NEWS RELEASE

Winpak Reports 2019 Fourth Quarter Results

Winnipeg, Manitoba, March 3, 2020 - Winpak Ltd. (WPK) today reports consolidated results in US dollars for the fourth quarter of 2019, which ended on December 29, 2019.

	Quarter Ended		Year Ended	
	December 29 2019	December 30 2018 *	December 29 2019	December 30 2018 *
(thousands of US dollars, except per share amounts)				
Revenue	217,456	222,138	873,843	889,641
Net income	27,521	27,241	118,064	111,577
Income tax expense	9,830	10,059	41,711	39,952
Net finance income	(996)	(751)	(4,801)	(1,443)
Depreciation and amortization	12,640	10,194	43,570	40,068
EBITDA (1)	48,995	46,743	198,544	190,154
Net income attributable to equity holders of the Company	26,679	26,683	114,772	108,921
Net income attributable to non-controlling interests	842	558	3,292	2,656
Net income	27,521	27,241	118,064	111,577
Basic and diluted earnings per share (cents)	41	41	177	168

Winpak Ltd. 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.

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[1] EBITDA is not a recognized measure under International Financial Reporting Standards (IFRS). Management believes that in addition to net income, this measure provides useful supplemental information to investors including an indication of cash available for distribution prior to debt service, capital expenditures, payment of lease liabilities and income taxes. Investors should be cautioned, however, that this measure should not be construed as an alternative to net income, determined in accordance with IFRS, as an indicator of the Company's performance. The Company's method of calculating this measure may differ from other companies and, accordingly, the results may not be comparable.

*The Company has initially applied IFRS 16 "Leases" at December 31, 2018. Under the transition method chosen by the Company, comparative information has not been restated.

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Management's Discussion and Analysis (presented in US dollars)

Forward-looking statements: Certain statements made in the following Management's Discussion and Analysis contain forward-looking statements including, but not limited to, statements concerning possible or assumed future results of operations of the Company. Forward-looking statements represent the Company's intentions, plans, expectations and beliefs, and are not guarantees of future performance. Such forward-looking statements represent Winpak's current views based on information as at the date of this report. They involve risks, uncertainties and assumptions and the Company's actual results could differ, which in some cases may be material, from those anticipated in these forward-looking statements. Factors that could cause results to differ from those expected include, but are not limited to: the terms, availability and costs of acquiring raw materials and the ability to pass on price increases to customers; ability to negotiate contracts with new customers or renew existing customer contracts with less favorable terms; timely response to changes in customer product needs and market acceptance of our products; the potential loss of business or increased costs due to customer or vendor consolidation; competitive pressures, including new product development; industry capacity, and changes in competitors' pricing; ability to maintain or increase productivity levels; ability to contain or reduce costs; foreign currency exchange rate fluctuations; changes in governmental regulations, including environmental, health and safety; changes in Canadian and foreign income tax rates, income tax laws and regulations. Unless otherwise required by applicable securities law, Winpak disclaims any intention or obligation to publicly update or revise this information, whether as a result of new information, future events or otherwise. The Company cautions investors not to place undue reliance upon forward-looking statements.

Financial Performance

Net income attributable to equity holders of the Company for the fourth quarter of 2019 of $26.7 million or 41 cents in earnings per share (EPS) was equivalent to the result of the corresponding quarter of 2018. Foreign exchange enhanced EPS by 2.5 cents. Lower income taxes raised EPS by a further 0.5 cents. Conversely, the contraction in sales volumes and gross profit margins caused EPS to decline by 1.5 cents and 1.0 cent respectively. Higher operating expenses decreased EPS by 0.5 cents.

For the year ended December 29, 2019, net income attributable to equity holders of the Company of $114.8 million or $1.77 per share eclipsed the prior year net income of $108.9 million or $1.68 per share by 5.4 percent. Higher gross profit margins propelled EPS forward by 6.0 cents while foreign exchange and net finance income added 4.5 cents and 4.0 cents respectively. The minor reduction in income taxes augmented EPS by 1.0 cent. These positive factors were offset in part by higher operating expenses and lower sales volumes, which subtracted 3.0 cents and 2.5 cents respectively from EPS. Furthermore, a larger proportion of net income attributable to non-controlling interests lowered EPS by 1.0 cent.

On October 1, 2019, the Company signed a definitive agreement and closed the acquisition with respect to all the business (net assets including property and plant) of privately owned Cheringal Associates, Inc. and Norwood Printing, Inc. collectively ("Control Group") located in Norwood, New Jersey. Control Group provides specialized printed packaging formats to select markets. The purchase price of $42.7 million was paid from cash resources on hand. The acquired business now operates as Winpak Control Group Inc. (WCGI). Winpak's financial performance for the fourth quarter of 2019 and the year ended December 29, 2019 reflects the operating results of WCGI since October 1, 2019, including revenue of $5.2 million, and income from operations of $0.2 million.

Operating Segments and Product Groups

The Company provides three distinct types of packaging technologies: a) rigid packaging and flexible lidding, b) flexible packaging and c) packaging machinery. Each is deemed to be a separate operating segment.

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, industrial and healthcare. Specialized printed packaging provides packaging solutions to the pharmaceutical, healthcare, nutraceutical, cosmetic and personal care markets.

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.

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.

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Revenue

Revenue in the fourth quarter of 2019 of $217.5 million was $4.7 million or 2.1 percent less than the final quarter of 2018. Volumes, in total, declined by 3.5 percent from the prior year comparable quarter after adjusting for the incremental volume from the Control Group acquisition, which added 2.3 percent to fourth quarter revenue. Within the rigid packaging and flexible lidding operating segment, volumes receded by 11 percent. This was a function of lost retort tray business in early 2019 and considerably lower specialty beverage container volumes reflecting the unfavorable impact from the conversion to the recyclable polypropylene cup. The lidding product group's positive performance was largely a function of strong specialty beverage lidding orders. The flexible packaging operating segment realized appreciable volume growth of 4 percent in the quarter. Healthy growth in modified atmosphere packaging volumes was partially offset by soft specialty films volumes. For the packaging machinery operating segment, solid volume growth of 8 percent was achieved in comparison to the fourth quarter of 2018. Selling price and mix changes lowered revenues for the quarter by 0.8 percent. The depreciation of the Canadian dollar in comparison to its US counterpart had a minor negative impact on revenue.

