2019

ANNUAL REPORT

2019 food retail conditions were remarkably similar to the prior year, namely flat or slightly decreasing household spending on groceries, despite a broader offering for online shopping with either store pick-up or home deliveries for improved consumer convenience. In the absence of market growth, selling price competition to try and gain market share intensified.

The net income attributable to equity holders of the Company attained $114.8 million, an improvement from last year's $108.9 million by 5.4 percent, while revenues receded by 1.8 percent to $873.8 million. This achievement was a blend of volume and revenue growth in the flexible packaging and machinery product groups while our rigid container business receded as a result of transitioning to less costly recyclable plastic materials in our largest rigid container applications and the loss of a retort food application. Lower raw material input costs and significant productivity improvements across the Company materialized into a gross profit margin improvement of 0.9 percentage points to 31.3 percent.

The sluggish retail food market and the pressure towards more environmentally friendly packaging finds many customers uncertain about which packaging direction to transition to and how to allocate limited engineering resources. At the 2019 Pack Expo show, Winpak launched an unprecedented five new categories of recycle-ready flexible packaging options and continues to develop solutions for its remaining product portfolio not yet deemed recyclable. The Company's direction is set towards expansion while consciously reducing our environmental impact. Our manufacturing sites are relentlessly searching for ways to reduce their environmental impact and incorporate new processes with the latest technologies to reduce emissions, energy consumption and waste. We strive to design our new processes to use green energy wherever possible, such as hydro-electricity in Canada, Renewable Energy Certificates in the United States and avoiding natural gas. In only our second filing to the Carbon Disclosure Project's Climate Change (CDP), we received a B rating, surpassing two main competitors.

Despite the challenging market conditions, the modified atmosphere packaging business at the Winnipeg, Manitoba facility grew significantly in Canada and Mexico and modestly in the United States. Positive operational performance was achieved from advances in our cast co-extrusion capabilities, waste improvement initiatives, expansion of automation processes, along with the introduction of a new generation of films. In order to support the expansion into new generations of recycle-ready products, two cast co-extrusion lines will be re-engineered in 2020, new recycle-ready pouch-making capabilities and sophisticated laser-cutting equipment for convenient reclose packaging will be added.

A green field facility was inaugurated in September 2019 in Querétaro, Mexico, adding 55,000 square feet of printing, laminating and slitting capabilities to expand the portfolio of flexible packaging products. The new print technology, the first of its kind in North America, is ideally suited for the appetite of the Mexican market for highly sophisticated print designs and geared towards quick change-overs and low-cost print media. The new facility also houses the die-cutting activities introduced in 2012, in Querétaro. Winpak can now offer a system of printed flexible films with thermoformable type materials for vacuum, pasteurized or modified atmosphere packaging.

The specialty films business in Senoia, Georgia underwent a comprehensive re-design of the barrier shrink bag production lines to significantly improve productivity and product performance and has benefitted from a newly installed co-extrusion blown film line. An additional co-extrusion blown film line is being assembled to support growth in the sophisticated high-barrier food and medical films businesses. On the other hand, there has been some volume erosion in the non-barrier commodity type films so that overall, volume regressed slightly, but the mentioned product changes and productivity improvements led to significant year-over-year profitability advancement.

The healthcare market continues to enjoy growth, fueled by an aging population, increasingly sophisticated therapies and growth in generic drugs to contain healthcare costs. Winpak has renewed its focus on the flexible packaging healthcare market and assembled a world class team to lead this initiative and refine our portfolio across multiple sites and product platforms, whether for pharmaceutical or medical applications. To enhance the service model and product offering, Winpak acquired privately owned Cheringal Associates, Inc. and Norwood Printing, Inc. collectively ("Control Group") in Norwood, New Jersey in October 2019, adding over 80,000 square feet of pharmaceutical manufacturing. Now operating as Winpak Control Group Inc., the business focuses on producing inserts, outserts, blister packaging, sachets and labels using their unique industry-leading healthcare model, setting the stage to be applied across Winpak in the coming years.

2019 was again remarkable for American Biaxis Inc., the Winpak–Sojitz Corporation of Japan business, which produces biaxially oriented polyamide (nylon) films. The business continued to operate at peak productivity levels, maintained its focus on quality and customer service, outweighing competitive selling price pressures from offshore suppliers. Volume and revenue grew and in combination with declining production costs, profitability progressed as well. The building and equipment capacity expansion are well under way and the new extrusion line is projected to be commercial in the first quarter of 2021.

Overall, Winpak's flexible packaging volume and revenue grew in 2019, in the face of stronger than ever selling price competition and absence of retail growth. Going forward, Winpak's offering in high-barrier recycle-ready flexible packaging will expand, relying on our uniquely sophisticated infrastructure and strength in material sciences.

In 2019, Winpak's rigid container business which consists of the production of plastic sheets and thermoformed barrier containers in two locations in Chicago, Illinois and one in Toronto, Ontario saw the start-up of a new integrated sheet and thermoforming line in the Sauk Village plant and the planned installation of one more thermoforming line for 2020. The aforementioned volume and revenue contractions of the rigid container business was in part the result of a lost piece of business, and the transition to less costly and lighter plastics, and to some extent due to competitive selling price pressures. On the other hand, the volume in traditional segments such as condiments, juices and desserts grew. Manufacturing efficiency improvements and less expensive raw material input costs helped mitigate the impact to earnings. To date, more than half our portfolio of rigid containers is recycle-ready and this share will continue to increase. The rationale of expanding the rigid container packaging capacity is driven by growing demand for retort trays and single portion containers in dairy and dessert offerings and for convenience with ready-to-serve meals and meal kits and the condiment containers used therein.

The Company's product offering as a system of highly technical flexible lidding solutions combined with rigid containers, whether in die-cut or roll-fed form, aluminum-based or high-barrier plastics, sets Winpak apart in the industry. The range of roll-fed flexible lidding products in our Vaudreuil-Dorion, Quebec facility to complement our large die-cut lid presence has continued to grow. Although both volume and revenue grew in die-cut and rollstock flexible offerings, the intense price pressure on existing products and learning curves associated with new products eroded profitability.

Winpak's packaging machinery division in San Bernardino, California established milestones in 2019 for both machinery and parts revenue and continued to focus effectively on system sales, thus combining the sales of packaging consumables with machinery. A new, more spacious leased site is under construction to relocate the operation and allow it to grow and set the stage for new equipment designs and enhanced manufacturing and assembly capabilities.

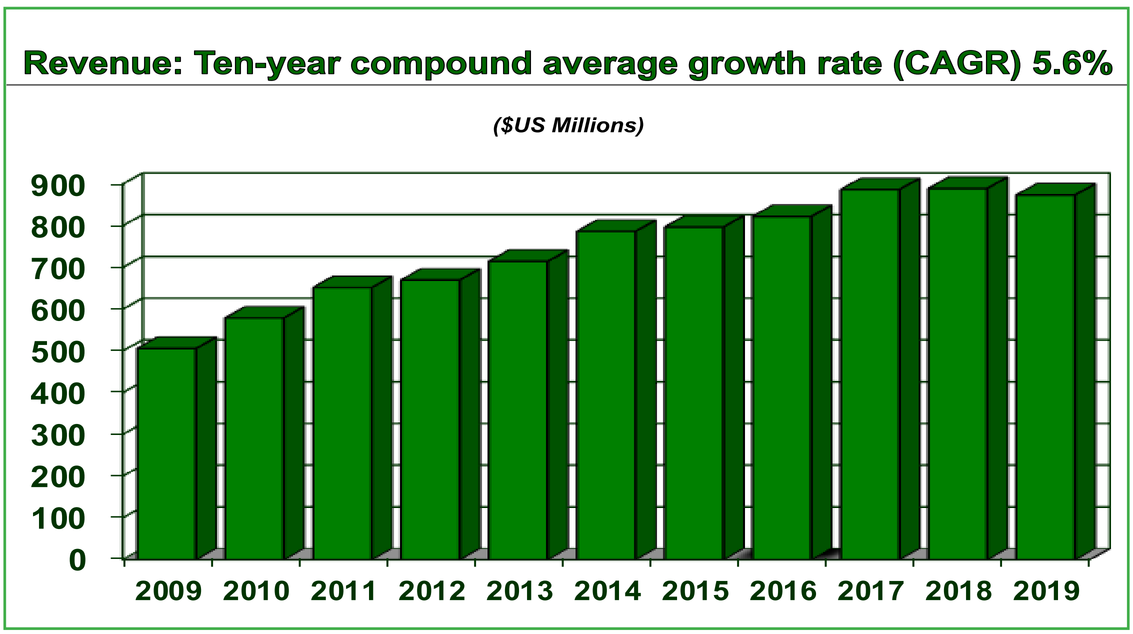
Despite the absence of retail food growth and the very challenging competitive market pressures, 2019 reflected the robustness of the infrastructure and equipment investments within the flexible packaging business, while the rigid container business has been challenged by the dynamic around a few large historic volume products, reinforcing the internal efforts to diversify into new applications. Exciting capital and R&D investment decisions for future growth throughout the business are under way to continue the momentum going forward, under the lens of reducing our environmental footprint and that of our clients.

