



NEWS RELEASE

Winpak Reports 2019 Third Quarter Results

Winnipeg, Manitoba, October 24, 2019 - Winpak Ltd. (WPK) today reports consolidated results in US dollars for the third quarter of 2019, which ended on September 29, 2019.

	Quarter Ended		Year-To-Date Ended	
	September 29 2019	September 30 2018 *	September 29 2019	September 30 2018 *
<i>(thousands of US dollars, except per share amounts)</i>				
Revenue	212,734	220,647	656,387	667,503
Net income	29,462	28,651	90,543	84,336
Income tax expense	10,099	9,967	31,881	29,893
Net finance income	(1,364)	(613)	(3,805)	(692)
Depreciation and amortization	10,567	10,099	30,930	29,874
EBITDA (1)	48,764	48,104	149,549	143,411
Net income attributable to equity holders of the Company	28,578	27,835	88,093	82,238
Net income attributable to non-controlling interests	884	816	2,450	2,098
Net income	29,462	28,651	90,543	84,336
Basic and diluted earnings per share (cents)	44	43	136	127

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.

For further information: L.A. Warelis, Vice President and CFO, (204) 831-2254; O.Y. Muggli, President and CEO, (204) 831-2214

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 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.



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 third quarter of 2019 of \$28.6 million or 44 cents in earnings per share (EPS) surpassed the comparable 2018 quarter by \$0.7 million or 1 cent per share. The improvement in gross profit margins contributed 1.0 cent to EPS. Additionally, net finance income augmented EPS by 1.0 cent. Lower sales volumes and foreign exchange had the opposite effect, each decreasing EPS by 0.5 cents.

For the nine months ended September 29, 2019, net income attributable to equity holders of the Company ascended to \$88.1 million or \$1.36 per share, exceeding the 2018 corresponding result of \$82.2 million or \$1.27 per share by 7.1 percent. Higher gross profit margins in 2019 were the main factor, advancing EPS by 7.0 cents while net finance income and foreign exchange added a further 3.5 cents and 2.0 cents, respectively. Conversely, higher operating expenses lowered EPS by 2.5 cents and the contraction in sales volumes subtracted 1.0 cent from EPS.

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 of the three are deemed to be a separate operating segment.

The rigid packaging and flexible lidding segment includes the rigid containers and lidding 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.

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.

Revenue

Revenue in the third quarter of 2019 was \$212.7 million, \$7.9 million or 3.6 percent less than the third quarter of 2018. Volumes, in total, were down marginally from the prior year comparable quarter by 1.0 percent. Volumes within the rigid containers and flexible lidding operating segment receded by 5 percent in the quarter. A significant portion of the reduction in volumes took place within the rigid containers product group due to the loss of retort tray business and lower specialty beverage shipments. Conversely, the lidding product group benefitted from gains in specialty beverage die-cut lidding. The flexible packaging operating segment experienced volume growth of 2 percent in the quarter. For the modified atmosphere packaging product group, modest volume growth reflected expansion within the Mexican market. The packaging machinery operating segment had a strong quarter, exceeding the 2018 third quarter by 20 percent. Selling price and mix changes unfavorably



influenced third quarter revenue by 2.5 percent as indexed customer selling prices followed the decrease in raw material costs that has taken place in 2019. Foreign exchange had a nominal impact on revenue in relation to the corresponding prior year quarter.

For the first nine months of 2019, revenue decreased by 1.7 percent to \$656.4 million from \$667.5 million in the corresponding prior year period. Volumes were virtually unchanged, declining by 0.5 percent. The rigid containers and flexible lidding operating segment realized a 6 percent contraction in volumes. The reduction in retort tray and specialty beverage container shipments led to a decline in volumes for the rigid container product group. In contrast, specialty beverage lidding was the main factor behind the positive performance for the lidding product group. The flexible packaging operating segment achieved a 4 percent advancement in volumes. Biaxially oriented nylon volumes outpaced the prior year by 14 percent due to inroads made at key accounts. Volumes within the modified atmosphere packaging product group advanced by 5 percent, reflecting gains at major North American protein and dairy producers. For the packaging machinery operating segment, growth was nearly 10 percent. Compared to 2018, selling price and mix changes had a negative effect on revenue of 0.7 percent. The slight depreciation of the Canadian dollar in comparison to its US counterpart had a minor negative impact on revenue.

