



Winpak Ltd.
Interim Condensed Consolidated Financial Statements
Second Quarter Ended: June 29, 2025

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 29 2025	December 29 2024
Assets			
Current assets:			
Cash and cash equivalents		356,030	497,261
Trade and other receivables	13	213,356	220,201
Income taxes receivable		15,224	8,749
Inventories	7	270,718	250,383
Prepaid expenses		9,589	6,710
Derivative financial instruments		905	-
		<u>865,822</u>	<u>983,304</u>
Non-current assets:			
Property, plant and equipment	8	641,873	622,666
Intangible assets and goodwill		29,434	29,709
Employee benefit plan assets		11,443	11,405
		<u>682,750</u>	<u>663,780</u>
Total assets		<u>1,548,572</u>	<u>1,647,084</u>
Equity and Liabilities			
Current liabilities:			
Trade payables and other liabilities		117,587	252,134
Contract liabilities		1,566	1,747
Income taxes payable		1,432	6,879
Derivative financial instruments		233	4,175
		<u>120,818</u>	<u>264,935</u>
Non-current liabilities:			
Employee benefit plan liabilities		4,241	4,774
Deferred income		19,565	19,721
Provisions and other long-term liabilities		15,756	16,781
Deferred tax liabilities		61,094	56,999
		<u>100,656</u>	<u>98,275</u>
Total liabilities		<u>221,474</u>	<u>363,210</u>
Equity:			
Share capital	10	27,415	27,735
Reserves		492	(3,174)
Retained earnings		1,264,372	1,224,097
Total equity attributable to equity holders of the Company		<u>1,292,279</u>	<u>1,248,658</u>
Non-controlling interests		<u>34,819</u>	<u>35,216</u>
Total equity		<u>1,327,098</u>	<u>1,283,874</u>
Total equity and liabilities		<u>1,548,572</u>	<u>1,647,084</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-To-Date Ended	
		June 29 2025	June 30 2024	June 29 2025	June 30 2024
Revenue	5	272,800	283,496	557,602	560,279
Cost of sales		(192,594)	(191,431)	(388,851)	(382,022)
Gross profit		80,206	92,065	168,751	178,257
Sales, marketing and distribution expenses		(23,992)	(24,418)	(48,315)	(49,067)
General and administrative expenses		(13,646)	(12,414)	(26,235)	(25,134)
Research and technical expenses		(5,764)	(5,435)	(11,342)	(10,731)
Pre-production expenses		(127)	-	(280)	-
Other income (expenses)	6	1,056	(1,730)	(312)	(2,009)
Income from operations		37,733	48,068	82,267	91,316
Finance income		3,754	7,094	7,889	14,628
Finance expense		(1,074)	(1,162)	(2,449)	(2,522)
Income before income taxes		40,413	54,000	87,707	103,422
Income tax expense		(10,474)	(14,981)	(23,323)	(28,628)
Net income for the period		29,939	39,019	64,384	74,794
Attributable to:					
Equity holders of the Company		30,205	38,825	64,781	74,347
Non-controlling interests		(266)	194	(397)	447
		<u>29,939</u>	<u>39,019</u>	<u>64,384</u>	<u>74,794</u>
Basic and diluted earnings per share - cents	11	49	61	105	116

Condensed Consolidated Statements of Comprehensive Income

(thousands of US dollars) (unaudited)