For 2019, revenue of $873.8 million represented a decrease of $15.8 million or 1.8 percent compared to 2018 revenue of $889.6 million. Volumes, in total, declined by 1.3 percent from the prior year after adjusting for the incremental volume from the Control Group acquisition, which added 0.5 percent to 2019 revenue. The rigid packaging and flexible lidding operating segment experienced a 7 percent contraction in volumes. Volumes for the rigid container product group were restrained, influenced by the contraction in specialty beverage and retort tray shipments. Conversely, the lidding product group benefitted from inroads made with respect to specialty beverage die-cut lidding. The flexible packaging operating segment advanced by 4 percent. Robust growth in biaxially oriented nylon volumes reflected the heightened activity at key accounts. Gains at protein and dairy producers, most notably in Mexico, generated modest volume growth in modified atmosphere packaging while specialty films experienced lighter activity in the year. Within the packaging machinery operating segment, volume growth was healthy at 9 percent. Compared to 2018, selling price and mix changes had a negative effect on revenue of 0.7 percent. Foreign exchange reduced reported revenues by another 0.3 percent.

Gross Profit Margins

Gross profit margins contracted slightly to 30.4 percent of revenue in the fourth quarter of 2019, down from the 30.6 percent recorded in the same quarter of 2018, lowering EPS by 1.0 cent. Diminished sale volumes has led to elevated production costs due to lower equipment utilization, causing a reduction in gross profit margins. On a positive note, raw material costs declined to a greater extent than the related selling price adjustments. This discrepancy stemmed from the systematic delay in passing along corresponding selling price modifications to customers on formal price indexing programs.

For the current year, gross profit margins climbed to 31.3 percent of revenue versus the 2018 level of 30.4 percent. This resulted in an overall increase in EPS of 6.0 cents. The sizeable decline in raw material costs for two of the Company's principal resins was a significant factor as the related selling price adjustments passed along to customers on contractual price indexing arrangements did not take effect until the second half of 2019. This resulted in an expansion in gross profit margins, raising EPS by 9.5 cents. With sales volumes receding marginally in the current year and fixed manufacturing costs rising, due to targeted capital expenditures in recent years, gross profit margins were negatively impacted which tempered EPS by 3.5 cents.

The weighted indexed cost of the Company's primary raw materials fell by 2.5 percent from the third quarter of 2019. During the fourth quarter, polypropylene resin costs decreased by 6 percent while polyethylene and polystyrene resins experienced more modest declines. In comparison to 2018, the index dropped by 12.2 percent due to the markedly lower costs for polyethylene and polypropylene resins.

Expenses and Other

Operating expenses, exclusive of foreign exchange and the acquisition of Control Group, in the fourth quarter of 2019 receded at a similar rate relative to the decline in sales volumes, thereby having a negligible impact on EPS. Higher pre-production expenses reflected product development initiatives. Foreign exchange raised EPS by 2.5 cents in the quarter due to the positive translation differences on the revaluation of Canadian dollar monetary assets and liabilities. In contrast, significant negative translation differences were recorded in the fourth quarter of 2018. A slight decrease in the effective income tax rate in the current quarter elevated EPS by 0.5 cents.

For the 2019 fiscal year, operating expenses, adjusted for foreign exchange and the acquisition of Control Group, grew at a rate of 0.9 percent in relation to the drop in sales volumes, generating a decline in EPS of 3.0 cents. During 2019, additional one-time personnel costs were incurred due to the closure and relocation of an administration office. Pre-production costs in 2019 were $0.9 million higher than 2018 and related primarily to new production lines being commercialized along with new product development. In total, foreign exchange had a positive impact on EPS of 4.5 cents. The continued strengthening of the Canadian dollar during the year resulted in positive translation differences with respect to Canadian dollar monetary assets and liabilities. In the prior year, significant negative translation differences were recorded. Furthermore, the depreciation in the average exchange rate of the Canadian dollar in relation to the US dollar had a favorable influence on EPS. Net finance income elevated EPS by 4.0 cents and was the outcome of advancements in both the level of cash and cash equivalents on hand and the rate of interest earned thereon. The effective income tax rate dropped by half a percentage point, adding 1.0 cent to EPS. This was offset by a higher proportion of earnings attributable to non-controlling interests.

Capital Resources, Cash Flow and Liquidity

The Company's cash and cash equivalents balance ended the current year at $397.2 million, a decrease of $18.0 million from the end of the third quarter. Winpak continued to generate strong and consistent cash flow from operating activities before changes in working capital of $49.7 million. Cash was consumed by net working capital additions of $1.7 million. In addition, cash was utilized for the Control Group business acquisition of $42.7 million, plant and equipment additions of $14.3 million, income tax payments of $8.2 million, dividends of $1.5 million and other items totaling $0.4 million while net finance income provided cash of $1.1 million.

For the year, the cash and cash equivalents balance advanced by $52.8 million, fueled by the exceptional cash flow generated from operating activities before changes in working capital of $199.4 million. Working capital additions utilized cash of $4.2 million. Trade and other receivables grew by $6.0 million due to the timing of cash receipts. The acquisition of Control Group consumed cash of $42.7 million. Additional uses of cash included: plant and equipment additions of $58.1 million, income tax payments of $37.8 million, dividends of $5.8 million and other items amounting to $3.1 million. The main plant and equipment expenditures included: the completion of the new flexible packaging facility in Querétaro, Mexico; a new extrusion line at the Senoia, Georgia plant; two new thermoforming lines at the Sauk Village, Illinois operation; and the building expansion in Winnipeg, Manitoba that will house the new state-of-the-art biaxially oriented polyamide (BOPA) line. Net finance income produced incremental cash of $5.1 million.