Gross Profit Margins

Gross profit margins expanded in the current quarter to 31.5 percent of revenue from the 30.3 percent of revenue recorded in the third quarter of 2018. The customer selling price indexing mechanisms in place, which represent 70 percent of the Company's revenue, continued to have a favorable impact on margins as the related adjustments were eclipsed by the corresponding fall in raw material costs compared to those incurred a year earlier. In addition, the Company benefitted from continued operational improvements in reducing production waste and instituting lower cost raw material substitutions.

For the first three quarters of 2019, gross profit margins of 31.6 percent of revenue climbed by 1.3 percentage points from the 2018 year-to-date level of 30.3 percent. This caused an increase in EPS of 7.0 cents. The significant decline in raw material costs has resulted in a widening gap between selling prices and raw material costs and was the main factor influencing the superior margins. This was complemented by the significant progress that has been made in curtailing the expenses relating to production waste and inventory obsolescence.

During the third quarter of 2019, the weighted indexed purchased cost of Winpak's eight primary raw materials experienced a slight decrease compared to the second quarter of 2019, falling by 2.5 percent. Over the past twelve months, the decrease in the index was more significant at 14.0 percent. The decline in the raw material index was mainly due to the lower costs for polyethylene and polypropylene resins.

Expenses and Other

Operating expenses, exclusive of foreign exchange, in the third quarter of 2019 decreased at a similar rate relative to the decline in sales volumes, thereby having a negligible impact on EPS. Foreign exchange lowered EPS by 0.5 cents in the quarter due to the negative translation differences on the revaluation of Canadian dollar monetary assets and liabilities. The magnitude of cash and cash equivalents increased during 2019 and as a result, net finance income supplemented EPS by 1.0 cent for the quarter.

On a year-to-date basis, operating expenses, adjusted for foreign exchange, grew at a rate of 1.9 percent in contrast to the drop in sales volumes, resulting in a decline in EPS of 2.5 cents. During the current year, additional one-time personnel costs were incurred for a group of employees due to the closure and relocation of an administration office. Conversely, foreign exchange had a favorable impact of 2.0 cents on EPS due to the benefit of converting the Company's net Canadian dollar expenses into US funds at a lower average exchange rate. Additionally, net finance income elevated EPS by 3.5 cents, stemming from higher interest rates and the heightened level of cash and cash equivalents on hand.

Capital Resources, Cash Flow and Liquidity

The Company's cash and cash equivalents balance ended the third quarter of 2019 at \$415.2 million, an increase of \$19.7 million from the end of the previous quarter. Winpak continued to generate robust cash flows from operating activities before changes in working capital of \$48.3 million. Working capital consumed cash of \$4.7 million. Trade and other receivables grew by \$5.1 million due to the timing of receipts. Cash was utilized for plant and equipment additions of \$14.9 million, income tax payments of \$8.6 million, dividends of \$1.5 million and other items totaling \$0.3 million while net finance income generated \$1.4 million.

For the first nine months of 2019, the cash and cash equivalents balance rose by \$70.9 million from the start of the year. Cash flows generated from operating activities before changes in working capital were exceptional at \$149.7 million. The net investment in working capital increased by \$2.5 million. Other uses of cash included plant and equipment additions of \$43.8 million, income tax payments of \$29.5 million, dividend payments of \$4.4 million and other items amounting to \$2.6 million. Net finance income provided cash of \$4.0 million.



Summary of Quarterly Results

	Thousands of US dollars, except per share amounts (US cents)							
	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017*
Revenue	212,734	219,618	224,035	222,138	220,647	225,191	221,665	222,323
Net income attributable to equity holders of the Company	28,578	31,086	28,429	26,683	27,835	28,042	26,361	39,633
EPS	44	48	44	41	43	43	41	61

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.

*Includes the one-time income tax recovery of 17 cents per share due to the revaluation of deferred tax asset and liability balances within the US operations as a result of US tax reform enacted in December 2017.