O.Y. Muggli

O.Y. Muggli
President and Chief Executive Officer
Winnipeg, Canada
March 3, 2020

(Values expressed in US dollars)

	2019	2018	2017	2016	2015
Operating results ($ million except earnings per share)					
Revenue	**873.8**	889.6	886.8	822.5	797.2
Income from operations	**155.0**	150.1	162.7	157.8	147.3
EBITDA (1)	**198.5**	190.2	200.2	192.0	179.2
Net income attributable to equity holders of the Company	**114.8**	108.9	119.3	104.3	99.2
Earnings per share (cents) (2)	**177**	168	184	161	153
Investments and assets ($ million)					
Investments in property, plant and equipment	**58.1**	71.2	51.1	72.2	53.7
Business acquisition	**42.7**	-	-	-	-
Total assets	**1,212.4**	1,088.9	976.0	874.2	766.1
Financial position					
Net return on opening equity attributable to equity holders of the Company	**12.5%**	13.3%	16.9%	17.3%	17.0%
Return on opening invested capital (3)	**23.4%**	24.7%	28.3%	30.8%	29.1%



Basis of Presentation

- The Company's fiscal year is usually 52 weeks in duration, but includes a 53rd week every five to six years. All years presented on pages 3 and 4 were 52 weeks in duration, with the exception of 2012 and 2017, which were 53 weeks in duration.
- All years presented on pages 3 and 4 are in accordance with International Financial Reporting Standards (IFRS) with the exception of 2009, which is as previously reported under Canadian GAAP.

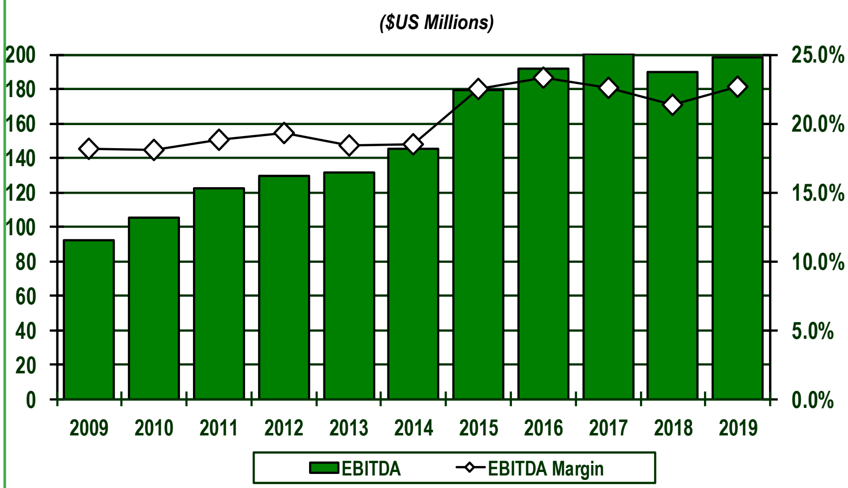
Definitions

(1) EBITDA (income before interest, tax, depreciation and amortization) is not a recognized measure under IFRS. Management believes that in addition to net income attributable to equity holders of the Company, EBITDA is a useful supplemental measure as it provides investors with 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 EBITDA should not be construed as an alternative to net income attributable to equity holders of the Company determined in accordance with IFRS as an indicator of the Company's performance. The Company's method of calculating EBITDA may differ from other companies and, accordingly, EBITDA may not be comparable to measures used by other companies. Refer to the section entitled Selected Financial Information on page 5 of this document for the calculation of EBITDA from 2017 to 2019.

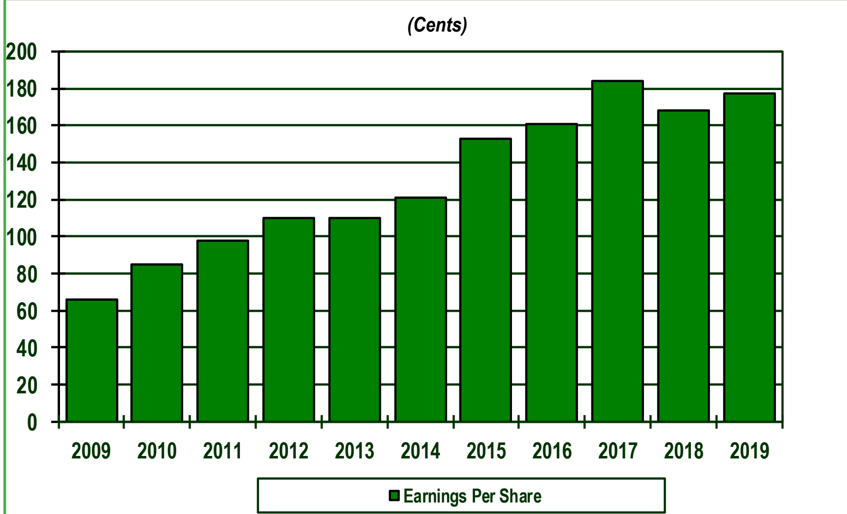
(2) In 2017, a one-time income tax recovery of 17 cents per share was recorded due to the revaluation of deferred tax asset and liability balances within the US operations as a result of US tax reform enacted in December 2017.

(3) Return on opening invested capital is defined as income from operations divided by invested capital, which is defined as the sum of total debt, equity, net deferred tax liability, and accumulated goodwill amortization.

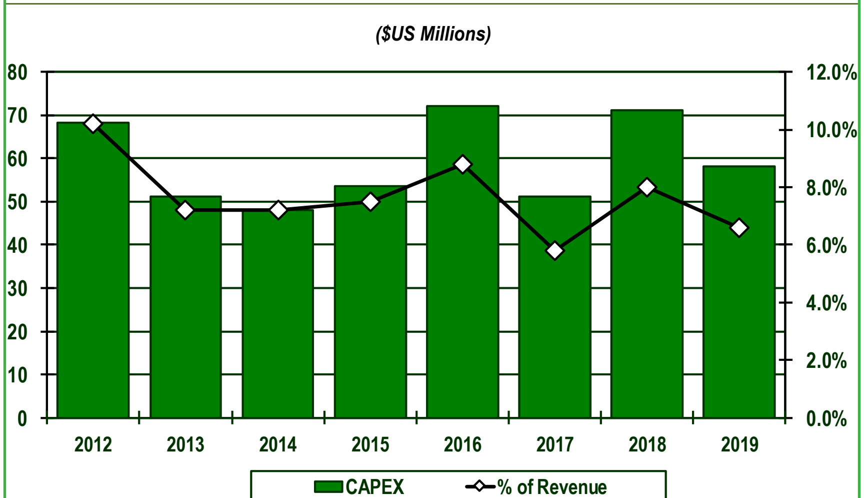
EBITDA and EBITDA Margins: Ten-year CAGR 8.0%



Earnings Per Share



CAPEX 2012 – 2019



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.

