	(46,373)
Interest received		6,686	5,141	14,078	10,082
Interest paid		(1,062)	(1,593)	(2,328)	(2,962)
Net cash from operating activities		21,467	48,167	89,508	81,267
Investing activities:					
Acquisition of property, plant and equipment - net		(27,086)	(12,142)	(74,429)	(21,585)
Acquisition of intangible assets		(9)	(79)	(32)	(286)
		(27,095)	(12,221)	(74,461)	(21,871)
Financing activities:					
Payment of lease liabilities		(402)	(227)	(799)	(446)
Dividends paid	12	(1,436)	(1,443)	(2,907)	(2,877)
Repurchase of common shares	12	(56,567)	-	(62,878)	-
		(58,405)	(1,670)	(66,584)	(3,323)
Change in cash and cash equivalents		(64,033)	34,276	(51,537)	56,073
Cash and cash equivalents, beginning of period		554,366	420,470	541,870	398,673
Cash and cash equivalents, end of period		490,333	454,746	490,333	454,746

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 31, 2023, which are included in the Company's 2023 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 2024 fiscal year comprises 52 weeks and the 2023 fiscal year comprised 53 weeks. Each quarter of 2024 and 2023 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 July 25, 2024.

3. Accounting Standards Implemented in 2024

The following accounting standards came into effect commencing in the Company's 2024 fiscal year:

(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 were implemented with retrospective application, effective January 1, 2024. The amendments had no impact on the Company's unaudited interim condensed consolidated financial statements.

4. Future Accounting Standards

(a) Presentation and Disclosure of Financial Statements:
In April 2024, the IASB issued IFRS 18 "Presentation and Disclosure in Financial Statements" to improve reporting of financial performance. IFRS 18 replaces IAS 1 "Presentation of Financial Statements". It carries forward many requirements from IAS 1 unchanged. IFRS 18 applies for annual reporting periods beginning on or after January 1, 2027 with early adoption permitted. The Company is currently assessing the impact of this new standard and does not intend to early adopt IFRS 18 in its consolidated financial statements.

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.

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

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:

	June 30 2024	December 31 2023
United States	273,893	256,065
Canada	332,430	301,261
Mexico	17,465	17,894
	623,788	575,220

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	
	June 30 2024	July 2 2023	June 30 2024	July 2 2023
Operating segment				
Flexible packaging	148,655	151,167	295,952	315,167
Rigid packaging and flexible lidding	126,871	129,159	249,071	259,208
Packaging machinery	7,970	7,138	15,256	17,605
	283,496	287,464	560,279	591,980
Geographic segment				
United States	226,442	225,866	446,356	470,662
Canada	36,382	40,054	73,903	79,014
Mexico and other	20,672	21,544	40,020	42,304
	283,496	287,464	560,279	591,980

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 June 30, 2024 and July 2, 2023. 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	June 30 2024	July 2 2023	June 30 2024	July 2 2023
Foreign exchange (losses) gains	(1,386)	1,330	(1,657)	2,504
Cash flow hedge losses transferred from other comprehensive income	(344)	(632)	(352)	(918)
	(1,730)	698	(2,009)	1,586
Employee benefit plan settlement expense (Note 10)	-	(294)	-	(294)
	(1,730)	404	(2,009)	1,292

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

8. Inventories

	June 30 2024	December 31 2023
Raw materials	69,827	84,710
Work-in-process	47,887	39,891
Finished goods	90,572	76,825
Spare parts	18,797	18,337
	227,083	219,763

During the second quarter of 2024, the Company recorded, within cost of sales, inventory write-downs for slow-moving and obsolete inventory of $2,366 (2023 - $1,842) and reversals of previously written-down items of $1,610 (2023 - $781). On a year-to-date basis, the Company recorded, within cost of sales, inventory write-downs for slow-moving and obsolete inventory of $5,285 (2023 - $4,670) and reversals of previously written-down items of $3,859 (2023 - $3,087).

9. Property, Plant and Equipment

At June 30, 2024, the Company has commitments to purchase property, plant and equipment of $74,933 (December 31, 2023 - $123,083). No impairment losses or impairment reversals were recognized during the year-to-date periods ended June 30, 2024 and July 2, 2023.

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 June 30, 2024, potential future lease payments not included in lease liabilities totalled $4,808 on a discounted basis.

12. Share Capital

The following table presents changes in the Company's share capital:

	Number of Common Shares	Amount
Opening balance, January 1, 2024	65,000,000	29,195
Repurchase of common shares	(1,950,000)	(876)
Closing balance, June 30, 2024	63,050,000	28,319

Dividends
During the second quarter of 2024, dividends in Canadian dollars of 3 cents per common share were declared (2023 - 3 cents) and on a year-to-date basis, 6 cents per common share were declared (2023 - 6 cents).