Subsequent Event

Effective October 1, 2019, the Company signed a definitive agreement and closed the acquisition with respect to all the business (net assets and building) of privately owned Cheringal Associates, Inc. and Norwood Printing, Inc. collectively (“Control Group”) located in Norwood, New Jersey. The purchase price of US \$42.2 million was paid from cash resources on hand. Control Group is a market leader in delivering specialized printed packaging solutions to the pharmaceutical, healthcare, nutraceutical, cosmetic and personal care markets.

Looking Forward

Business Outlook

The Company is anticipating revenue and earnings results in the fourth quarter to be comparable to that of the other quarters of the year. Year-to-date, sales volumes and selling price and mix changes have been slightly negative; similar sales volume levels within the Company’s operating segments are expected in the last quarter of 2019. Winpak remains in pursuit of new revenue growth opportunities and has secured new business which will provide the impetus for expanding sales volumes in the first quarter of 2020. The Company continues to realize lower operational costs from reducing production waste and implementing more economical raw material formulations, both of which will remain a key focal point. The acquisition of Control Group will provide a positive contribution to revenue and earnings in the fourth quarter and onwards. During the third quarter, the Canadian dollar strengthened in relation to the US dollar, creating some headwinds on earnings in the last quarter of the year. Raw material costs for the Company’s core resins have declined in 2019 mainly due to lower polyethylene and polypropylene pricing. In the fourth quarter, gross profit margins are expected to contract marginally from lower selling prices as 70 percent of the Company’s revenue is indexed to the price of raw materials albeit with a three to four-month time lag. For the final quarter of 2019, resin costs are forecasted to remain relatively stable with negligible movement on certain resins.

Capital expenditures in the range of \$60 million are projected for 2019. A new extrusion line is expected to commence production in the first quarter of 2020 at the Senoia, Georgia specialty films location. In addition, capacity from a polypropylene thermoforming line is scheduled to be commercial in the second quarter of next year at the Sauk Village, Illinois rigid container facility. The building expansion and new state-of-the-art biaxially oriented polyamide (BOPA) line in Winnipeg, Manitoba continues to proceed with an expected start-up by the end of 2020. To deliver organic growth opportunities, Winpak will continue to focus on capital expenditures that augment its technical capabilities in material science developments and new production technologies and processes enabling the Company to expand its offering of recycle-ready products to customers in the North American plastic packaging market. With Winpak’s strong financial position, the Company will continue to evaluate acquisition prospects that strategically fit and align with its core competencies in sophisticated packaging for food, beverage and health care applications providing long-term shareholder value.

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. 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 4 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 September 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 September 29, 2019 to provide reasonable assurance that the financial information being reported is materially accurate. During the third quarter ended September 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
Third Quarter Ended: September 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	September 29 2019	December 30 2018*
Assets			
Current assets:			
Cash and cash equivalents		415,181	344,322
Trade and other receivables	13	135,255	131,851
Income taxes receivable		1,143	1,294
Inventories	8	130,160	132,318
Prepaid expenses		3,372	2,761
Derivative financial instruments		153	-
		<u>685,264</u>	<u>612,546</u>
Non-current assets:			
Property, plant and equipment	9	470,046	453,867
Intangible assets	9	14,067	14,311
Employee benefit plan assets		8,492	7,507
Deferred tax assets		691	707
		<u>493,296</u>	<u>476,392</u>
Total assets		<u>1,178,560</u>	<u>1,088,938</u>
Equity and Liabilities			
Current liabilities:			
Trade payables and other liabilities		65,031	63,687
Contract liabilities		1,528	3,031
Provisions		149	-
Income taxes payable		2,211	3,753
Derivative financial instruments		95	2,697
		<u>69,014</u>	<u>73,168</u>
Non-current liabilities:			
Employee benefit plan liabilities		12,337	11,108
Deferred income		14,474	14,786
Provisions and other long-term liabilities		3,179	660
Deferred tax liabilities		43,229	41,313
		<u>73,219</u>	<u>67,867</u>
Total liabilities		<u>142,233</u>	<u>141,035</u>
Equity:			
Share capital		29,195	29,195
Reserves		38	(2,264)
Retained earnings		976,951	893,279
Total equity attributable to equity holders of the Company		<u>1,006,184</u>	<u>920,210</u>
Non-controlling interests		<u>30,143</u>	<u>27,693</u>
Total equity		<u>1,036,327</u>	<u>947,903</u>
Total equity and liabilities		<u>1,178,560</u>	<u>1,088,938</u>