General Information

The following discussion and analysis dated March 3, 2020 was prepared by management and should be read in conjunction with the consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS). The following discussion and analysis is presented in US dollars except where otherwise noted. The consolidated financial statements include the accounts of all subsidiaries. The Company's functional and reporting currency is the US dollar. The Company has filed a separate Management's Discussion and Analysis for its fourth quarter of 2019, which is available on the Company's website at www.winpak.com or on SEDAR at www.sedar.com.

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.

Company Overview

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.

Selected Financial Information

Millions of US dollars, except per share and margin amounts	**2019**	2018	2017
Revenue	**873.8**	889.6	886.8
Income from operations	**155.0**	150.1	162.7
Net income attributable to equity holders of the Company	**114.8**	108.9	119.3
Gross profit margin	**31.3%**	30.4%	31.2%
Earnings per share (cents)	**177**	168	184
Reconciliation of EBITDA			
Net income	**118.1**	111.6	122.7
Income tax expense	**41.7**	40.0	38.8
Net finance (income) expense	**(4.8)**	(1.5)	1.2
Depreciation and amortization	**43.5**	40.1	37.5
EBITDA	**198.5**	190.2	200.2

Overall Performance

- ∆ Revenue was $15.8 million or 1.8 percent less than the all-time high of $889.6 million attained in 2018. Normalizing for the 2019 business acquisition that was completed at the beginning of the fourth quarter, volumes declined by 1.3 percent. Revenue contraction also reflected the negative impact of selling price and mix changes and a weaker Canadian dollar which resulted in revenue decreases of $6.4 million and $2.7 million respectively.

- ∆ Gross profit margins advanced by nearly one percentage point from the prior year to 31.3 percent. The significant reduction in raw material costs for two of the Company's main resins was the overriding factor behind the increase and overshadowed the related lower selling price pass-throughs to customers on formal price indexing programs as well as the elevated fixed manufacturing overhead costs that stemmed from recent capital expenditures.

- ∆ Net income attributable to equity holders of the Company of $114.8 million surpassed the prior year's net income attributable to equity holders of the Company of $108.9 million by 5.4 percent. Significantly higher gross profit margins and net finance income, in addition to the favorable tailwind provided by foreign exchange, were partially offset by higher operating expenses and the decrease in sales volumes.

- ∆ Cash and cash equivalents ended the year at $397.2 million, an increase of $52.8 million from the start of the year, despite funding investing activities of $100.9 million. Winpak continued to generate robust cash flow from operating activities. There are no short-term borrowings or long-term debt outstanding.

Highlights

- ∆ Raw materials: The annual average cost of raw materials declined considerably by 12.2 percent in 2019, after rising in each of the previous two years.

- ∆ Operating expenses: Higher personnel costs and pre-production expenses contributed to a higher level of operating expenses, reducing earnings per share by 3.0 cents.

- ∆ Foreign exchange: Favorable translation differences in regards to Canadian dollar monetary assets and liabilities were recorded in 2019 whereas in 2018, unfavorable translation differences arose. Paired with the beneficial impact of the weaker Canadian dollar in relation to the US dollar, foreign exchange augmented earnings per share by 4.5 cents.

- ∆ Capital expenditures: Capital expenditures in 2019 totaled $58.1 million, reflecting new extrusion, thermoforming and converting capacity as well as the building expansion that will support the new biaxially oriented polyamide (BOPA) line.

- ∆ Business acquisition: 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 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.

- ∆ Financing and investing: Cash flow from operating activities reached $160.0 million and provided the foundation to fund the current year's capital projects of $58.1 million and the $42.7 million purchase of Control Group. During 2020, the Company will leverage its cash resources on hand and generate additional cash flow from operations, funding its targeted investing and financing activities. Management will continue to appraise strategic acquisition opportunities together with implementing its focused organic capital investment program, both dedicated to enhancing long-term shareholder returns.

Results of Operations

Components of total increase (decrease) in earnings per share (EPS)

	2019	2018	2017
Organic growth	**(2.5)**	(2.0)	10.0
Gross profit margins	**6.0**	(3.5)	(8.5)
Operating expenses, net finance income (expense) and non-controlling interests	**0.0**	1.0	0.5
Income taxes	**1.0**	(7.0)	18.5
Foreign exchange	**4.5**	(4.5)	2.5
Total increase (decrease) in EPS (cents)	**9.0**	(16.0)	23.0

Ongoing operations

Organic growth is the effect on net income due entirely to increased sales volumes and excludes the influence of acquisitions, divestitures and foreign exchange. In 2019, this lowered EPS by 2.5 cents in comparison to the prior year.

Gross profit margins expanded in 2019 as the heightened spread between selling prices and raw material costs was only partially offset by the contraction caused by the rise in manufacturing costs in relation to relatively unchanged sales volumes.

Higher net finance income propelled EPS forward by 4.0 cents. Meanwhile, the elevation in operating expenses lowered EPS by 3.0 cents and a further 1.0 cent EPS reduction was caused by the higher proportion of earnings attributable to non-controlling interests.

The effective income tax rate dropped by half a percentage point, adding 1.0 cent to EPS.

Foreign exchange had a positive impact of 4.5 cents on EPS versus the previous year. On average, the Canadian dollar was weaker compared to its US counterpart in 2019. This positive occurrence, in tandem with the turnaround in foreign exchange translation differences on Canadian net monetary items from losses in the prior year to gains in the current year, accounted for the favorable result.

Revenue

Revenue Change

Millions of US dollars	**2019**	2018	2017
Volume (decrease) increase	**(11.9)**	(10.4)	50.4
Business acquisition	**5.2**	-	-
Price and mix (losses) gains	**(6.4)**	12.4	11.9
Foreign exchange (losses) gains	**(2.7)**	0.9	1.9
Total (decrease) increase in revenue	**(15.8)**	2.9	64.2

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

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.

Winpak's average raw material index, which represents the weighted cost of the Company's eight primary raw materials, fell by 12.2 percent from the 2018 average. The change in raw material pricing varied amongst the different raw materials. Polyethylene and polypropylene resin costs were markedly lower, decreasing by 19 percent and 25 percent respectively.

Raw Material Index

	2019	2018	2017
(Decrease) increase in index compared to prior year	**(12.2%)**	2.5%	9.5%

Expenses

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.

Foreign Exchange

	2019	2018	2017
Year-end exchange rate of CDN dollar to US dollar	**0.765**	0.733	0.795
Year-end exchange rate of US dollar to CDN dollar	**1.308**	1.365	1.258
Appreciation (depreciation) of CDN dollar vs. US dollar year-end exchange rate compared to the prior year	**4.4%**	(7.8%)	7.6%
Average exchange rate of CDN dollar to US dollar	**0.752**	0.776	0.769
Average exchange rate of US dollar to CDN dollar	**1.329**	1.289	1.301
(Depreciation) appreciation of CDN dollar vs. US dollar average exchange rate compared to the prior year	**(3.1%)**	0.9%	2.4%

Winpak utilizes the US currency as both its reporting and functional currency. However, with approximately 59 percent of its production capacity located in Canada, it is exposed to foreign exchange risks and records foreign currency differences on transactions and translations denominated in Canadian dollars as well as other foreign currencies. With a production facility located in Mexico, the Company is also exposed to foreign exchange risks on costs denominated in Mexican pesos but these are less significant.