	Note	Quarter Ended		Year-To-Date Ended	
		June 29 2025	June 30 2024	June 29 2025	June 30 2024
Net income for the period		29,939	39,019	64,384	74,794
<u>Items that will not be reclassified to the statements of income:</u>					
Cash flow hedge (losses) gains recognized		-	(354)	57	(1,160)
Cash flow hedge losses transferred to property, plant and equipment		-	115	378	64
		<u>-</u>	<u>(239)</u>	<u>435</u>	<u>(1,096)</u>
<u>Items that are or may be reclassified subsequently to the statements of income:</u>					
Cash flow hedge gains (losses) recognized		2,540	(508)	2,832	(1,563)
Cash flow hedge losses transferred to the statements of income	6	734	344	1,580	352
Income tax effect		(876)	44	(1,181)	324
		<u>2,398</u>	<u>(120)</u>	<u>3,231</u>	<u>(887)</u>
Other comprehensive income (loss) for the period - net of income tax		2,398	(359)	3,666	(1,983)
Comprehensive income for the period		32,337	38,660	68,050	72,811
Attributable to:					
Equity holders of the Company		32,603	38,466	68,447	72,364
Non-controlling interests		(266)	194	(397)	447
		<u>32,337</u>	<u>38,660</u>	<u>68,050</u>	<u>72,811</u>

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					Non-controlling interests	Total equity
		Share capital	Reserves	Retained earnings	Total			
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	10	-	-	(2,818)	(2,818)	-	(2,818)	
Repurchase of common shares	10	(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	
Balance at December 30, 2024		27,735	(3,174)	1,224,097	1,248,658	35,216	1,283,874	
Comprehensive income (loss) for the period								
Cash flow hedge gains, net of tax		-	2,131	-	2,131	-	2,131	
Cash flow hedge losses transferred to the statements of income, net of tax		-	1,157	-	1,157	-	1,157	
Cash flow hedge losses transferred to property, plant and equipment		-	378	-	378	-	378	
Other comprehensive income		-	3,666	-	3,666	-	3,666	
Net income (loss) for the period		-	-	64,781	64,781	(397)	64,384	
Comprehensive income (loss) for the period		-	3,666	64,781	68,447	(397)	68,050	
Dividends	10	-	-	(4,400)	(4,400)	-	(4,400)	
Repurchase of common shares	10	(320)	-	(20,106)	(20,426)	-	(20,426)	
Balance at June 29, 2025		27,415	492	1,264,372	1,292,279	34,819	1,327,098	

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-To-Date Ended	
		June 29 2025	June 30 2024	June 29 2025	June 30 2024
Cash provided by (used in):					
Operating activities:					
Net income for the period		29,939	39,019	64,384	74,794
Items not involving cash:					
Depreciation		13,507	13,086	27,193	25,766
Amortization - deferred income		(499)	(426)	(965)	(844)
Amortization - intangible assets		346	387	696	778
Employee defined benefit plan expenses		676	697	1,357	1,356
Net finance income		(2,680)	(5,932)	(5,440)	(12,106)
Income tax expense		10,474	14,981	23,323	28,628
Other		(949)	(652)	(1,311)	(1,017)
Cash flow from operating activities before the following		50,814	61,160	109,237	117,355
Change in working capital:					
Trade and other receivables		5,747	(12,509)	6,801	(7,131)
Inventories		(10,153)	(9,951)	(20,335)	(7,320)
Prepaid expenses		(346)	1,754	(2,879)	159
Trade payables and other liabilities		2,443	(1,180)	(5,140)	10,995
Contract liabilities		370	391	(181)	(528)
Employee defined benefit plan contributions		(1,220)	(19)	(1,238)	(1,174)
Income tax paid		(15,921)	(23,803)	(30,900)	(34,598)
Interest received		3,637	6,686	7,443	14,078
Interest paid		(973)	(1,062)	(2,204)	(2,328)
Net cash from operating activities		34,398	21,467	60,604	89,508
Investing activities:					
Acquisition of property, plant and equipment - net		(26,537)	(27,086)	(45,934)	(74,429)
Acquisition of intangible assets		(151)	(9)	(419)	(32)
		(26,688)	(27,095)	(46,353)	(74,461)
Financing activities:					
Payment of lease liabilities		(509)	(402)	(911)	(799)
Dividends paid	10	(2,155)	(1,436)	(135,399)	(2,907)
Repurchase of common shares	10	(5,474)	(56,567)	(19,172)	(62,878)
		(8,138)	(58,405)	(155,482)	(66,584)
Change in cash and cash equivalents		(428)	(64,033)	(141,231)	(51,537)
Cash and cash equivalents, beginning of period		356,458	554,366	497,261	541,870
Cash and cash equivalents, end of period		356,030	490,333	356,030	490,333

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 29, 2024, which are included in the Company's 2024 Annual Report.