*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-To-Date Ended	
		September 29 2019	September 30 2018*	September 29 2019	September 30 2018*
Revenue	5	212,734	220,647	656,387	667,503
Cost of sales		(145,619)	(153,828)	(448,883)	(465,401)
Gross profit		67,115	66,819	207,504	202,102
Sales, marketing and distribution expenses		(15,930)	(16,795)	(50,849)	(52,112)
General and administrative expenses		(8,041)	(7,793)	(24,660)	(23,468)
Research and technical expenses		(4,223)	(4,223)	(12,681)	(12,325)
Pre-production expenses		(187)	-	(347)	(115)
Other expenses	7	(537)	(3)	(348)	(545)
Income from operations		38,197	38,005	118,619	113,537
Finance income		2,175	1,524	6,566	3,539
Finance expense		(811)	(911)	(2,761)	(2,847)
Income before income taxes		39,561	38,618	122,424	114,229
Income tax expense		(10,099)	(9,967)	(31,881)	(29,893)
Net income for the period		29,462	28,651	90,543	84,336
Attributable to:					
Equity holders of the Company		28,578	27,835	88,093	82,238
Non-controlling interests		884	816	2,450	2,098
		29,462	28,651	90,543	84,336
Basic and diluted earnings per share - cents	11	44	43	136	127

Condensed Consolidated Statements of Comprehensive Income

(thousands of US dollars) (unaudited)

	Note	Quarter Ended		Year-To-Date Ended	
		September 29 2019	September 30 2018*	September 29 2019	September 30 2018*
Net income for the period		29,462	28,651	90,543	84,336
<u>Items that will not be reclassified to the statements of income:</u>					
Cash flow hedge (losses) gains recognized		(103)	(34)	399	67
Cash flow hedge losses (gains) transferred to property, plant and equipment		158	55	666	(180)
Income tax effect		-	-	-	-
		55	21	1,065	(113)
<u>Items that are or may be reclassified subsequently to the statements of income:</u>					
Cash flow hedge (losses) gains recognized		(481)	594	795	(726)
Cash flow hedge losses transferred to the statements of income	7	40	299	895	62
Income tax effect		117	(239)	(453)	178
		(324)	654	1,237	(486)
Other comprehensive (loss) income for the period - net of income tax		(269)	675	2,302	(599)
Comprehensive income for the period		29,193	29,326	92,845	83,737
Attributable to:					
Equity holders of the Company		28,309	28,510	90,395	81,639
Non-controlling interests		884	816	2,450	2,098
		29,193	29,326	92,845	83,737

*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)

	Attributable to equity holders of the Company						
	Note	Share capital	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at January 1, 2018*		29,195	596	788,636	818,427	25,037	843,464
Comprehensive (loss) income for the period							
Cash flow hedge losses, net of tax		-	(464)	-	(464)	-	(464)
Cash flow hedge losses transferred to the statements of income, net of tax		-	45	-	45	-	45
Cash flow hedge gains transferred to property, plant and equipment		-	(180)	-	(180)	-	(180)
Other comprehensive loss		-	(599)	-	(599)	-	(599)
Net income for the period		-	-	82,238	82,238	2,098	84,336
Comprehensive (loss) income for the period		-	(599)	82,238	81,639	2,098	83,737
Dividends	10	-	-	(4,505)	(4,505)	-	(4,505)
Balance at September 30, 2018*		29,195	(3)	866,369	895,561	27,135	922,696
Balance at December 31, 2018		29,195	(2,264)	893,279	920,210	27,693	947,903
Comprehensive income for the period							
Cash flow hedge gains, net of tax		-	981	-	981	-	981
Cash flow hedge losses transferred to the statements of income, net of tax		-	655	-	655	-	655
Cash flow hedge losses transferred to property, plant and equipment		-	666	-	666	-	666
Other comprehensive income		-	2,302	-	2,302	-	2,302
Net income for the period		-	-	88,093	88,093	2,450	90,543
Comprehensive income for the period		-	2,302	88,093	90,395	2,450	92,845
Dividends	10	-	-	(4,421)	(4,421)	-	(4,421)
Balance at September 29, 2019		29,195	38	976,951	1,006,184	30,143	1,036,327