On a net basis, foreign exchange had a favorable impact on EPS of 4.5 cents in 2019 compared to the prior year. Approximately 10 percent of revenues and 20 percent of costs in the current year were denominated in Canadian dollars. The net outflow of Canadian dollars exposes Winpak to transaction differences arising from exchange rate fluctuations. The depreciation in the average exchange rate of the Canadian dollar in relation to the US dollar in 2019 of 3.1 percent increased EPS by 2.0 cents compared to 2018. As part of the Company's hedging program to manage this risk, the foreign exchange contracts that matured during 2019 were at a less advantageous average exchange rate, generating foreign exchange losses. Less significant foreign exchange losses were incurred on these financial instruments in the prior year and the relative change decreased EPS by 0.5 cents. In contrast, translation differences, which arise when Canadian dollar monetary assets and liabilities are translated at exchange rates that change over time, raised EPS by 3.0 cents in the current year in comparison to 2018.

Summary of quarterly results

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

	2019				2018		
Quarter ended	**Revenue**	**Net income***	**EPS**	Quarter ended	Revenue	Net income*	EPS
March 31	**224,035**	**28,429**	**44**	April 1	221,665	26,361	41
June 30	**219,618**	**31,086**	**48**	July 1	225,191	28,042	43
September 29	**212,734**	**28,578**	**44**	September 30	220,647	27,835	43
December 29	**217,456**	**26,679**	**41**	December 30	222,138	26,683	41
	873,843	**114,772**	**177**		889,641	108,921	168

*attributable to equity holders of the Company

Various factors affect timing of the Company's earnings during the course of a year. Typically, seasonal factors contribute to stronger revenue and net income in the second and fourth quarters compared to the first and third quarters. Factors influencing seasonal trends are the higher demand for certain food products in advance of the summer season and the greater number of holidays in the fourth quarter. During the third quarter, revenue and net income are typically lower due to reduced order levels and plant maintenance shutdowns scheduled to coincide with the summer. Sudden and substantial changes in the rate of exchange between the Canadian and US dollars from one quarter to another may cause revenue and net income to vary from the historic trend. Similarly, sudden and significant changes in the cost of raw materials consumed from one quarter to another can be expected to increase or decrease net income in a manner that does not conform to the normal pattern. Furthermore, unexpected adverse weather conditions could influence the supply and price of raw materials or customer order levels, and the timing of commercializing new manufacturing equipment can cause revenue and net income to depart from established trends.

The following items influenced the timing of the Company's reported results beyond historic trends. In the current year, revenue in the first and second quarter was elevated primarily due to the timing of selling price reductions being passed on to customers on contractual price indexing arrangements which did not take meaningful effect until the second half of 2019. The purchase of Control Group in the fourth quarter of 2019 favorably influenced revenue. Conversely, 2019 fourth quarter revenue was negatively affected by a major customer's reduced volumes as the Company is supplying a lesser share of the business with its conversion to a recyclable product. Operating expenses in the fourth quarter of 2019 were affected by elevated pre-production costs and expenses incurred for a pension plan settlement, lowering net income. Operating expenses in the fourth quarter of 2018 were impacted by higher personnel costs and employee benefit expenses, reducing net income.

Cash Flow, Liquidity and Capital Resources

At December 29, 2019, Winpak's cash and cash equivalents balance totaled $397.2 million, an advancement of $52.8 million from the prior year-end. This increase resulted from cash provided by operating activities of $160.0 million less disbursements for investing activities of $100.9 million and financing activities of $6.3 million.

Operating activities

Cash from operating activities amounted to $160.0 million. A notable improvement of $8.0 million was realized in cash generated from operating activities before changes in working capital which totaled $199.4 million. This was offset in part by a further investment in working capital for the current year of $4.2 million. Trade and other receivables grew by $6.0 million due to the timing of cash receipts. Income tax payments were $37.8 million, up $4.5 million from the previous year due to greater tax installments mandated by higher taxable income levels. Employee defined benefit plan contributions of $2.5 million were funded during the year. Finally, net finance income rose by $5.1 million due to elevated cash and cash equivalents amounts and higher interest rates during the year.

Investing activities

Investing activities in 2019 reached $100.9 million, including plant and equipment additions of $58.1 million and the acquisition of Control Group at a price of $42.7 million. Intangible asset purchases amounted to $0.1 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 BOPA line. Over the long term, Winpak's expenditures for maintaining the existing equipment's capabilities have averaged approximately 2 percent of revenue.

Financing activities

Financing activities in 2019 consisted of dividends to common shareholders of $5.8 million and payments relating to lease liabilities of $0.5 million. A regular quarterly dividend of $0.03 Canadian was paid. The Company's objectives in managing capital are to have sufficient liquidity to pursue organic growth along with strategic acquisitions so that an appropriate rate of return on investments is provided to shareholders.

Resources

Investments to drive organic and acquisitive growth can be significant, requiring substantial financial resources. A range of funding alternatives is available including cash and cash equivalents, cash flow provided by operations, additional debt facilities, issuance of equity or a combination thereof. An informal investment grade credit rating allows the Company access to relatively low interest rates on debt. The Company currently has unused operating lines of $38 million, which are believed adequate for liquidity purposes. Based on discussions with various financial institutions, Winpak believes that additional credit can be arranged from banks and other major lenders as required. The Company is confident that all 2020 requirements for capital expenditures, payment of lease liabilities, working capital, and dividend payments can be financed from cash resources, cash provided by operating activities and unused credit facilities.

Risks and Financial Instruments

The Company recognizes that net income is exposed to changes in market interest rates, foreign exchange rates, prices of raw materials and risks regarding the financial condition of customers and financial counterparties. These market conditions are regularly monitored and actions are taken, when appropriate, according to Winpak's policies established for the purpose. Despite the methods employed to manage these risks, future fluctuations in interest rates, foreign exchange rates, raw material costs and counterparty financial condition can be expected to impact net income.

Winpak's policy regarding interest expense is to fix interest rates on between one- and two-thirds of any long-term debt outstanding. The Company may enter into derivative contracts or fixed-rate debt to minimize the risk associated with interest rate fluctuations. For the past ten years, Winpak has not had any long-term debt outstanding.

With respect to foreign exchange risk, Winpak employs hedging programs to minimize risks associated with changes in the value of the Canadian dollar relative to the US dollar. To the extent possible, the Company maximizes natural currency hedging by matching inflows from revenue in a currency with outflows of costs and expenses denominated in the same currency. For the remaining exposure, the Company's foreign exchange policy requires that between 50 and 80 percent of the Company's net requirement of Canadian dollars for the ensuing 9 to 15 months will be hedged at all times with forward or zero-cost option contracts. The Company may also enter into foreign currency forward contracts when equipment purchases will be settled in other foreign currencies. Purchases of foreign exchange products for the purpose of speculation are not permitted. Transactions are only conducted with certain approved Schedule 1 Canadian financial institutions.

Significant fluctuations in foreign exchange rates represent a material exposure for the Company's financial results. Hedging programs employed may mitigate a portion of exposures to short-term fluctuations in foreign currency exchange rates. However, the Company's financial results over the long term will inevitably be affected by sizeable changes in the value of the Canadian dollar relative to the US dollar. Winpak estimates that each time the exchange rate strengthens or weakens by one Canadian cent against the US dollar, net income, with respect to transaction differences, will decrease or increase, respectively, by approximately 0.7 of a US cent per share.

During 2019, certain foreign currency forward contracts matured and the Company realized pre-tax foreign exchange losses of $1.6 million. As at December 29, 2019, the Company had US to CDN dollar foreign currency forward contracts outstanding with notional amounts of $35.0 million. The pre-tax unrealized foreign exchange gain on these contracts of $0.5 million was recorded in other comprehensive income.

Winpak has not participated in any derivatives market for raw materials. Winpak is not aware of any instrument that fully mitigates fluctuations in raw material costs over the long term. To manage this risk, Winpak has entered into formal selling price-indexing agreements with certain customers whereby changes in raw material prices are reflected in selling price adjustments, albeit with a three to four-month time lag. For 2019, 69 percent of Winpak's revenue was governed by selling price-indexing agreements. For all other customers, the Company responds to changes in raw material costs by adjusting selling prices on a customer-by-customer basis. However, market conditions can have an impact on these price adjustments such that the combined impact of selling price adjustments and changes in raw material costs can be significant to Winpak's net income.