Summary of Quarterly Results

Thousands of US dollars, except per share amounts (US cents)

	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Revenue	217,456	212,734	219,618	224,035	222,138	220,647	225,191	221,665
Net income attributable to equity holders of the Company	26,679	28,578	31,086	28,429	26,683	27,835	28,042	26,361
EPS	41	44	48	44	41	43	43	41

The Company has initially applied IFRS 16 "Leases" at December 31, 2018 and IFRS 15 "Revenue From Contracts With Customers" and IFRS 9 "Financial Instruments" at January 1, 2018. Under the transition methods chosen by the Company, comparative information has not been restated.

Looking Forward

In 2019, the North American food packaging markets exhibited nominal growth. Winpak's sales volumes receded slightly due to weak/lost rigid container business which overshadowed the positive volume gains realized from the Company's other product groups. During 2019, considerably lower raw material resin costs for polyethylene and polypropylene provided the catalyst for elevated gross profit margins and earnings advancement. The decline in these resin costs resulted in lower customer selling prices as 69 percent of the Company's revenues are indexed to the price of raw materials albeit with a three to four-month time lag. In 2020, a key strategic focus for the Company will be to continue developing and expanding its portfolio of recyclable/reusable products to meet customers' expectations for sustainable plastic food packaging. Winpak expects revenues and earnings to advance from sales volume growth however, there is a degree of uncertainty on timing as customers control the onboarding of new business. Sales volumes are projected to expand in the flexible lidding and flexible packaging segments. The new Mexican flexible packaging facility is fully operational and will provide local customers with unique, high-quality print technology capabilities for the protein and cheese markets. The acquisition of Control Group will provide an uplift to revenues and earnings. In addition, this strategic investment provides Winpak with the ability to realize synergies and pursue new business opportunities with its clients. Rigid container sales volumes will expand from new business being secured with customers, including new product launches however, this growth will be more than offset by the reduced participation in supplying the specialty beverage business with the new recyclable polypropylene cup. Competitive selling price pressures are prevalent which will apply pressure on gross profit margins. As raw material resin costs declined marginally in the fourth quarter of 2019, downward pressure will be applied on selling prices in the first quarter of 2020. Polyethylene and polypropylene resin costs are forecast to rise in the first half of the year however, these resin costs should still be lower from a year-over-year perspective. Production costs may be elevated as new and retrofitted extrusion lines strive to achieve commercial status, the extent of which will depend on the technical challenges that may be encountered. Gross profit margins are not expected to deviate from levels attained in recent years by more than a few percentage points. The Company will continue to focus on elevating operational performance by reducing production waste, introducing lower cost raw material formulations and improving productivity. With the reduction in US interest rates in the second half of 2019 and the potential for further interest rate reductions in 2020, finance income will be negatively affected in the coming year.

Capital expenditures of $60 to $70 million are forecasted for 2020. To secure future organic growth prospects, cash resources will be put towards capital projects that significantly elevate the Company's material science acumen and technical capabilities with new production technologies and processes to drive the development of recyclable/reusable products that North American customers are now trying to effectively source. In this regard, two cast coextrusion lines are undergoing substantial modifications and upgrades, at the modified atmosphere packaging plant in Winnipeg, Manitoba, to broaden the Company's product portfolio with a new generation of recyclable/reusable high-barrier thermoformable transparent films. Both retrofit projects are scheduled to be completed by the end of 2020. Other major capital expenditures being completed in the upcoming year include: a new extrusion line will be operational by the end of the first quarter at the Senoia, Georgia specialty films facility; additional capacity from a polypropylene thermoforming line is planned to be commercial in the second quarter at the Sauk Village, Illinois rigid container plant; the packaging machinery operations will be relocating in the fourth quarter from San Bernardino to Rialto, California, occupying a new, significantly larger leased facility to accommodate future growth requirements; and the state-of-the-art biaxially oriented polyamide (BOPA) line and building expansion in Winnipeg, Manitoba continues to move forward with the new line projected to be commercial in the first quarter of 2021. Winpak's strong financial resources enable management to assess strategic business acquisition opportunities that meet and align with its principal competencies in sophisticated plastic packaging for food, beverage and healthcare applications providing enhanced long-term shareholder returns.

Accounting Changes - Accounting Standards Implemented in 2019

a) Uncertainty over Income Tax Treatments

In June 2017, IFRIC Interpretation 23 "Uncertainty over Income Tax Treatments" was issued and aims to reduce diversity in how companies recognize and measure a tax liability or tax asset when there is uncertainty over income tax treatments. The Interpretation was implemented with retrospective application, effective December 31, 2018, and had no impact on the Company's unaudited interim condensed consolidated financial statements.

b) Employee Benefit Plan Amendment, Curtailment or Settlement

In February 2018, amendments to IAS 19 "Employee Benefits" were issued to specify how an entity determines pension expenses when changes to a defined benefit plan occur. When a change to a plan takes place, including an amendment, curtailment or settlement, IAS 19 requires an entity to remeasure its employee benefit plan liability or asset. The amendments require an entity to use the updated assumptions from this remeasurement to determine current service cost and the net finance cost for the remainder of the reporting period after the change to the plan occurs. The amendments were implemented with prospective application, effective December 31, 2018, and had no impact on the Company's unaudited interim condensed consolidated financial statements.

c) Leases

The Company has adopted IFRS 16 "Leases" with a date of initial application of December 31, 2018. The new standard introduces a balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases. As a result, most leases are recognized on the balance sheet. Certain exemptions apply for short-term leases and leases for low-value assets. Lessors continue to classify leases as operating and finance leases. IFRS 16 replaces IAS 17 "Leases" and the related interpretations.

As a result of the adoption of IFRS 16, the Company's accounting policies have been updated. See notes 3 and 10 to the unaudited interim condensed consolidated financial statements for the accounting policy changes, the consequential financial impact as well as the new disclosure requirements.

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17. On initial application, the Company has elected to record right-of-use assets based on the corresponding lease liability. Right-of-use assets and lease liabilities of $568 were recorded as of December 31, 2018, with no net impact on retained earnings. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at December 31, 2018. The weighted-average rate applied was 4.5%. For leases with a lease term ending within 12 months of the date of initial application, the Company has elected to apply the practical expedient to account for them as short-term leases.

