



Winpak Ltd.
Interim Condensed Consolidated Financial Statements
First Quarter Ended: March 30, 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	March 30 2025	December 29 2024
Assets			
Current assets:			
Cash and cash equivalents		356,458	497,261
Trade and other receivables	13	219,147	220,201
Income taxes receivable		4,923	8,749
Inventories	7	260,565	250,383
Prepaid expenses		9,243	6,710
Derivative financial instruments		33	-
		<u>850,369</u>	<u>983,304</u>
Non-current assets:			
Property, plant and equipment	8	628,535	622,666
Intangible assets and goodwill		29,628	29,709
Employee benefit plan assets		11,218	11,405
		<u>669,381</u>	<u>663,780</u>
Total assets		<u>1,519,750</u>	<u>1,647,084</u>
Equity and Liabilities			
Current liabilities:			
Trade payables and other liabilities		114,347	252,134
Contract liabilities		1,196	1,747
Income taxes payable		1,861	6,879
Derivative financial instruments		2,635	4,175
		<u>120,039</u>	<u>264,935</u>
Non-current liabilities:			
Employee benefit plan liabilities		5,107	4,774
Deferred income		19,498	19,721
Provisions and other long-term liabilities		15,941	16,781
Deferred tax liabilities		55,948	56,999
		<u>96,494</u>	<u>98,275</u>
Total liabilities		<u>216,533</u>	<u>363,210</u>
Equity:			
Share capital	10	27,504	27,735
Reserves		(1,906)	(3,174)
Retained earnings		1,242,534	1,224,097
Total equity attributable to equity holders of the Company		<u>1,268,132</u>	<u>1,248,658</u>
Non-controlling interests		<u>35,085</u>	<u>35,216</u>
Total equity		<u>1,303,217</u>	<u>1,283,874</u>
Total equity and liabilities		<u>1,519,750</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	
		March 30 2025	March 31 2024
Revenue	5	284,802	276,783
Cost of sales		(196,257)	(190,591)
Gross profit		88,545	86,192
Sales, marketing and distribution expenses		(24,323)	(24,649)
General and administrative expenses		(12,589)	(12,720)
Research and technical expenses		(5,578)	(5,296)
Pre-production expenses		(153)	-
Other expenses	6	(1,368)	(279)
Income from operations		44,534	43,248
Finance income		4,135	7,534
Finance expense		(1,375)	(1,360)
Income before income taxes		47,294	49,422
Income tax expense		(12,849)	(13,647)
Net income for the period		34,445	35,775
Attributable to:			
Equity holders of the Company		34,576	35,522
Non-controlling interests		(131)	253
		34,445	35,775
Basic and diluted earnings per share - cents	11	56	55

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

	Note	Quarter Ended	
		March 30 2025	March 31 2024
Net income for the period		34,445	35,775
<u>Items that will not be reclassified to the statements of income:</u>			
Cash flow hedge gains (losses) recognized		57	(806)
Cash flow hedge losses (gains) transferred to property, plant and equipment		378	(51)
		435	(857)
<u>Items that are or may be reclassified subsequently to the statements of income:</u>			
Cash flow hedge gains (losses) recognized		292	(1,055)
Cash flow hedge losses transferred to the statements of income	6	846	8
Income tax effect		(305)	280
		833	(767)
Other comprehensive income (loss) for the period - net of income tax		1,268	(1,624)
Comprehensive income for the period		35,713	34,151
Attributable to:			
Equity holders of the Company		35,844	33,898
Non-controlling interests		(131)	253
		35,713	34,151