Credit risk arises from cash and cash equivalents held with banks, derivative financial instruments (foreign currency forward and option contracts), as well as credit exposure to customers, including outstanding accounts receivable. The Company assesses the credit quality of counterparties, taking into account their financial position, past experience and other factors. Management regularly monitors customer credit limits, performs credit reviews and, in certain cases, insures accounts receivable balances against credit losses. The Company also sells certain extended term trade receivables without recourse to financial institutions in exchange for cash. The Company invests its excess cash on a short-term basis, to a maximum of six months, with 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 Canadian federal or provincial government. Nonetheless, unexpected deterioration in the financial condition of a counterparty can have a negative impact on the Company's net income in the case of default.

The Company enters into contractual obligations in the normal course of business operations. These obligations, as at December 29, 2019, are summarized below.

Contractual Obligations	Payment due, by period (thousands of US dollars)				
	Total	1 year	2 - 3 years	4 - 5 Years	After 5 years
Leases	10,380	1,112	2,613	2,778	3,877
Purchase obligations	29,741	27,502	2,239	-	-
Total contractual obligations	40,121	28,614	4,852	2,778	3,877

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 Policy Changes

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

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 consolidated financial statements.

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 consolidated financial statements.

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 note 4 to the consolidated financial statements). The adoption of IFRS 16 did not impact the Company's accounting policies for lessors. The consequential financial impact of the adoption of IFRS 16 is presented in note 3 and lease disclosures are presented in note 23.

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. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Critical Accounting Estimates and Judgments

The Company believes the following accounting estimates and judgments are critical to determining and understanding the operating results and the financial position of the Company.

Aggregation of operating segments – Judgment is applied in aggregating operating segments into a reportable segment. Aggregation occurs when the operating segments have similar economic characteristics and have similar products, production processes, types of customers and distribution methods.

Business combinations – The determination of fair value associated with identifiable property, plant and equipment and intangible assets following a business combination requires management to make assumptions. More specifically, this is the case when the Company calculates fair values using appropriate valuation techniques, which are generally based on a forecast of expected future cash flows for intangible assets, and on a replacement cost approach, an income-based approach and/or a market-based approach for property, plant and equipment. These valuations are closely related to the assumptions made by management about the future return on the related assets and the discount rate applied. Significant changes to these assumptions could significantly change the fair values associated with intangible assets following a business combination, which would impact the amortization expense.

Employee benefit plans – Accounting for employee benefit plans requires the use of actuarial assumptions. The assumptions include the discount rate, rate of compensation increase, mortality rate and healthcare costs. These assumptions depend on underlying factors such as economic conditions, government regulations and employee demographics. These assumptions could change in the future and may result in material adjustments to employee benefit plan assets or liabilities.

Impairment of property, plant and equipment and intangible assets – An integral component of impairment testing is determining the asset's recoverable amount. The determination of the recoverable amount involves significant management judgment, including projections of future cash flows and the appropriate discount rate. The cash flows are derived from the financial forecast for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash-generating unit (CGU) being tested. Qualitative factors, including market presence and trends, strength of customer relationships, strength of local management, strength of debt and capital markets, and degree of variability in cash flows, as well as other factors, are considered when making assumptions with regard to future cash flows and the appropriate discount rate. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. A change in any of the significant assumptions or estimates could result in a material change in the recoverable amount. The company has nine CGUs, of which the carrying values for three include goodwill and must be tested for impairment annually.

Timing of revenue recognition – Significant judgment is required to determine whether revenue should be recognized over time or at a point in time. To assess whether any revenue should be recognized over time, the Company analyzes customer-specific products without alternative use to determine whether a legally enforceable right to payment exists as performance is completed, including a reasonable return.

Leases – Management assesses at lease commencement date whether it is reasonably certain to exercise lease extension options. In addition, assumptions are made as to the discount rate applied to the lease liability. If there is a significant event or significant change in circumstances within the Company's control, these judgments and assumptions could change and may result in material adjustments to right-of-use assets and lease liabilities.

Disclosure Controls and Internal Controls

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 and effectiveness 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 and operating effectively 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 and testing of the effectiveness 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 and operating effectively 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 in 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.

Other

Additional information relating to the Company is available on the Company's website at www.winpak.com or SEDAR at www.sedar.com, including the Annual Information Form dated March 3, 2020.

Management's Report to the Shareholders

The accompanying consolidated financial statements, Management's Discussion and Analysis (MD&A) and other information in the Annual Report are the responsibility of management. The consolidated financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these statements in accordance with International Financial Reporting Standards. The MD&A and financial information contained in this Annual Report are consistent with the consolidated financial statements.

To provide reasonable assurance that assets are safeguarded and that relevant and reliable financial information is being reported, management has developed and maintains a system of internal controls. An integral part of the system is the requirement that employees maintain the highest standard of ethics in their activities. Business reviews and internal audits are performed by corporate management and an internal audit team to evaluate internal controls, systems and procedures.

The Board, acting through the Audit Committee, is responsible for determining that management fulfills its responsibilities in the preparation of the consolidated financial statements and MD&A, and in the financial control of operations. The Board recommends the appointment of the independent auditors to the shareholders. The Audit Committee meets regularly with financial management and the independent auditors to discuss internal controls, auditing matters and financial reporting issues and presents its findings to the Board. The Audit Committee reviews the consolidated financial statements, MD&A and material financial announcements with management and the external auditors prior to submission to the Board for approval.

The consolidated financial statements have been audited on behalf of the shareholders by the independent external auditors, KPMG LLP, whose report follows.

O.Y. Muggli
President and Chief Executive Officer
March 3, 2020

L.A. Warelis
Vice President and Chief Financial Officer
March 3, 2020

Auditors’ Report to the Shareholders

Independent Auditors’ Report

To the Shareholders of Winpak Ltd.

Opinion

We have audited the consolidated financial statements of Winpak Ltd. (the Entity), which comprise the consolidated balance sheets as at December 29, 2019 and December 30, 2018, the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 29, 2019 and December 30, 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “Auditors’ Responsibilities for the Audit of the Financial Statements” section of our auditors’ report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management’s Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditors’ report thereon, included in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the information included in Management’s Discussion and Analysis filed with the relevant Canadian Securities Commissions, and information, other than the financial statements and the auditors’ report thereon, included in the Annual Report as at the date of this auditors’ report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors’ report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity’s ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity‘s financial reporting process.

Auditors’ Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

REPORTING

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants

The engagement partner on the audit resulting in this auditors' report is Austin Abas.

Winnipeg, Canada

March 3, 2020

CONSOLIDATED STATEMENTS OF INCOME

Years ended December 29, 2019 and December 30, 2018

(thousands of US dollars, except per share amounts)	Note	2019	2018*
Revenue	8	**873,843**	889,641
Cost of sales		**(600,252)**	(619,582)
Gross profit		**273,591**	270,059
Sales, marketing and distribution expenses		**(67,693)**	(69,533)
General and administrative expenses		**(33,069)**	(31,845)
Research and technical expenses		**(16,900)**	(16,640)
Pre-production expenses		**(975)**	(115)
Other income (expenses)	11	**20**	(1,840)
Income from operations		**154,974**	150,086
Finance income	12	**8,515**	5,276
Finance expense	12	**(3,714)**	(3,833)
Income before income taxes		**159,775**	151,529
Income tax expense	13	**(41,711)**	(39,952)
Net income for the year		**118,064**	111,577
Attributable to:			
Equity holders of the Company		**114,772**	108,921
Non-controlling interests		**3,292**	2,656
		118,064	111,577
Basic and diluted earnings per share - cents	25	**177**	168

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended December 29, 2019 and December 30, 2018