Controls and Procedures

Disclosure Controls

Management is responsible for establishing and maintaining disclosure controls and procedures in order to provide reasonable assurance that material information relating to the Company is made known to them in a timely manner and that information required to be disclosed is reported within time periods prescribed by applicable securities legislation. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based on management's evaluation of the design of the Company's disclosure controls and procedures, the Company's Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures are designed as of December 29, 2019 to provide reasonable assurance that the information being disclosed is recorded, summarized and reported as required.

Internal Controls Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Internal control systems, no matter how well designed, have inherent limitations and therefore can only provide reasonable assurance as to the effectiveness of internal controls over financial reporting, including the possibility of human error and the circumvention or overriding of the controls and procedures. Management used the Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013) as the control framework in designing its internal controls over financial reporting. Based on management's design of the Company's internal controls over financial reporting, the Company's Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures are designed as of December 29, 2019 to provide reasonable assurance that the financial information being reported is materially accurate. During the fourth quarter ended December 29, 2019, there have been no changes to the design of the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

Winpak Ltd.
Interim Condensed Consolidated Financial Statements
Fourth Quarter Ended: December 29, 2019

These interim condensed consolidated financial statements have not been audited or reviewed by the Company's independent external auditors, KPMG LLP.

Winpak Ltd.
Condensed Consolidated Balance Sheets
(thousands of US dollars) (unaudited)

	Note	December 29 2019	December 30 2018*
Assets			
Current assets:			
Cash and cash equivalents		397,159	344,322
Trade and other receivables	14	141,855	131,851
Income taxes receivable		1,253	1,294
Inventories	8	130,467	132,318
Prepaid expenses		2,715	2,761
Derivative financial instruments		527	-
		673,976	612,546
Non-current assets:			
Property, plant and equipment	9	489,267	453,867
Intangible assets		37,326	14,311
Employee benefit plan assets		11,131	7,507
Deferred tax assets		688	707
		538,412	476,392
Total assets		1,212,388	1,088,938
Equity and Liabilities			
Current liabilities:			
Trade payables and other liabilities		64,134	63,687
Contract liabilities		3,715	3,031
Provisions		149	-
Income taxes payable		3,529	3,753
Derivative financial instruments		8	2,697
		71,535	73,168
Non-current liabilities:			
Employee benefit plan liabilities		11,411	11,108
Deferred income		14,237	14,786
Provisions and other long-term liabilities		4,839	660
Deferred tax liabilities		44,604	41,313
		75,091	67,867
Total liabilities		146,626	141,035
Equity:			
Share capital		29,195	29,195
Reserves		380	(2,264)
Retained earnings		1,005,202	893,279
Total equity attributable to equity holders of the Company		1,034,777	920,210
Non-controlling interests		30,985	27,693
Total equity		1,065,762	947,903
Total equity and liabilities		1,212,388	1,088,938

*The Company has initially applied IFRS 16 “Leases” at December 31, 2018. Under the transition method chosen by the Company, comparative information has not been restated. See note 3.

See accompanying notes to condensed consolidated financial statements.

Winpak Ltd.
Condensed Consolidated Statements of Income
(thousands of US dollars, except per share amounts) (unaudited)

	Note	Quarter Ended		Year Ended	
		December 29 2019	December 30 2018*	December 29 2019	December 30 2018*
Revenue	6	217,456	222,138	873,843	889,641
Cost of sales		(151,369)	(154,181)	(600,252)	(619,582)
Gross profit		66,087	67,957	273,591	270,059
Sales, marketing and distribution expenses		(16,844)	(17,421)	(67,693)	(69,533)
General and administrative expenses		(8,409)	(8,377)	(33,069)	(31,845)
Research and technical expenses		(4,219)	(4,315)	(16,900)	(16,640)
Pre-production expenses		(628)	-	(975)	(115)
Other income (expenses)	7	368	(1,295)	20	(1,840)
Income from operations		36,355	36,549	154,974	150,086
Finance income		1,949	1,737	8,515	5,276
Finance expense		(953)	(986)	(3,714)	(3,833)
Income before income taxes		37,351	37,300	159,775	151,529
Income tax expense		(9,830)	(10,059)	(41,711)	(39,952)
Net income for the period		27,521	27,241	118,064	111,577
Attributable to:					
Equity holders of the Company		26,679	26,683	114,772	108,921
Non-controlling interests		842	558	3,292	2,656
		27,521	27,241	118,064	111,577
Basic and diluted earnings per share - cents	12	41	41	177	168

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

	Note	Quarter Ended		Year Ended	
		December 29 2019	December 30 2018*	December 29 2019	December 30 2018*
Net income for the period		27,521	27,241	118,064	111,577
<u>Items that will not be reclassified to the statements of income:</u>					
Cash flow hedge (losses) gains recognized		(10)	(1,327)	389	(1,260)
Cash flow hedge losses transferred to property, plant and equipment		24	227	690	47
Employee benefit plan remeasurements		4,174	2,269	4,174	2,269
Income tax effect		(1,112)	(613)	(1,112)	(613)
		3,076	556	4,141	443
<u>Items that are or may be reclassified subsequently to the statements of income:</u>					
Cash flow hedge gains (losses) recognized		392	(1,854)	1,187	(2,580)
Cash flow hedge losses transferred to the statements of income	7	56	269	951	331
Income tax effect		(120)	424	(573)	602
		328	(1,161)	1,565	(1,647)
Other comprehensive income (loss) for the period - net of income tax		3,404	(605)	5,706	(1,204)
Comprehensive income for the period		30,925	26,636	123,770	110,373
Attributable to:					
Equity holders of the Company		30,083	26,078	120,478	107,717
Non-controlling interests		842	558	3,292	2,656
		30,925	26,636	123,770	110,373

*The Company has initially applied IFRS 16 "Leases" at December 31, 2018. Under the transition method chosen by the Company, comparative information has not been restated. See note 3.