The unaudited interim condensed consolidated financial statements were approved by the Audit Committee on behalf of the Board of Directors on July 24, 2025.

3. 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.

(b) Amendments to the classification and measurement of financial instruments:

In May 2024, the IASB issued "Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)", that clarify the recognition date and derecognition date of certain financial assets and liabilities, clarify and add guidance to assess whether a financial asset meets the solely payments of principal and interest criteria. The amendments include additional disclosure requirements for certain instruments with contractual terms that could change cash flows and updates the disclosure requirements relating to equity instruments at fair value through other comprehensive income. The amendments are effective for annual reporting periods beginning on or after January 1, 2027 with early adoption permitted. The Company does not expect the amendments to have a significant impact on the consolidated financial statements when they are adopted in 2027.

4. 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.

Notes to Condensed Consolidated Financial Statements
For the periods ended June 29, 2025 and June 30, 2024
(thousands of US dollars, unless otherwise indicated) (Unaudited)

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 5 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 29 2025	December 29 2024
United States	275,406	274,630
Canada	378,911	360,499
Mexico	16,990	17,246
	<u>671,307</u>	<u>652,375</u>

5. 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 29 2025	June 30 2024	June 29 2025	June 30 2024
Operating segment				
Flexible packaging	151,784	148,655	305,204	295,952
Rigid packaging and flexible lidding	114,871	126,871	237,613	249,071
Packaging machinery	6,145	7,970	14,785	15,256
	<u>272,800</u>	<u>283,496</u>	<u>557,602</u>	<u>560,279</u>
Geographic segment				
United States	213,349	226,442	441,045	446,356
Canada	37,441	36,382	72,105	73,903
Mexico and other	22,010	20,672	44,452	40,020
	<u>272,800</u>	<u>283,496</u>	<u>557,602</u>	<u>560,279</u>

The Company's products are primarily used for the packaging of perishable foods and beverages. Other markets include medical, pharmaceutical, nutraceutical, personal care, industrial and other consumer goods.

6. Other income (expenses)

	Quarter Ended		Year-To-Date Ended	
	June 29 2025	June 30 2024	June 29 2025	June 30 2024
Amounts shown on a net basis				
Foreign exchange gains (losses)	1,790	(1,386)	1,268	(1,657)
Cash flow hedge losses transferred from other comprehensive income	(734)	(344)	(1,580)	(352)
	<u>1,056</u>	<u>(1,730)</u>	<u>(312)</u>	<u>(2,009)</u>

7. Inventories

	June 29 2025	December 29 2024
Raw materials	85,537	79,142
Work-in-process	59,930	54,297
Finished goods	104,201	96,889
Spare parts	21,050	20,055
	<u>270,718</u>	<u>250,383</u>

During the second quarter of 2025, the Company recorded, within cost of sales, inventory write-downs for slow-moving and obsolete inventory of \$3,814 (2024 - \$2,366) and reversals of previously written-down items of \$1,081 (2024 - \$1,610). On a year-to-date basis, the Company recorded, within cost of sales, inventory write-downs for slow-moving and obsolete inventory of \$8,206 (2024 - \$5,285) and reversals of previously written-down items of \$3,230 (2024 - \$3,859).

8. Property, plant and equipment

At June 29, 2025, the Company has commitments to purchase property, plant and equipment of \$44,191 (December 29, 2024 - \$41,777). No impairment losses or impairment reversals were recognized during the year-to-date periods ended June 29, 2025 and June 30, 2024.