(thousands of US dollars)	Note	2019	2018*
Net income for the year		**118,064**	111,577
Items that will not be reclassified to the statements of income:			
Cash flow hedge gains (losses) recognized		**389**	(1,260)
Cash flow hedge losses transferred to property, plant and equipment		**690**	47
Employee benefit plan remeasurements	19	**4,174**	2,269
Income tax effect	13	**(1,112)**	(613)
		4,141	443
Items that are or may be reclassified subsequently to the statements of income:			
Cash flow hedge gains (losses) recognized		**1,187**	(2,580)
Cash flow hedge losses transferred to the statements of income	11	**951**	331
Income tax effect	13	**(573)**	602
		1,565	(1,647)
Other comprehensive income (loss) for the year - net of income tax		**5,706**	(1,204)
Comprehensive income for the year		**123,770**	110,373
Attributable to:			
Equity holders of the Company		**120,478**	107,717
Non-controlling interests		**3,292**	2,656
		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 consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

(thousands of US dollars)	Note	**December 29 2019**	December 30 2018*
Assets			
Current assets:			
Cash and cash equivalents	14	**397,159**	344,322
Trade and other receivables	15	**141,855**	131,851
Income taxes receivable		**1,253**	1,294
Inventories	16	**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	17	**489,267**	453,867
Intangible assets	18	**37,326**	14,311
Employee benefit plan assets	19	**11,131**	7,507
Deferred tax assets	20	**688**	707
		538,412	476,392
Total assets		**1,212,388**	1,088,938
Equity and Liabilities			
Current liabilities:			
Trade payables and other liabilities	21	**64,134**	63,687
Contract liabilities	8	**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	19	**11,411**	11,108
Deferred income		**14,237**	14,786
Provisions and other long-term liabilities	22	**4,839**	660
Deferred tax liabilities	20	**44,604**	41,313
		75,091	67,867
Total liabilities		**146,626**	141,035
Equity:			
Share capital	24	**29,195**	29,195
Reserves	24	**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 consolidated financial statements.

On behalf of the Board:

Director

Don Chatterley

Director

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Attributable to Equity Holders of the Company					
(thousands of US dollars)	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 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	24	-	-	(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	24	**-**	**-**	**(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 consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 29, 2019 and December 30, 2018

(thousands of US dollars)	Note	**2019**	2018*
Cash provided by (used in):			
Operating activities:			
Net income for the year		**118,064**	111,577
Items not involving cash:			
Depreciation	17	**44,310**	41,143
Amortization - deferred income		**(1,517)**	(1,586)
Amortization - intangible assets	18	**777**	511
Employee defined benefit plan expenses	19	**3,490**	3,650
Net finance income	12	**(4,801)**	(1,443)
Income tax expense	13	**41,711**	39,952
Other		**(2,586)**	(2,383)
Cash flow from operating activities before the following		**199,448**	191,421
Change in working capital:			
Trade and other receivables		**(6,002)**	(14,896)
Inventories		**2,960**	(15,598)
Prepaid expenses		**96**	(441)
Trade payables and other liabilities		**(1,960)**	189
Contract liabilities	8	**684**	3,031
Employee defined benefit plan contributions	19	**(2,530)**	(2,056)
Income tax paid		**(37,754)**	(33,248)
Interest received		**8,339**	5,100
Interest paid		**(3,250)**	(3,479)
Net cash from operating activities		**160,031**	130,023
Investing activities:			
Acquisition of property, plant and equipment - net		**(58,052)**	(71,227)
Acquisition of intangible assets	18	**(122)**	(378)
Business acquisition	6	**(42,726)**	-
		(100,900)	(71,605)
Financing activities:			
Payment of lease liabilities		**(445)**	-
Dividends paid	24	**(5,849)**	(6,055)
		(6,294)	(6,055)
Change in cash and cash equivalents		**52,837**	52,363
Cash and cash equivalents, beginning of year		**344,322**	291,959
Cash and cash equivalents, end of year	14	**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 consolidated financial statements.

(thousands of US dollars, unless otherwise indicated)

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. The ultimate controlling party of Winpak Ltd. is Wihuri International Oy of Helsinki, Finland, a privately held company.

2. Basis of presentation

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). 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.

The Company's functional and reporting currency is the US dollar. The US dollar is the reporting currency as more than 80 percent of the Company's business is conducted in US dollars and therefore management believes this increases transparency by significantly reducing volatility of reported results due to fluctuations in the rate of exchange between the Canadian and US currencies.

The consolidated financial statements have been prepared under the historical-cost convention, except that certain financial instruments and employee benefit plans are stated at their fair value.

The 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 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 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 note 4). The adoption of IFRS 16 did not impact the Company's accounting policies for lessors. Lease disclosures are presented in note 23.

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. 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 were:

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 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 consolidated statement of income or consolidated statement of cash flows for the year ended December 29, 2019.

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'.

In the comparative year, 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.

4. Significant accounting policies

(a) Principles of consolidation

The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries: Winpak Portion Packaging Ltd.; Winpak Heat Seal Packaging Inc.; Winpak Holdings Ltd.; Winpak Inc.; Winpak Films Inc.; Winpak Portion Packaging, Inc.; Winpak Lane, Inc.; Winpak Heat Seal Corporation; Winpak Control Group Inc. (effective October 1, 2019); Grupo Winpak de Mexico, S.A. de C.V.; Embalajes Winpak de Mexico, S.A. de C.V.; and Administracion Winpak de Mexico, S.A. de C.V.; and its majority-owned subsidiary American Biaxis Inc. Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is obtained until the date that control ceases. The financial statements of all subsidiaries are prepared as of the same reporting date using consistent accounting policies. All inter-company balances and transactions, including any unrealized income arising from inter-company transactions have been eliminated.

(b) Business combinations

Business combinations are accounted for using the acquisition method of accounting. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities assumed from the former owners of the acquiree and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition costs incurred are expensed and included in general and administrative expenses. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with IAS 39 in the statement of income.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. Goodwill is initially measured as the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed. If this consideration is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the statement of income.

(c) Non-controlling interests

Winpak Ltd. owns 51 percent of the equity interest in American Biaxis Inc., a subsidiary located in Winnipeg, Manitoba, Canada. Non-controlling interests represent the remaining 49 percent equity interest owned by third parties. The share of net assets attributable to non-controlling interests is presented as a component of equity. Their share of net income and other comprehensive income is recognized directly in equity.

(d) Foreign currency translation

The financial statements for the Company and its subsidiaries are prepared using their functional currency, that being the US dollar. The functional currency is the currency of the primary economic environment in which the Company and its subsidiaries operate. Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Foreign currency differences arising on translation are recognized directly to the statement of income. Non-monetary assets and liabilities arising from transactions in foreign currencies are translated to the functional currency at the exchange rate prevailing at the date of the transaction.

(e) Revenue

The Company determines revenue recognition through the following steps: a) identification of the contract with a customer, b) identification of the performance obligations in the contract, c) determination of the transaction price, d) allocation of the transaction price to the performance obligations in the contract and e) recognition of revenue when the Company satisfies a performance obligation. Revenue is recognized when control of a product is transferred to a customer. Revenue is measured based on the consideration specified in the contract with a customer, net of variable consideration, including rebates, returns and discounts. Rebates are accrued using sales data and rebate percentages specific to each customer contract. Accruals for sales returns are calculated based on the best estimate of the amount of product that will ultimately be returned by customers, reflecting historical experience and the magnitude of non-conforming inventory claims made by customers that have either been approved or are pending review. For customer contracts where the Company expects to be paid within one year, the consideration is not adjusted for the effects of a financing component. Packaging machinery contract liabilities are recorded when cash payments are received or due in advance of the Company's performance.

(f) Research and technical expenses

Research and technical expenses are expensed in the period in which the costs are incurred.

(g) Government grants/tax credits

Grants/tax credits from government are recognized at their fair value when there is a reasonable assurance that the grant/tax credit will be received and/or earned and any specified conditions will be met.

Grants/tax credits received in relation to the purchase and construction of plant and equipment are included in non-current liabilities as deferred income and are credited to the statement of income on a straight-line basis over the estimated useful life of the related asset. Grants/tax credits received in relation to research and development activities and labor creation programs are recorded to reduce these costs when it is determined there is reasonable assurance the grants/tax credits will be realized.