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 January 1, 2018*		29,195	596	788,636	818,427	25,037	843,464
Comprehensive (loss) income for the year							
Cash flow hedge losses, net of tax		-	(3,149)	-	(3,149)	-	(3,149)
Cash flow hedge losses transferred to the statements of income, net of tax		-	242	-	242	-	242
Cash flow hedge losses transferred to property, plant and equipment		-	47	-	47	-	47
Employee benefit plan remeasurements, net of tax		-	-	1,656	1,656	-	1,656
Other comprehensive (loss) income		-	(2,860)	1,656	(1,204)	-	(1,204)
Net income for the year		-	-	108,921	108,921	2,656	111,577
Comprehensive (loss) income for the year		-	(2,860)	110,577	107,717	2,656	110,373
Dividends	11	-	-	(5,934)	(5,934)	-	(5,934)
Balance at December 30, 2018*		29,195	(2,264)	893,279	920,210	27,693	947,903
Balance at December 31, 2018		29,195	(2,264)	893,279	920,210	27,693	947,903
Comprehensive income for the year							
Cash flow hedge gains, net of tax		-	1,258	-	1,258	-	1,258
Cash flow hedge losses transferred to the statements of income, net of tax		-	696	-	696	-	696
Cash flow hedge losses transferred to property, plant and equipment		-	690	-	690	-	690
Employee benefit plan remeasurements, net of tax		-	-	3,062	3,062	-	3,062
Other comprehensive income		-	2,644	3,062	5,706	-	5,706
Net income for the year		-	-	114,772	114,772	3,292	118,064
Comprehensive income for the year		-	2,644	117,834	120,478	3,292	123,770
Dividends	11	-	-	(5,911)	(5,911)	-	(5,911)
Balance at December 29, 2019		29,195	380	1,005,202	1,034,777	30,985	1,065,762

*The Company has initially applied IFRS 16 “Leases” at December 31, 2018. Under the transition method chosen by the Company, comparative information has not been restated. See note 3.

See accompanying notes to condensed consolidated financial statements.

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

	Note	Quarter Ended December 29 2019	Quarter Ended December 30 2018*	Year Ended December 29 2019	Year Ended December 30 2018*
Cash provided by (used in):					
Operating activities:					
Net income for the period		27,521	27,241	118,064	111,577
Items not involving cash:					
Depreciation		12,590	10,476	44,310	41,143
Amortization - deferred income		(381)	(401)	(1,517)	(1,586)
Amortization - intangible assets		431	119	777	511
Employee defined benefit plan expenses		941	806	3,490	3,650
Net finance income		(996)	(751)	(4,801)	(1,443)
Income tax expense		9,830	10,059	41,711	39,952
Other		(196)	(47)	(2,586)	(2,383)
Cash flow from operating activities before the following		49,740	47,502	199,448	191,421
Change in working capital:					
Trade and other receivables		(2,598)	530	(6,002)	(14,896)
Inventories		802	(1,498)	2,960	(15,598)
Prepaid expenses		707	313	96	(441)
Trade payables and other liabilities		(2,784)	(2,155)	(1,960)	189
Contract liabilities		2,187	129	684	3,031
Employee defined benefit plan contributions		(323)	(111)	(2,530)	(2,056)
Income tax paid		(8,214)	(6,941)	(37,754)	(33,248)
Interest received		1,894	1,648	8,339	5,100
Interest paid		(810)	(886)	(3,250)	(3,479)
Net cash from operating activities		40,601	38,531	160,031	130,023
Investing activities:					
Acquisition of property, plant and equipment - net		(14,282)	(16,005)	(58,052)	(71,227)
Acquisition of intangible assets		(19)	(225)	(122)	(378)
Business acquisition	4	(42,726)	-	(42,726)	-
		(57,027)	(16,230)	(100,900)	(71,605)
Financing activities:					
Payment of lease liabilities		(124)	-	(445)	-
Dividends paid	11	(1,472)	(1,508)	(5,849)	(6,055)
		(1,596)	(1,508)	(6,294)	(6,055)
Change in cash and cash equivalents		(18,022)	20,793	52,837	52,363
Cash and cash equivalents, beginning of period		415,181	323,529	344,322	291,959
Cash and cash equivalents, end of period		397,159	344,322	397,159	344,322

*The Company has initially applied IFRS 16 "Leases" at December 31, 2018. Under the transition method chosen by the Company, comparative information has not been restated. See note 3.

See accompanying notes to condensed consolidated financial statements.

1. General

Winpak Ltd. 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

The unaudited interim condensed consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS). The unaudited interim condensed consolidated financial statements are in compliance with IAS 34. Accordingly, certain information and note disclosures normally included in annual consolidated financial statements prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB) have been omitted or condensed. These unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 30, 2018, which are included in the Company's 2018 Annual Report.

Since the first quarter of 2019, IFRS 16 "Leases" has been applied in the Company's consolidated financial statements. The changes in accounting policies from those used in the Company's consolidated financial statements for the year ended December 30, 2018 are described in note 10.

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 2019 and 2018 fiscal years are both comprised of 52 weeks and each quarter of 2019 and 2018 are comprised of 13 weeks.

The unaudited interim condensed consolidated financial statements were approved by the Board of Directors on March 3, 2020.

3. Accounting Standards Implemented in 2019

The following accounting standards came into effect commencing in the Company's 2019 fiscal year:

(a) Uncertainty over Income Tax Treatments:
In June 2017, IFRIC Interpretation 23 "Uncertainty over Income Tax Treatments" was issued and aims to reduce diversity in how companies recognize and measure a tax liability or tax asset when there is uncertainty over income tax treatments. The Interpretation was implemented with retrospective application, effective December 31, 2018, and had no impact on the Company's unaudited interim condensed consolidated financial statements.

(b) Employee Benefit Plan Amendment, Curtailment or Settlement:
In February 2018, amendments to IAS 19 "Employee Benefits" were issued to specify how an entity determines pension expenses when changes to a defined benefit plan occur. When a change to a plan takes place, including an amendment, curtailment or settlement, IAS 19 requires an entity to remeasure its employee benefit plan liability or asset. The amendments require an entity to use the updated assumptions from this remeasurement to determine current service cost and the net finance cost for the remainder of the reporting period after the change to the plan occurs. The amendments were implemented with prospective application, effective December 31, 2018, and had no impact on the Company's unaudited interim condensed consolidated financial statements.