9. 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 29, 2025, potential future lease payments not included in lease liabilities totalled \$4,770 on a discounted basis.

10. Share capital

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

	Quarter Ended		Year-To-Date Ended	
	June 29 2025	June 30 2024	June 29 2025	June 30 2024
Number of common shares				
Issued and outstanding, beginning of period	61,710,878	64,791,496	62,145,874	65,000,000
Repurchase of common shares	<u>(196,527)</u>	<u>(1,741,496)</u>	<u>(631,523)</u>	<u>(1,950,000)</u>
Issued and outstanding, end of period	<u>61,514,351</u>	<u>63,050,000</u>	<u>61,514,351</u>	<u>63,050,000</u>
Share capital amount				
Beginning of period	27,504	28,880	27,735	29,195
Repurchase of common shares	<u>(89)</u>	<u>(561)</u>	<u>(320)</u>	<u>(876)</u>
End of period	<u>27,415</u>	<u>28,319</u>	<u>27,415</u>	<u>28,319</u>

Repurchase of common shares during the second quarter of 2025 does not include the shares that may be repurchased subsequent to the end of the quarter under the automatic share purchase plan ("ASPP"), which is described below. However, the ending share capital balance reflects a reduction of \$214 related to the ASPP.

Dividends

During the second quarter of 2025, dividends in Canadian dollars of 5 cents per common share were declared (2024 - 3 cents) and on a year-to-date basis, 10 cents per common share were declared (2024 - 6 cents). In addition, on December 12, 2024, the Company declared a special dividend in Canadian dollars of \$3.00 per common share, paid on January 10, 2025.

Notes to Condensed Consolidated Financial Statements
For the periods ended June 29, 2025 and June 30, 2024
(thousands of US dollars, unless otherwise indicated) (Unaudited)

Share redemptions

On March 24, 2025, the Toronto Stock Exchange (the "TSX") accepted a notice filed by Winpak of its intention to renew its normal course issuer bid (the "NCIB") with respect to its outstanding common shares. The notice provided that Winpak may, during the 12-month period commencing March 26, 2025 and ending no later than March 25, 2026, purchase through the facilities of the TSX and other alternative Canadian trading systems up to a maximum of 3,087,500 common shares in total, being 5.0 percent of the issued and outstanding shares of Winpak as of March 18, 2025. The price which Winpak will pay for any common shares will be the market price at the time of acquisition. Daily purchases under the NCIB will be generally limited to 13,761 common shares, other than block purchases. All shares purchased will be canceled. In connection with the NCIB, Winpak has entered into an ASPP with CIBC World Markets Inc. to facilitate the purchase of common shares under the NCIB, including at times when Winpak would ordinarily not be permitted to purchase its common shares due to regulatory restrictions or self-imposed blackout periods. As at June 29, 2025, the Company had purchased 235,649 common shares under its current NCIB.

During the second quarter of 2025, 196,527 common shares (2024 - 1,741,496) were repurchased under the NCIB for cancellation at a weighted average price of CDN \$39.87 (2024 - CDN \$44.17) for aggregate consideration of CDN \$7,836 (US \$5,474) (2024 - CDN \$76,915 (US \$56,567)) of which \$88 (2024 - \$782) was recorded to share capital and the remaining \$5,386 (2024 - \$55,785) was recorded to retained earnings. On a year-to-date basis, 631,523 common shares (2024 - 1,950,000) were repurchased under the NCIB program for cancellation at a weighted average price of CDN \$43.65 (2024 - \$43.81) for aggregate consideration of CDN \$27,568 (US \$19,172) (2024 - CDN \$85,436 (US \$62,878)) of which \$284 (2024 - \$876) was recorded to share capital and the remaining \$18,888 (2024 - \$62,002) was recorded to retained earnings.