(h) Leases

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.

Rental income received from packaging machine operating leases is recognized on a straight-line basis over the term of the corresponding lease.

(i) Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of inventories is based on the first-in first-out principle and includes expenditures incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories, cost includes an appropriate share of variable and fixed overheads based on normal operating capacity. Any excess, unallocated, fixed overhead costs are expensed as incurred. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(j) Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash invested in interest-bearing money market accounts and short-term deposits with maturities of less than three months. Cash equivalents are all highly liquid investments. Bank overdrafts are shown within current liabilities. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(k) Trade and other receivables

The Company applies the simplified approach to providing for expected credit losses, which requires the use of the lifetime expected credit loss provision for all trade and other receivables. Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due under the contract and the cash flows that the Company expects to receive. The expected cash flows reflect all available information, including the Company's historical experience, the past due status, the existence of third-party insurance and forward-looking macroeconomic factors.

The Company has ongoing agreements in place with financial institutions whereby certain extended term trade receivables are sold without recourse in exchange for cash. When the trade receivable is sold, the Company removes them from the balance sheet, recognizes the amount received as the consideration for the transfer and records the corresponding costs within finance expense and general and administrative expenses. The Company assumes the risk on trade receivables not sold, and accordingly, the amounts are included within trade and other receivables.

(l) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. All costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management are included in the carrying value of the asset. When the Company has a legal or constructive obligation to restore a site on which an asset is located either through make-good provisions in lease agreements or decommissioning of environmental risks, the present value of the estimated costs of dismantling and removing the asset and restoring the site are included in the carrying value of the asset with a corresponding increase to provisions. Borrowing costs directly attributable to the acquisition, construction or production of qualifying property, plant and equipment that takes an extended period of time to be placed into service are added to the cost of the assets, until such time as the assets are substantially ready for their intended use. See note 4(p) on impairment.

When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components). The cost of replacing a component of an item of plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits of the item will occur and its cost can be measured reliably. The costs of day-to-day maintenance of plant and equipment are recognized directly in the statement of income.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, commencing the date the assets are ready for use as follows:

Buildings	20 - 40 years	Equipment	4 - 20 years	Packaging machines	3 - 7 years

Depreciation methods, useful lives and residual values are reassessed annually or more frequently when there is an indication that they have changed.

The gain or loss on the retirement of an item of property, plant and equipment is the difference between the net sale proceeds and the carrying amount of the asset and is recognized in the statement of income.

(m) Pre-production expenses

Pre-production costs relating to installations of major new production equipment are expensed in the period in which incurred.

(n) Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses. See note 4(p) on impairment. Computer software that is integral to a related item of hardware is included with plant and equipment. All other computer software is treated as an intangible asset. The cost of intangible assets acquired in an acquisition is the fair value at the acquisition date. The cost of separately acquired intangible assets, including computer software, comprises the purchase price and any directly attributable costs of preparing the asset for use. Amortization is computed using the straight-line method over the estimated useful lives of the assets, as follows:

Computer software	3 - 12 years	Patents	8 - 17 years	Customer-related	5 - 15 years

(o) Goodwill

Goodwill represents the excess of the consideration transferred over the Company's interest in the fair value of the net identifiable assets, including intangible assets, and liabilities of the acquiree at the date of acquisition. At the date of acquisition, goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing. A CGU is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill is tested at least annually for impairment at the CGU level and is carried at cost less accumulated impairment losses (see note 4(p)).

(p) Impairment

The carrying amount of the Company's property, plant and equipment and intangible assets (other than goodwill) are reviewed at each reporting date to determine whether there is any indication of impairment. Goodwill is tested for impairment annually or at any time if an indicator of impairment exists. If any such indication exists, the applicable asset's recoverable amount is estimated.

The recoverable amount of the Company's assets are calculated as the value-in-use, being the present value of future cash flows, using a pre-tax discount rate that reflects the current assessment of the time value of money, or the fair value less costs to sell, if greater. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the CGU to which it belongs. The Company bases its impairment calculation on detailed financial forecasts, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These financial forecasts are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

An impairment loss is recognized whenever the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses are recognized in the statement of income. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then, to reduce the carrying amount of other assets in the CGU on a pro rata basis. Impairment losses in respect of goodwill are not reversed. In respect of property, plant and equipment and intangible assets, an impairment loss is reversed if there has been an indication that an impairment loss recognized in prior periods may no longer exist or may have decreased. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been previously recognized.

(q) Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the statement of income except to the extent that it relates to items recorded directly to other comprehensive income or equity, in which case it is recognized directly in other comprehensive income or equity, respectively.

Current income tax comprises the expected income tax payable or receivable on the taxable income or loss for the period, using income tax rates enacted or substantively enacted in the jurisdictions the Company is required to pay income tax at the reporting date, and any adjustments to income taxes payable or receivable in respect of previous periods. Current income tax is adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and by the availability of unused income tax losses.

Deferred tax is recognized using the balance sheet method in which temporary differences are calculated based on the carrying amounts of assets and liabilities for financial reporting purposes and the tax bases of assets and liabilities for income taxation purposes. Deferred tax is not recognized for the following temporary timing differences: the initial recognition for both goodwill and assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income; and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the income tax rates that are expected to be applied when the temporary difference reverses, that is, when the asset is realized or the liability is settled, based on the income tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets are recognized only to the extent that it is probable that future taxable income will be available against which the assets can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related income tax benefit will be realized.

Current tax assets and liabilities are offset when the Company and its subsidiaries have a legally enforceable right to offset the amounts and intend to either settle on a net basis, or to realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balance on a net basis.

Management regularly evaluates positions taken in income tax returns with respect to situations in which applicable income tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to income tax authorities, reflecting any uncertainty over tax treatments.

(r) Employee benefit plans

The Company maintains four funded non-contributory defined benefit pension plans in Canada and the US and one funded non-contributory supplementary income postretirement plan for certain CDN-based executives. A market discount rate is used to measure the benefit obligations based on the yield of high quality corporate bonds denominated in the same currency in which the benefits are expected to be paid and with terms to maturity that, on average, match the terms of the benefit obligations. The cost of providing the benefits is actuarially determined using the projected unit credit method. Actuarial valuations are conducted, at a minimum, on a triennial basis with interim valuations performed as deemed necessary. Consideration is given to any event that could impact the benefit plan assets or obligation up to the balance sheet date where interim valuations are performed. For financial reporting purposes, the Company measures the benefit obligations and fair value of assets for the defined benefit plans as of the year-end date. The amount recognized in the balance sheet at each year-end reporting date represents the present value of the benefit obligation, reduced by the fair value of benefit plan assets. Any recognized asset or surplus is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions. To the extent that there is uncertainty regarding entitlement to the surplus, no asset is recorded. Current service costs are charged to the statement of income and included in the same line items as the related compensation cost. The net finance cost is computed based on the application of the discount rate to the net defined benefit pension plan asset or liability at the start of the annual period, taking into account any anticipated changes during the upcoming year as a result of contributions and benefit payments and also reflects the impact of any pension plan asset ceiling adjustments. The net finance cost is shown within either finance income or finance expense within the statement of income depending on whether the defined benefit pension plan was in an asset or liability position at the start of the year. Remeasurements, which comprise actuarial gains and losses, the return on benefit plan assets and the effect of the pension plan asset ceiling adjustment, are recognized directly in equity within other comprehensive income. When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in the statement of income. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs in the statement of income. The Company's funding policy is in compliance with statutory regulations and amounts funded are deductible for income tax purposes.