(c) Leases:
The Company has adopted IFRS 16 with a date of initial application of December 31, 2018. The new standard introduces a balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases. As a result, most leases are recognized on the balance sheet. Certain exemptions apply for short-term leases and leases for low-value assets. Lessors continue to classify leases as operating and finance leases. IFRS 16 replaces IAS 17 "Leases" and the related interpretations.

As a result of the adoption of IFRS 16, the Company's accounting policies have been updated. See note 10 for these changes in accounting policies, as well as the new disclosure requirements. The changes in accounting policies will also be reflected in the Company's consolidated financial statements as at and for the year ended December 29, 2019.

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17.

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

Impact on the 2019 Interim Condensed Consolidated Financial Statements
On initial application, the Company has elected to record right-of-use assets based on the corresponding lease liability. Right-of-use assets and lease liabilities of $568 were recorded as of December 31, 2018, with no net impact on retained earnings. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at December 31, 2018. The weighted-average rate applied was 4.5%.

For leases with a lease term ending within 12 months of the date of initial application, the Company has elected to apply the practical expedient to account for them as short-term leases. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The following table reconciles the Company's operating lease commitments at December 30, 2018, as previously disclosed in the Company's consolidated financial statements, to the lease liabilities recognized on initial application of IFRS 16 at December 31, 2018:

Operating lease commitments at December 30, 2018	(835)
Discounted using the incremental borrowing rate at December 31, 2018	(812)
Recognition exemption for short-term leases and leases of low-value assets	244
Lease liabilities recognized at December 31, 2018	(568)

Of which are:	
Current	(429)
Non-current	(139)
Lease liabilities recognized at December 31, 2018	(568)

The following table summarizes the impact of adopting IFRS 16 on the Company's condensed consolidated balance sheet as at December 29, 2019:

	Amount Without IFRS 16	IFRS 16 Adjustment	As Reported
Property, plant and equipment	484,512	4,755	489,267
Trade payables and other liabilities	(63,522)	(612)	(64,134)
Provisions and other long-term liabilities	(561)	(4,278)	(4,839)
Deferred tax liabilities	(44,638)	34	(44,604)
Retained earnings	(1,005,303)	101	(1,005,202)

There was no material impact on the Company's condensed consolidated statement of income or condensed consolidated statement of cash flows for the fourth quarter of 2019 and the year ended December 29, 2019.

4. Business acquisition

On October 1, 2019, the Company acquired all of the business (net assets including property and plant) of privately owned Cheringal Associates, Inc. and Norwood Printing, Inc. collectively ("Control Group") located in Norwood, New Jersey. Control Group delivers specialized printed packaging solutions to the pharmaceutical, healthcare, nutraceutical, cosmetic and personal care markets. The acquisition of Control Group is in line with the Company's growth strategy. The acquired entity now operates as Winpak Control Group Inc.

The cash consideration was $42,726, including customary adjustments for working capital. At acquisition date, the Company financed the consideration paid as well as the acquisition costs from cash resources on hand.

The acquisition of Control Group has been accounted for using the acquisition method. Winpak Control Group Inc. has been consolidated from the acquisition date.

The fair value of trade and other receivables acquired of $4,005, which includes a negligible amount deemed uncollectible as at the acquisition date, and inventories of $1,060 is included in the current assets in the accounting of this business acquisition.

The acquisition of Control Group gave rise to goodwill because the consideration paid for the acquisition effectively included amounts in relation to the benefit of expected synergies, revenue growth and the assembled workforce.

The Company's consolidated statement of income for the fourth quarter of 2019 and the year ended December 29, 2019 reflect the operating results of Winpak Control Group Inc. since October 1, 2019, including revenue of $5.2 million, and income from operations of $0.2 million.

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

The following table presents the value of the assets acquired and liabilities assumed at the acquisition date:

Assets acquired	
Current assets	5,111
Property, plant and equipment	17,531
Intangible assets	18,003
Goodwill (deductible for tax purposes)	5,669
	46,314

Liabilities assumed	
Current liabilities	1,753
Provisions and other long-term liabilities	1,835
	3,588
Net assets acquired and total consideration	42,726

5. Segment Reporting

Operating segments and product groups

The Company provides three distinct types of packaging technologies: a) rigid packaging and flexible lidding, b) flexible packaging and c) packaging machinery. Each is deemed to be a separate operating segment.

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, industrial and healthcare. Specialized printed packaging provides packaging solutions to the pharmaceutical, healthcare, nutraceutical, cosmetic and personal care markets.

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.

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 rigid packaging and flexible lidding and flexible packaging operating segments have been aggregated as one reportable segment. In addition, the packaging machinery operating segment has been aggregated with these two segments as the segment's revenue and assets represents less than 4 percent of total Company revenue and assets.

The Company operates principally in Canada and the United States. See note 6 for a breakdown of revenue by operating and geographic segment. The following summary presents property, plant and equipment and intangible assets information by geographic segment:

	December 29 2019	December 30 2018
United States	264,639	223,446
Canada	242,296	229,094
Mexico	19,658	15,638
	526,593	468,178

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.

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

Disaggregation of Revenue

	Quarter Ended		Year Ended	
	December 29 2019	December 30 2018	December 29 2019	December 30 2018
Operating segment				
Rigid packaging and flexible lidding	99,654	108,309	401,084	430,310
Flexible packaging	110,371	107,544	445,581	433,944
Packaging machinery	7,431	6,285	27,178	25,387
	217,456	222,138	873,843	889,641
Geographic segment				
United States	173,538	186,593	711,361	735,906
Canada	27,941	24,651	107,891	112,314
Mexico and other	15,977	10,894	54,591	41,421
	217,456	222,138	873,843	889,641

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 2019 and 2018. Other markets include medical, pharmaceutical, personal care, industrial, and other consumer goods.