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		-	(1,579)	-	(1,579)	-	(1,579)	
Cash flow hedge losses transferred to the statements of income, net of tax		-	6	-	6	-	6	
Cash flow hedge gains transferred to property, plant and equipment		-	(51)	-	(51)	-	(51)	
Other comprehensive loss		-	(1,624)	-	(1,624)	-	(1,624)	
Net income for the period		-	-	35,522	35,522	253	35,775	
Comprehensive (loss) income for the period		-	(1,624)	35,522	33,898	253	34,151	
Dividends	10	-	-	(1,436)	(1,436)	-	(1,436)	
Repurchase of common shares	10	(315)	-	(20,762)	(21,077)	-	(21,077)	
Balance at March 31, 2024		28,880	(263)	1,332,815	1,361,432	33,855	1,395,287	
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 losses, net of tax		-	270	-	270	-	270	
Cash flow hedge losses transferred to the statements of income, net of tax		-	620	-	620	-	620	
Cash flow hedge losses transferred to property, plant and equipment		-	378	-	378	-	378	
Other comprehensive income		-	1,268	-	1,268	-	1,268	
Net income (loss) for the period		-	-	34,576	34,576	(131)	34,445	
Comprehensive income (loss) for the period		-	1,268	34,576	35,844	(131)	35,713	
Dividends	10	-	-	(2,155)	(2,155)	-	(2,155)	
Repurchase of common shares	10	(231)	-	(13,984)	(14,215)	-	(14,215)	
Balance at March 30, 2025		27,504	(1,906)	1,242,534	1,268,132	35,085	1,303,217	

See accompanying notes to condensed consolidated financial statements.

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

	Quarter Ended	
	March 30 2025	March 31 2024
	Note	
Cash provided by (used in):		
Operating activities:		
Net income for the period	34,445	35,775
Items not involving cash:		
Depreciation	13,686	12,680
Amortization - deferred income	(466)	(418)
Amortization - intangible assets	350	391
Employee defined benefit plan expenses	681	659
Net finance income	(2,760)	(6,174)
Income tax expense	12,849	13,647
Other	(362)	(365)
Cash flow from operating activities before the following	58,423	56,195
Change in working capital:		
Trade and other receivables	1,054	5,378
Inventories	(10,182)	2,631
Prepaid expenses	(2,533)	(1,595)
Trade payables and other liabilities	(7,583)	12,175
Contract liabilities	(551)	(919)
Employee defined benefit plan contributions	(18)	(1,155)
Income tax paid	(14,979)	(10,795)
Interest received	3,806	7,392
Interest paid	(1,231)	(1,266)
Net cash from operating activities	26,206	68,041
Investing activities:		
Acquisition of property, plant and equipment - net	(19,397)	(47,343)
Acquisition of intangible assets	(268)	(23)
	(19,665)	(47,366)
Financing activities:		
Payment of lease liabilities	(402)	(397)
Dividends paid	10 (133,244)	(1,471)
Repurchase of common shares	10 (13,698)	(6,311)
	(147,344)	(8,179)
Change in cash and cash equivalents	(140,803)	12,496
Cash and cash equivalents, beginning of period	497,261	541,870
Cash and cash equivalents, end of period	356,458	554,366

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 April 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 March 30, 2025 and March 31, 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 4 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:

	March 30 2025	December 29 2024
United States	275,708	274,630
Canada	365,335	360,499
Mexico	17,120	17,246
	<u>658,163</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	
	March 30 2025	March 31 2024
Operating segment		
Flexible packaging	153,420	147,297
Rigid packaging and flexible lidding	122,742	122,200
Packaging machinery	8,640	7,286
	<u>284,802</u>	<u>276,783</u>
Geographic segment		
United States	227,696	219,914
Canada	34,664	37,521
Mexico and other	22,442	19,348
	<u>284,802</u>	<u>276,783</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 expenses

	Quarter Ended	
	March 30 2025	March 31 2024
Amounts shown on a net basis		
Foreign exchange losses	(522)	(271)
Cash flow hedge losses transferred from other comprehensive income	(846)	(8)
	<u>(1,368)</u>	<u>(279)</u>

7. Inventories

	March 30 2025	December 29 2024
Raw materials	84,254	79,142
Work-in-process	53,293	54,297
Finished goods	102,616	96,889
Spare parts	20,402	20,055
	260,565	250,383

During the first quarter of 2025, the Company recorded, within cost of sales, inventory write-downs for slow-moving and obsolete inventory of \$4,392 (2024 - \$2,919) and reversals of previously written-down items of \$2,149 (2024 - \$2,249).

8. Property, plant and equipment

At March 30, 2025, the Company has commitments to purchase property, plant and equipment of \$56,373 (December 29, 2024 - \$41,777). No impairment losses or impairment reversals were recognized in the first quarter of 2025 or 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 March 30, 2025, potential future lease payments not included in lease liabilities totalled \$4,503 on a discounted basis.