At June 29, 2025, the Company recorded an obligation to repurchase common shares of \$14,598 under the ASPP in trade payables and other liabilities of which \$214 was recorded to share capital and the remaining \$14,384 was recorded to retained earnings. Subsequent to the quarter ended June 29, 2025, the Company repurchased no additional common shares for cancellation as at the close of trading on July 23, 2025.

At June 29, 2025, the Company recorded an obligation totaling \$383 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.

11. Earnings per share

	Quarter Ended		Year-To-Date Ended	
	June 29 2025	June 30 2024	June 29 2025	June 30 2024
Net income attributable to equity holders of the Company	30,205	38,825	64,781	74,347
Weighted average shares outstanding (000's)	61,535	63,726	61,663	64,345
Basic and diluted earnings per share - cents	49	61	105	116

12. 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 June 29, 2025</u>				
Foreign currency forward contracts - net	-	672	-	672
<u>At December 29, 2024</u>				
Foreign currency forward contracts - net	-	(4,175)	-	(4,175)

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 29, 2025, the supplier rebate receivable balance that was offset was \$4,111 (December 29, 2024 - \$7,327).

13. 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 June 29, 2025, a one-cent change in the period-end foreign exchange rate from 0.7299 to 0.7199 (CDN to US dollars) would have decreased net income by \$240 for the second quarter of 2025. Conversely, a one-cent change in the period-end foreign exchange rate from 0.7299 to 0.7399 (CDN to US dollars) would have increased net income by \$240 for the second quarter of 2025.

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 2025 and the Company realized pre-tax foreign exchange losses of \$734 (year-to-date losses - \$1,958). Of these foreign exchange differences, losses of \$734 were recorded in other income (expenses) (year-to-date losses - \$1,580) and losses of \$0 were recorded in property, plant and equipment (year-to-date losses - \$378). During the second quarter of 2024, 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 income (expenses) (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).

As at June 29, 2025, the Company had US to CDN dollar foreign currency forward contracts outstanding with a notional amount of US \$75.2 million at an average exchange rate of 1.3734 maturing between July 2025 and June 2026. The fair value of these financial instruments was \$672 US and the corresponding unrealized gain 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 29, 2025 and June 30, 2024.

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 29, 2025 cash and cash equivalents balance of \$356.0 million, a 1.0 percent increase/decrease in interest rate fluctuations would increase/decrease income before income taxes by \$3,560 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 29, 2025, 75 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 \$356.0 million, (b) no outstanding bank loans, (c) unused credit facilities comprised of unsecured operating lines of \$38 million, (d) the ability to obtain term-loan financing to fund an acquisition, if needed, (e) an informal investment grade credit rating and (f) the Company's ability to generate positive cash flows from ongoing operations. Management believes that the Company's cash flows are more than sufficient to cover its operating costs, working capital requirements, capital expenditures, payment of lease liabilities, 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 29 2025	December 29 2024
Cash and cash equivalents	356,030	497,261
Trade and other receivables	213,356	220,201
Foreign currency forward contracts	905	-
	570,291	717,462

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.

As at June 29, 2025, the Company believes that the credit risk for trade and other receivables is mitigated due to the following: a) a broad customer base which is dispersed across varying market sectors and geographic locations, b) 97 percent of the gross trade and other receivables balance is within 30 days of the agreed upon payment terms with customers, c) the sale of certain extended term trade receivables without recourse to a third party and d) 27 percent of the trade and other receivables balance is insured against credit losses.

Notes to Condensed Consolidated Financial Statements

For the periods ended June 29, 2025 and June 30, 2024
(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 29 2025	December 29 2024
Current (not past due)	190,911	192,326
1 - 30 days past due	19,580	23,295
31 - 60 days past due	2,107	3,265
More than 60 days past due	3,620	3,552
	<u>216,218</u>	<u>222,438</u>
Less: Allowance for expected credit losses	<u>(2,862)</u>	<u>(2,237)</u>
Total trade and other receivables, net	<u>213,356</u>	<u>220,201</u>

14. 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.