*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		Year-To-Date Ended	
		September 29 2019	September 30 2018*	September 29 2019	September 30 2018*
Cash provided by (used in):					
Operating activities:					
Net income for the period		29,462	28,651	90,543	84,336
Items not involving cash:					
Depreciation		10,834	10,389	31,720	30,667
Amortization - deferred income		(381)	(403)	(1,136)	(1,185)
Amortization - intangible assets		114	113	346	392
Employee defined benefit plan expenses		785	974	2,549	2,844
Net finance income		(1,364)	(613)	(3,805)	(692)
Income tax expense		10,099	9,967	31,881	29,893
Other		(1,207)	(1,549)	(2,390)	(2,336)
Cash flow from operating activities before the following		48,342	47,529	149,708	143,919
Change in working capital:					
Trade and other receivables		(5,126)	(6,654)	(3,404)	(15,426)
Inventories		1,448	(4,815)	2,158	(14,100)
Prepaid expenses		772	469	(611)	(754)
Trade payables and other liabilities		(1,847)	(6,784)	824	2,344
Contract liabilities		61	1,811	(1,503)	2,902
Employee defined benefit plan contributions		(116)	(114)	(2,207)	(1,945)
Income tax paid		(8,637)	(4,673)	(29,540)	(26,307)
Interest received		2,086	1,491	6,445	3,452
Interest paid		(671)	(811)	(2,440)	(2,593)
Net cash from operating activities		36,312	27,449	119,430	91,492
Investing activities:					
Acquisition of property, plant and equipment - net		(14,908)	(22,208)	(43,770)	(55,222)
Acquisition of intangible assets		(68)	(38)	(103)	(153)
		(14,976)	(22,246)	(43,873)	(55,375)
Financing activities:					
Payment of lease liabilities		(112)	-	(321)	-
Dividends paid	10	(1,488)	(1,484)	(4,377)	(4,547)
		(1,600)	(1,484)	(4,698)	(4,547)
Change in cash and cash equivalents		19,736	3,719	70,859	31,570
Cash and cash equivalents, beginning of period		395,445	319,810	344,322	291,959
Cash and cash equivalents, end of period		415,181	323,529	415,181	323,529

*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 is described in note 4.

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 Audit Committee on behalf of the Board of Directors on October 24, 2019.

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. 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 4 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 ending 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.

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 September 29, 2019:

	Amount Without IFRS 16	IFRS 16 Adjustment	As Reported
Property, plant and equipment	466,960	3,086	470,046
Trade payables and other liabilities	(64,582)	(449)	(65,031)
Provisions and other long-term liabilities	(511)	(2,668)	(3,179)
Deferred tax liabilities	(43,237)	8	(43,229)
Retained earnings	(976,974)	23	(976,951)

There was no material impact on the Company's condensed consolidated statement of income or condensed consolidated statement of cash flows for the third quarter of 2019 and the year-to-date period ended September 29, 2019.

4. 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

	September 29 2019
Opening balance, December 31, 2018	568
Additions	2,857
Depreciation	(339)
Closing balance, September 29, 2019	3,086

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:

	September 29 2019
Less than one year	(456)
One to five years	(2,984)
More than five years	-
Total contractual undiscounted lease liabilities	(3,440)

	September 29 2019
Current	(449)
Non-current	(2,668)
Total discounted lease liabilities	(3,117)

During the third quarter of 2019, the Company recorded finance expense on lease liabilities of \$19. Total cash outflow for leases was \$159, including \$45 for short-term leases. On a year-to-date basis, the Company recorded finance expense on lease liabilities of \$30. Total cash outflow for leases was \$635, including \$297 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 September 29, 2019, potential future lease payments not included in lease liabilities totalled \$4,863.



Notes to Condensed Consolidated Financial Statements
For the periods ended September 29, 2019 and September 30, 2018
(thousands of US dollars, unless otherwise indicated) (Unaudited)

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 third quarter of 2019 totalled \$189 and on a year-to-date basis totalled \$582.

5. Revenue

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 of the three are deemed to be a separate operating segment.

The rigid packaging and flexible lidding segment includes the rigid containers and lidding 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.

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.