10. Share capital

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

	Quarter Ended	
	March 30 2025	March 31 2024
Number of common shares		
Issued and outstanding, beginning of period	62,145,874	65,000,000
Repurchase of common shares	(434,996)	(208,504)
Issued and outstanding, end of period	61,710,878	64,791,496
Share capital amount		
Beginning of period	27,735	29,195
Repurchase of common shares	(231)	(315)
End of period	27,504	28,880

Repurchase of common shares during the first 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 first quarter of 2025, dividends in Canadian dollars of 5 cents per common share were declared (2024 - 3 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 March 30, 2025 and March 31, 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 March 30, 2025, the Company had purchased 39,122 common shares under its current NCIB.

During the first quarter of 2025, 434,996 common shares (2024 - 208,504) were repurchased under the NCIB for cancellation at a weighted average price of CDN \$45.36 (2024 - CDN \$40.87) for aggregate consideration of CDN \$19,732 (US \$13,698) (2024 - CDN \$8,521 (US \$6,311)) of which \$195 (2024 - \$94) was recorded to share capital and the remaining \$13,503 (2024 - \$6,217) was recorded to retained earnings.

At March 30, 2025, the Company recorded an obligation to repurchase common shares of \$13,970 under the ASPP in trade payables and other liabilities of which \$214 was recorded to share capital and the remaining \$13,756 was recorded to retained earnings. Subsequent to the quarter ended March 30, 2025, the Company repurchased an additional 196,527 common shares for cancellation as at the close of trading on April 23, 2025. The transactions were completed at a weighted average price of CDN \$39.87 for aggregate consideration of CDN \$7,836 (US \$5,473).

At March 30, 2025, the Company recorded an obligation totaling \$274 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	
	March 30 2025	March 31 2024
Net income attributable to equity holders of the Company	34,576	35,522
Weighted average shares outstanding (000's)	61,792	64,963
Basic and diluted earnings per share - cents	56	55

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 March 30, 2025</u>				
Foreign currency forward contracts - net	-	(2,602)	-	(2,602)
<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 March 30, 2025, the supplier rebate receivable balance that was offset was \$7,591 (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 expenses. As a result of the Company's CDN dollar net asset monetary position as at March 30, 2025, a one-cent change in the period-end foreign exchange rate from 0.6985 to 0.6885 (CDN to US dollars) would have decreased net income by \$314 for the first quarter of 2025. Conversely, a one-cent change in the period-end foreign exchange rate from 0.6985 to 0.7085 (CDN to US dollars) would have increased net income by \$314 for the first 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 first quarter of 2025 and the Company realized pre-tax foreign exchange losses of \$1,224. Of these foreign exchange differences, losses of \$846 were recorded in other expenses and losses of \$378 were recorded in property, plant and equipment. During the first quarter of 2024, the Company realized pre-tax foreign exchange gains of \$43. Of these foreign exchange differences, losses of \$8 were recorded in other expenses and gains of \$51 were recorded in property, plant and equipment.

As at March 30, 2025, the Company had US to CDN dollar foreign currency forward contracts outstanding with a notional amount of US \$73.2 million at an average exchange rate of 1.3700 maturing between April 2025 and February 2026. The fair value of these financial instruments was negative \$2,602 US and the corresponding unrealized loss has been recorded in other comprehensive income. The Company did not recognize any ineffectiveness on the hedging instruments in the first quarter of 2025 or 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 March 30, 2025 cash and cash equivalents balance of \$356.5 million, a 1.0 percent increase/decrease in interest rate fluctuations would increase/decrease income before income taxes by \$3,565 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 quarter ended March 30, 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 \$356.5 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:

	March 30 2025	December 29 2024
Cash and cash equivalents	356,458	497,261
Trade and other receivables	219,147	220,201
Foreign currency forward contracts	33	-
	575,638	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 March 30, 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) 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) 26 percent of the trade and other receivables balance is insured against credit losses.

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 first quarter of 2025, the Company recorded impairment losses on trade and other receivables of \$37 (2024 - \$498 impairment losses).

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:

	March 30 2025	December 29 2024
Current (not past due)	197,461	192,326
1 - 30 days past due	20,036	23,295
31 - 60 days past due	1,574	3,265
More than 60 days past due	3,157	3,552
	<u>222,228</u>	<u>222,438</u>
Less: Allowance for expected credit losses	(3,081)	(2,237)
Total trade and other receivables, net	<u>219,147</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.