7. Other Income (Expenses)

	Quarter Ended		Year Ended	
Amounts shown on a net basis	December 29 2019	December 30 2018	December 29 2019	December 30 2018
Foreign exchange gains (losses)	668	(1,026)	1,215	(1,509)
Cash flow hedge losses transferred from other comprehensive income	(56)	(269)	(951)	(331)
	612	(1,295)	264	(1,840)
Employee benefit plan settlement expense	(244)	-	(244)	-
	368	(1,295)	20	(1,840)

8. Inventories

	December 29 2019	December 30 2018
Raw materials	32,741	44,179
Work-in-process	25,281	22,365
Finished goods	60,532	55,329
Spare parts	11,913	10,445
	130,467	132,318

During the fourth quarter of 2019, the Company recorded, within cost of sales, inventory write-downs for slow-moving and obsolete inventory of $2,561 (2018 - $1,884) and reversals of previously written-down items of $356 (2018 - $134). During 2019, the Company recorded, within cost of sales, inventory write-downs for slow-moving and obsolete inventory of $7,617 (2018 - $7,681) and reversals of previously written-down items of $2,531 (2018 - $1,835).

9. Property, Plant and Equipment

Property, plant and equipment comprise owned and leased assets.

	December 29 2019
Property, plant and equipment owned	484,512
Right-of-use assets	4,755
	489,267

At December 29, 2019, the Company has commitments to purchase plant and equipment of $29,741 (December 30, 2018 - $31,157). No impairment losses or impairment reversals were recognized during 2019 or 2018.

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

10. Leases

The Company has adopted IFRS 16 with a date of initial application of December 31, 2018. The updated accounting policies and additional disclosures are detailed as follows.

Accounting Policies
At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. Lease payments included in the measurement of the lease liability comprise the following: a) fixed payments, including in-substance fixed payments, b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date, c) amounts expected to be payable under a residual value guarantee and d) the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the statement of income if the carrying amount of the right-of-use asset has been reduced to zero.

In the comparative periods, operating leases were not recognized in the Company's consolidated balance sheet. Payments made were recognized in the statement of income on a straight-line basis over the term of the lease, while any lease incentive received was recognized as a reduction of the total lease expense, over the term of the lease.

The Company presents right-of-use assets in 'Property, plant and equipment'. The current portion of lease liabilities is presented within 'Trade payables and other liabilities'. The non-current portion is presented within 'Provisions and other long-term liabilities'.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The adoption of IFRS 16 did not impact the Company's accounting policies for lessors.

Right-of-use assets

	December 29 2019
Opening balance, December 31, 2018	568
Additions	2,857
Business acquisition	1,835
Depreciation	(505)
Closing balance, December 29, 2019	4,755

Lease liabilities
As lessee, the Company's leases are for office and manufacturing facilities.

The following tables provide information about the timing of future lease payments:

	December 29 2019
Less than one year	(623)
One to five years	(3,569)
More than five years	(1,743)
Total contractual undiscounted lease liabilities	(5,935)

	December 29 2019
Current	(612)
Non-current	(4,278)
Total discounted lease liabilities	(4,890)

During the fourth quarter of 2019, the Company recorded finance expense on lease liabilities of $47. Total cash outflow for leases was $197, including $52 for short-term leases. During 2019, the Company recorded finance expense on lease liabilities of $77. Total cash outflow for leases was $832, including $349 for short-term leases. Expenses for leases of low-dollar value items were not material.

Extension Options
Some leases of office and manufacturing facilities contain extension options exercisable by the Company up to one year before the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Company and not by the lessors. The Company assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control. At December 29, 2019, potential future lease payments not included in lease liabilities totalled $4,964 on a discounted basis.

Future lease commitment
As at December 29, 2019 the Company had committed to a lease which had not yet commenced. The total future cash outflow for this lease is $8,333 on a discounted basis.

Lease Income
Lease contracts in which the Company acts as a lessor are classified as operating leases because they do not transfer substantially all of the risks and rewards incidental to ownership of the assets. Lease income from these lease contracts during the fourth quarter of 2019 totalled $198 and during 2019 totalled $780.

11. Dividends

During the fourth quarter of 2019, dividends in Canadian dollars of 3 cents per common share were declared (2018 - 3 cents) and during 2019, 12 cents per common share were declared (2018 - 12 cents).

12. Earnings Per Share

	Quarter Ended		Year Ended	
	December 29 2019	December 30 2018	December 29 2019	December 30 2018
Net income attributable to equity holders of the Company	26,679	26,683	114,772	108,921
Weighted average shares outstanding (000's)	65,000	65,000	65,000	65,000
Basic and diluted earnings per share - cents	41	41	177	168

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

13. Financial Instruments

The Company measures assets and liabilities under the following fair value hierarchy in accordance with IFRS. The inputs used for fair value measurements, including their classification within the required three levels of the fair value hierarchy that prioritizes the inputs used for fair value measurement, are as follows:

Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 - inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 - inputs that are not based on observable market data.

The fair value of cash and cash equivalents, trade and other receivables, including trade and other receivables subject to factoring arrangements and classified as measured at fair value through other comprehensive income (FVOCI), trade payables and other liabilities approximate their carrying value because of the short-term maturity of these instruments. The fair value of foreign currency forward contracts, designated as cash flow hedges, has been determined by valuing those contracts to market against prevailing forward foreign exchange rates as at the reporting date.

The following table presents the classification of financial instruments within the fair value hierarchy:

Financial Assets (Liabilities)	Level 1	Level 2	Level 3	Total
At December 29, 2019				
Foreign currency forward contracts - net	-	519	-	519
At December 30, 2018				
Foreign currency forward contracts - net	-	(2,697)	-	(2,697)

When the Company has a legally enforceable right to set off supplier rebates receivable against supplier trade payables and intends to settle the amount on a net basis or simultaneously, the balance is presented as an offset within 'Trade payables and other liabilities' on the consolidated balance sheet. At December 29, 2019, the supplier rebate receivable balance that was offset was $4,036 (December 30, 2018 - $5,166).

14. Financial Risk Management

In the normal course of business, the Company has risk exposures consisting primarily of foreign exchange risk, interest rate risk, commodity price risk, liquidity risk, and credit risk. The Company manages its risks and risk exposures through a combination of derivative financial instruments, insurance, a system of internal and disclosure controls and sound business practices. The Company does not purchase any derivative financial instruments for speculative purposes.

Financial risk management is primarily the responsibility of the Company's corporate finance function. Significant risks are regularly monitored and actions are taken, when appropriate, according to the Company's approved policies, established for that purpose. In addition, as required, these risks are reviewed with the Company's Board of Directors.