Most of the Company's contracts have a single performance obligation as the promise to transfer the individual goods. Revenue for each of the three operating segments is recognized at a point in time when the customer obtains control of a product, which typically takes place when legal title and physical possession of the product is transferred to the customer. These conditions are usually fulfilled upon shipment, however, in some instances, upon delivery. Invoices are generated when control has transferred and are usually payable within 30 to 60 days.

Disaggregation of Revenue

	Quarter Ended		Year-To-Date Ended	
	September 29 2019	September 30 2018	September 29 2019	September 30 2018
Operating segment				
Rigid packaging and flexible lidding	95,947	104,021	301,430	322,001
Flexible packaging	111,011	111,648	335,210	326,400
Packaging machinery	5,776	4,978	19,747	19,102
	<u>212,734</u>	<u>220,647</u>	<u>656,387</u>	<u>667,503</u>
Geographic segment				
United States	170,406	182,085	537,823	549,313
Canada	27,321	29,574	79,950	87,663
Mexico and other	15,007	8,988	38,614	30,527
	<u>212,734</u>	<u>220,647</u>	<u>656,387</u>	<u>667,503</u>

The Company's products are primarily used for the packaging of perishable foods and beverages, which accounted for more than 90 percent of sales during the year-to-date periods ended September 29, 2019 and September 30, 2018. Other markets include medical, pharmaceutical, personal care, industrial, and other consumer goods.



Notes to Condensed Consolidated Financial Statements
For the periods ended September 29, 2019 and September 30, 2018
(thousands of US dollars, unless otherwise indicated) (Unaudited)

6. Segment Reporting

The Company operates in three operating segments: a) rigid packaging and flexible lidding, b) flexible packaging and c) packaging machinery. Due to similar economic characteristics, including long-term sales volumes 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 the United States, Canada and Mexico. See note 5 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:

	September 29 2019	September 30 2018
United States	224,251	218,209
Canada	240,176	229,621
Mexico	19,686	14,573
	484,113	462,403

7. Other Expenses

	Quarter Ended		Year-To-Date Ended	
	September 29 2019	September 30 2018	September 29 2019	September 30 2018
Amounts shown on a net basis				
Foreign exchange (losses) gains	(497)	296	547	(483)
Cash flow hedge losses transferred from other comprehensive income	(40)	(299)	(895)	(62)
	(537)	(3)	(348)	(545)

8. Inventories

	September 29 2019	December 30 2018
Raw materials	32,543	44,179
Work-in-process	28,337	22,365
Finished goods	57,883	55,329
Spare parts	11,397	10,445
	130,160	132,318

During the third quarter of 2019, the Company recorded, within cost of sales, inventory write-downs for slow-moving and obsolete inventory of \$1,518 (2018 - \$1,831) and reversals of previously written-down items of \$306 (2018 - \$0). On a year-to-date basis, the Company recorded, within cost of sales, inventory write-downs for slow-moving and obsolete inventory of \$5,056 (2018 - \$5,797) and reversals of previously written-down items of \$2,175 (2018 - \$1,701).

9. Property, Plant and Equipment and Intangible Assets

Property, plant and equipment comprise owned and leased assets.

	September 29 2019
Property, plant and equipment owned	466,960
Right-of-use assets	3,086
	470,046

At September 29, 2019, the Company has commitments to purchase plant and equipment of \$22,896 (December 30, 2018 - \$31,157). No impairment losses or impairment reversals were recognized during the year-to-date periods ended September 29, 2019 or September 30, 2018.

10. Dividends

During the third quarter of 2019, dividends in Canadian dollars of 3 cents per common share were declared (2018 - 3 cents) and on a year-to-date basis, 9 cents per common share were declared (2018 - 9 cents).



Notes to Condensed Consolidated Financial Statements
For the periods ended September 29, 2019 and September 30, 2018
(thousands of US dollars, unless otherwise indicated) (Unaudited)

11. Earnings Per Share

	Quarter Ended		Year-To-Date Ended	
	September 29 2019	September 30 2018	September 29 2019	September 30 2018
Net income attributable to equity holders of the Company	28,578	27,835	88,093	82,238
Weighted average shares outstanding (000's)	65,000	65,000	65,000	65,000
Basic and diluted earnings per share - cents	44	43	136	127

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 September 29, 2019</u>				
Foreign currency forward contracts - net	-	58	-	58
<u>At December 30, 2018</u>				
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 September 29, 2019, the supplier rebate receivable balance that was offset was \$4,450 (December 30, 2018 - \$5,166).