Share Redemptions
On February 29, 2024, the Toronto Stock Exchange (the "TSX") accepted a notice filed by Winpak of its intention to make a normal course issuer bid (the "NCIB") with respect to its outstanding common shares. The notice provides that Winpak may, during the 12-month period commencing March 4, 2024 and ending no later than March 3, 2025, purchase through the facilities of the TSX and other alternative Canadian trading systems up to a maximum of 1,950,000 common shares in total, being 3.0 percent of the issued and outstanding shares of Winpak as of February 21, 2024. The program was fulfilled on May 13, 2024. The price which Winpak paid for any common shares was the market price at the time of acquisition. Daily purchases under the NCIB were generally limited to 11,644 common shares, other than block purchases. All shares purchased were canceled. In connection with the NCIB, Winpak entered into an automatic share purchase plan ("ASPP") with CIBC World Markets Inc. to facilitate the purchase of common shares under the NCIB, including at times when Winpak was not permitted to purchase its common shares due to regulatory restrictions or self-imposed blackout periods.

During the second quarter of 2024, 1,741,496 common shares were repurchased under the NCIB program for cancelation at a weighted average price of CDN $44.17 for aggregate consideration of CDN $76,915 (US $56,567) of which $782 was recorded to share capital and the remaining $55,785 was recorded to retained earnings. On a year-to-date basis, 1,950,000 common shares were repurchased under the NCIB program for cancelation at a weighted average price of CDN $43.81 for aggregate consideration of CDN $85,436 (US $62,878) of which $876 was recorded to share capital and the remaining $62,002 was recorded to retained earnings.

At June 30, 2024, the Company recorded an obligation totaling $1,248 for a two percent Canadian federal tax on the net value of equity repurchased during the year. The liability was recognized within 'Trade payables and other liabilities' and the corresponding amount was recorded to retained earnings.

13. Earnings Per Share

	Quarter Ended		Year-To-Date Ended	
	June 30 2024	July 2 2023	June 30 2024	July 2 2023
Net income attributable to equity holders of the Company	38,825	40,006	74,347	79,293
Weighted average shares outstanding (000's)	63,726	65,000	64,345	65,000
Basic and diluted earnings per share - cents	61	62	116	122

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 June 30, 2024				
Foreign currency forward contracts - net	-	(765)	-	(765)
At December 31, 2023				
Foreign currency forward contracts - net	-	1,542	-	1,542

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 June 30, 2024, the supplier rebate receivable balance that was offset was $4,653 (December 31, 2023 - $8,769).

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 June 30, 2024, a one-cent change in the period-end foreign exchange rate from 0.7308 to 0.7208 (CDN to US dollars) would have decreased net income by $275 for the second quarter of 2024. Conversely, a one-cent change in the period-end foreign exchange rate from 0.7308 to 0.7408 (CDN to US dollars) would have increased net income by $275 for the second quarter of 2024.

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, share repurchases 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 second quarter of 2024 and the Company realized pre-tax foreign exchange losses of $656 (year-to-date losses - $613). Of these foreign exchange differences, losses of $344 were recorded in other (expenses) income (year-to-date losses - $352), losses of $115 were recorded in property, plant and equipment (year-to-date losses - $64), and losses of $197 were recorded directly to equity (year-to-date losses - $197). During the second quarter of 2023, the Company realized pre-tax foreign exchange losses of $615 (year-to-date losses - $901). Of these foreign exchange differences, losses of $632 were recorded in other (expenses) income (year-to-date losses - $918) and gains of $17 were recorded in property, plant and equipment (year-to-date gains - $17).

As at June 30, 2024, the Company had US to CDN dollar foreign currency forward contracts outstanding with a notional amount of US $81.1 million at an average exchange rate of 1.3496 maturing between July 2024 and May 2025. The fair value of these financial instruments was negative $765 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 June 30, 2024 and July 2, 2023.

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 June 30, 2024 cash and cash equivalents balance of $490.3 million, a 1.0 percent increase/decrease in interest rate fluctuations would increase/decrease income before income taxes by $4,903 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 June 30, 2024, 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.

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

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 $490.3 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, share repurchases 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:

	June 30 2024	December 31 2023
Cash and cash equivalents	490,333	541,870
Trade and other receivables	214,486	207,355
Foreign currency forward contracts	-	1,542
	704,819	750,767

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 second quarter of 2024, the Company incurred costs on the sale of trade receivables of $989 (2023 - $1,573). Of these costs, $903 was recorded in finance expense (2023 - $1,466) and $86 was recorded in general and administrative expenses (2023 - $107). On a year-to-date basis, the Company incurred costs on the sale of trade receivables of $2,246 (2023 - $2,928). Of these costs, $2,049 was recorded in finance expense (2023 - $2,727) and $197 was recorded in general and administrative expenses (2023 - $201).

As at June 30, 2024, 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) 98 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) 29 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 45 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 second quarter of 2024, the Company recorded impairment losses on trade and other receivables of $421 (2023 - $81). On a year-to-date basis, the Company recorded impairment losses on trade and other receivables of $919 (2023 - $109).

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

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:

	June 30 2024	December 31 2023
Current (not past due)	191,222	183,819
1 - 30 days past due	20,434	18,639
31 - 60 days past due	2,803	3,970
More than 60 days past due	2,541	3,087
	217,000	209,515
Less: Allowance for expected credit losses	(2,514)	(2,160)
Total trade and other receivables, net	214,486	207,355

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.