Foreign Exchange Risk

Translation differences arise when foreign currency monetary assets and liabilities are translated at foreign exchange rates that change over time. These foreign exchange gains and losses are recorded in other income (expenses). As a result of the Company's CDN dollar net asset monetary position as at December 29, 2019, a one-cent change in the period-end foreign exchange rate from 0.7644 to 0.7544 (CDN to US dollars) would have decreased net income by $163 for 2019. Conversely, a one-cent change in the period-end foreign exchange rate from 0.7644 to 0.7744 (CDN to US dollars) would have increased net income by $163 for the 2019.

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 forward foreign currency contracts when equipment purchases and special dividend payments will be settled in foreign currencies. Transactions are only conducted with certain approved Schedule 1 Canadian 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.

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

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 Schedule 1 Canadian financial institutions, which are highly rated.

Certain foreign currency contracts matured during the fourth quarter of 2019 and the Company realized pre-tax foreign exchange losses of $80 (year-to-date losses - $1,641). Of these foreign exchange differences, losses of $56 were recorded in other income (expenses) (year-to-date losses - $951) and losses of $24 were recorded in property, plant and equipment (year-to-date losses - $690). During the fourth quarter of 2018 the Company realized pre-tax foreign exchange losses of $496 (year-to-date - realized foreign exchange losses of $378). Of these foreign exchange differences, losses of $269 were recorded in other income (expenses) (year-to-date losses - $331) and losses of $227 were recorded in property, plant and equipment (year-to-date losses - $47).

As at December 29, 2019, the Company had US to CDN dollar foreign currency forward contracts outstanding with a notional amount of US $35.0 million at an average exchange rate of 1.3260 maturing between January and November 2020. The fair value of these financial instruments was $519 US and the corresponding unrealized gain has been recorded in other comprehensive income. The Company did not recognize any ineffectiveness on the hedging instruments during 2019 or 2018.

Interest Rate Risk
The Company's interest rate risk arises from interest rate fluctuations on the finance income that it earns on its cash invested in money market accounts and short-term deposits. The Company developed and implemented an investment policy, which was approved by the Company's Board of Directors, with the primary objective to preserve capital, minimize risk and provide liquidity. Regarding the December 29, 2019 cash and cash equivalents balance of $397.2 million, a 1.0 percent increase/decrease in interest rate fluctuations would increase/decrease income before income taxes by $3,972 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 2019, 69 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 $397.2 million, (b) no outstanding bank loans, (c) unused credit facilities comprised of unsecured operating lines of $38 million, (d) the ability to obtain term-loan financing to fund an acquisition, if needed, (e) an informal investment grade credit rating and (f) the Company's ability to generate positive cash flows from ongoing operations. Management believes that the Company's cash flows are more than sufficient to cover its operating costs, working capital requirements, capital expenditures, payment of lease liabilities and dividend payments in 2020. The Company's trade payables and other liabilities and derivative financial instrument liabilities are all due within twelve months.

Credit Risk
The Company is exposed to credit risk from its cash and cash equivalents held with banks and financial institutions, derivative financial instruments (foreign currency forward contracts), as well as credit exposure to customers, including outstanding trade and other receivable balances.

The following table details the maximum exposure to the Company's counterparty credit risk which represents the carrying value of the financial asset:

	December 29 2019	December 30 2018
Cash and cash equivalents	397,159	344,322
Trade and other receivables	141,855	131,851
Foreign currency forward contracts	527	-
	539,541	476,173

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

Credit risk on cash and cash equivalents and other financial instruments arises in the event of non-performance by the counterparties when the Company is entitled to receive payment from the counterparty who fails to perform. The Company has established an investment policy to manage its cash. The policy requires that the Company manage its risk by investing its excess cash on hand on a short-term basis, up to a maximum of six months, with several financial institutions and/or governmental bodies that must be rated 'AA' or higher for CDN financial institutions and 'A-1' or higher for US financial institutions by recognized international credit rating agencies or insured 100 percent by the US government or a 'AAA' rated CDN federal or provincial government. The Company manages its counterparty risk on its financial instruments by only dealing with Schedule 1 Canadian financial institutions.

In the normal course of business, the Company is exposed to credit risk on its trade and other receivables from customers. To mitigate such risk, the Company performs ongoing customer credit evaluations and assesses their credit quality by taking into account their financial position, past experience and other pertinent factors. Management regularly monitors customer credit limits, performs credit reviews and, in certain cases insures trade and other receivables against credit losses.

During the fourth quarter of 2019, the Company incurred costs on the sale of trade receivables of $894 (2018 - $1,224). Of these costs, $780 was recorded in finance expense (2018 - $884) and $114 was recorded in general and administrative expenses (2018 - $340). During 2019, the Company incurred costs on the sale of trade receivables of $4,388 (2018 - $4,843). Of these costs, $3,191 was recorded in finance expense (2018 - $3,456) and $1,197 was recorded in general and administrative expenses (2018 - $1,387).

As at December 29, 2019, 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) 32 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 36 percent of the total trade and other receivables balance.

The carrying amount of trade and other receivables is reduced through the use of an allowance for expected credit losses and the amount of the loss is recognized in the statement of income within general and administrative expenses. When a receivable balance is considered uncollectible, it is written off against the allowance for expected credit losses. Subsequent recoveries of amounts previously written off are credited against general and administrative expenses in the statement of income. During the fourth quarter of 2019, the Company recorded impairment losses on trade and other receivables of $611 (2018 - $34). During 2019, the Company recorded impairment losses on trade and other receivables of $675 (2018 - $256).

The following table sets out the aging details of the Company's trade and other receivables balances outstanding based on when the receivable was due and payable and related allowance for expected credit losses:

	December 29 2019	December 30 2018
Current (not past due)	119,227	112,953
1 - 30 days past due	19,840	16,636
31 - 60 days past due	2,364	2,022
More than 60 days past due	1,822	1,196
	143,253	132,807
Less: Allowance for expected credit losses	(1,398)	(956)
Total trade and other receivables, net	141,855	131,851

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.