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 September 29, 2019, a one-cent change in the period-end foreign exchange rate from 0.7552 to 0.7452 (CDN to US dollars) would have decreased net income by \$162 for the third quarter of 2019. Conversely, a one-cent change in the period-end foreign exchange rate from 0.7552 to 0.7652 (CDN to US dollars) would have increased net income by \$162 for the third quarter of 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 I 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.
- 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 third quarter of 2019 and the Company realized pre-tax foreign exchange losses of \$198 (year-to-date losses - \$1,561). Of these foreign exchange differences, losses of \$40 were recorded in other expenses (year-to-date losses - \$895) and losses of \$158 were recorded in property, plant and equipment (year-to-date losses - \$666). During the third quarter of 2018 the Company realized pre-tax foreign exchange losses of \$354 (year-to-date - realized foreign exchange gains of \$118). Of these foreign exchange differences, losses of \$299 were recorded in other expenses (year-to-date losses - \$62) and losses of \$55 were recorded in property, plant and equipment (year-to-date gains - \$180).

As at September 29, 2019, the Company had US to CDN dollar foreign currency forward contracts outstanding with a notional amount of US \$42.0 million at an average exchange rate of 1.3244 maturing between October 2019 and September 2020. The fair value of these financial instruments was \$58 US and the corresponding unrealized gain has been recorded in other comprehensive income. The Company did not recognize any ineffectiveness on the hedging instruments for the year-to-date periods ended September 29, 2019 and September 30, 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 September 29, 2019 cash and cash equivalents balance of \$415.2 million, a 1.0 percent increase/decrease in interest rate fluctuations would increase/decrease income before income taxes by \$4,152 annually.

Commodity Price Risk

The Company's manufacturing costs are affected by the price of raw materials, namely petroleum-based and natural gas-based plastic resins and aluminum. In order to manage its risk, the Company has entered into selling price-indexing programs with certain customers. Changes in raw material prices for these customers are reflected in selling price adjustments but there is a slight time lag. For the year-to-date period ended September 29, 2019, 70 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 \$415.2 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, business acquisition (note 15), payment of lease liabilities 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:

	September 29 2019	December 30 2018
Cash and cash equivalents	415,181	344,322
Trade and other receivables	135,255	131,851
Foreign currency forward contracts	153	-
	550,589	476,173

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 I 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 third quarter of 2019, the Company incurred costs on the sale of trade receivables of \$1,003 (2018 - \$1,142). Of these costs, \$654 was recorded in finance expense (2018 - \$809) and \$349 was recorded in general and administrative expenses (2018 - \$333). On a year-to-date basis, the Company incurred costs on the sale of trade receivables of \$3,494 (2018 - \$3,619). Of these costs, \$2,411 was recorded in finance expense (2018 - \$2,572) and \$1,083 was recorded in general and administrative expenses (2018 - \$1,047).

As at September 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 and d) 38 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 40 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 third quarter of 2019, the Company recorded impairment recoveries on trade and other receivables of \$60 (2018 - \$40 impairment losses). On a year-to-date basis, the Company recorded impairment losses on trade and other receivables of \$64 (2018 - \$222).

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:

	September 29 2019	December 30 2018
Current (not past due)	119,064	112,953
1 - 30 days past due	13,700	16,636
31 - 60 days past due	2,095	2,022
More than 60 days past due	1,389	1,196
	136,248	132,807
Less: Allowance for expected credit losses	(993)	(956)
Total trade and other receivables, net	135,255	131,851

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.



15. Subsequent Event

Effective October 1, 2019, the Company signed a definitive agreement and closed the acquisition with respect to all of the business (net assets and building) of privately owned Cheringal Associates, Inc. and Norwood Printing, Inc. collectively ("Control Group") located in Norwood, New Jersey. The purchase price of US \$42.2 million was paid from cash resources on hand. Control Group is a market leader in delivering specialized printed packaging solutions to the pharmaceutical, healthcare, nutraceutical, cosmetic and personal care markets.