One of the Company's subsidiaries maintains one unfunded contributory defined benefit postretirement plan for healthcare benefits for a limited group of US individuals. A market discount rate is used to measure the benefit obligation based on the yield of high quality corporate bonds denominated in the same currency in which the benefits are expected to be paid and with terms to maturity that, on average, match the terms of the benefit obligation. The cost of providing the benefits is actuarially determined using the projected unit credit method. The amount recognized in the balance sheet at each year-end reporting date represents the present value of the benefit obligation. Current service costs are charged to the statement of income as they accrue and are included in general and administrative expenses. Interest costs on the benefit obligation are charged to the statement of income as finance expense. Remeasurements are recognized directly in equity within other comprehensive income. When the benefits of the plan are changed or when the plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in the statement of income.

The Company maintains seven defined contribution pension plans in Canada and the US. The pension expense charged to the statement of income for these plans is the annual funding contribution by the Company.

Termination benefits are recognized as an expense in the statement of income at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognizes costs for a restructuring.

Short-term benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a legal or constructive obligation to pay this amount as a result of past service provided by the employee.

(s) Provisions

A provision is recognized when there is a legal or constructive obligation as a result of a past event and it is probable that a future outlay of cash will be required to settle the obligation and the amount can be reliably estimated. Provisions are determined by discounting the expected future cash flows at a pre-income tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When some or all of the monies required to settle a provision are expected to be recovered from a third party, the recovery is recognized as an asset when it is virtually certain that the recovery will be received.

When the Company has a legal or constructive obligation to restore a site on which an asset is located either through make-good provisions in lease agreements or decommissioning of environmental risks, the present value of the estimated costs of dismantling and removing the asset and restoring the site is recognized as a provision with a corresponding increase to the related item of property, plant and equipment. At each reporting date, the obligation is remeasured in line with changes in discount rates, estimated cash flows and the timing of those cash flows. Any changes in the obligation are added or deducted from the related asset. The change in the present value of the obligation due to the passage of time is recognized as a finance expense or finance income in the statement of income.

At each reporting date, other provisions are remeasured in line with changes in discount rates, estimated cash flows and the timing of those cash flows. Any changes in the provision are recognized in the statement of income. The change in the present value of the provision due to the passage of time is recognized as a finance expense or finance income in the statement of income.

(t) Financial assets and liabilities

Financial assets are initially measured at fair value. On initial recognition, the Company classifies its financial assets at either amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL), depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are not reclassified subsequent to their initial recognition, unless the Company changes its business model for managing financial assets. Financial liabilities are classified at amortized cost.

A financial asset is classified as measured at amortized cost if it meets both of the following conditions: a) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows and b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is classified as measured at FVOCI if it meets both of the following conditions: a) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial instruments, including derivatives, are included in the consolidated balance sheet and are measured at fair value except cash and cash equivalents, trade and other receivables and trade payables and other liabilities, which are measured at amortized cost. All changes in fair value are recorded to the consolidated statement of income unless cash flow hedge accounting is used, in which case changes in fair value are recorded in other comprehensive income to the extent the derivatives are deemed to be effective hedges.

(u) Hedge accounting

The Company operates principally in Canada and the United States, which gives rise to risks that its income and cash flows may be adversely impacted by fluctuations in foreign exchange rates. The Company enters into foreign currency forward contracts to manage foreign exchange exposures on anticipated labor, operating costs, property, plant and equipment expenditures and dividend payments to be incurred in Canadian dollars and equipment expenditures to be incurred in other foreign currencies. The Company has elected to designate these instruments in their entirety as hedging instruments for hedge accounting purposes, including both the spot and forward elements of the contract in the valuation of the instrument.

With respect to hedges of foreign currency exposure, the Company determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows. An assessment is made whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

The fair value of each contract is included on the consolidated balance sheet within derivative financial instrument assets or liabilities, depending on whether the fair value was in an asset or liability position. In the case of labor and operating costs, changes in the fair value of these contracts are initially recorded in other comprehensive income and subsequently recorded in the consolidated statement of income when the hedged item affects income or loss. In the case of property, plant and equipment expenditures, changes in the fair value of these contracts are initially recorded in other comprehensive income and upon settlement of the contract, the gain or loss is included in the cost of the corresponding asset. For dividend payments, changes in the fair value of these contracts are recorded directly in equity.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to the consolidated statement of income in the same period or periods as the hedged expected future cash flows affects income or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve are immediately reclassified to the consolidated statement of income.

(v) Earnings per share

Basic earnings per share are calculated by dividing the net income attributable to equity holders of the Company for the period by the weighted average number of common shares outstanding during the period. Diluted earnings per share are calculated on the same basis as there are no potentially dilutive common shares.

5. Critical accounting estimates and judgments

The application of the Company's accounting policies requires management to use estimates and judgments that can have a significant effect on the revenues, expenses, comprehensive income, assets and liabilities recognized and disclosures made in the consolidated financial statements. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

The following areas require management's most critical estimates and judgments:

(a) Aggregation of operating segments
Management applies judgment in aggregating operating segments into a reportable segment. Aggregation occurs when the operating segments have similar economic characteristics and have similar products, production processes, types of customers and distribution methods.

(b) Business combinations
The determination of fair value associated with identifiable property, plant and equipment and intangible assets following a business combination requires management to make assumptions. More specifically, this is the case when the Company calculates fair values using appropriate valuation techniques, which are generally based on a forecast of expected future cash flows for intangible assets, and on a replacement cost approach, an income-based approach and/or a market-based approach for property, plant and equipment. These valuations are closely related to the assumptions made by management about the future return on the related assets and the discount rate applied. Changes to these assumptions could significantly change the fair values associated with intangible assets following a business combination, which would impact the amortization expense.

(c) Employee benefit plans
Accounting for employee benefit plans requires the use of actuarial assumptions. The assumptions include the discount rate, rate of compensation increase, mortality rate and healthcare costs. These assumptions depend on underlying factors such as economic conditions, government regulations and employee demographics. These assumptions could change in the future and may result in material adjustments to employee benefit plan assets or liabilities.

(d) Impairment of property, plant and equipment and intangible assets
An integral component of impairment testing is determining the asset's recoverable amount. The determination of the recoverable amount involves significant management judgment, including projections of future cash flows and the appropriate discount rate. The cash flows are derived from the financial forecast for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. Qualitative factors, including market presence and trends, strength of customer relationships, strength of local management, strength of debt and capital markets and degree of variability in cash flows, as well as other factors, are considered when making assumptions with regard to future cash flows and the appropriate discount rate. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. A change in any of the significant assumptions or estimates could result in a material change in the recoverable amount. The Company has nine CGUs, of which the carrying values for three include goodwill and must be tested for impairment annually.

(e) Timing of revenue recognition
Significant judgment is required to determine whether revenue should be recognized over time or at a point in time. To assess whether any revenue should be recognized over time, the Company analyzes customer-specific products without alternative use to determine whether a legally enforceable right to payment exists as performance is completed, including a reasonable return.

(f) Leases
Management assesses at lease commencement date whether it is reasonably certain to exercise lease extension options. In addition, assumptions are made as to the discount rate applied to the lease liability. If there is a significant event or change in circumstances within the Company's control, these judgments and assumptions could change and may result in material adjustments to right-of-use assets and lease liabilities.

6. 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 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.

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

7. 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 8 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

8. Revenue

Disaggregation of revenue

	2019	2018
Operating segment		
Rigid packaging and flexible lidding	**401,084**	430,310
Flexible packaging	**445,581**	433,944
Packaging machinery	**27,178**	25,387
	873,843	889,641
Geographic segment		
United States	**711,361**	735,906
Canada	**107,891**	112,314
Mexico and other	**54,591**	41,421
	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.

Major customer

During 2019, the Company reported revenue to one customer representing 15 percent of total revenue (2018 - 16 percent).

Contract balances

The following table provides information about trade receivables and contract liabilities from contracts with customers:

	December 29 2019	December 30 2018
Trade receivables, which are included in 'Trade and other receivables' (note 15)	**129,475**	124,376
Contract liabilities	**(3,715)**	(3,031)

Changes in contract liabilities during the period

Opening balance, December 31, 2018	(3,031)
Revenue recognized during the year that was included in the opening balance	3,031
Increases due to cash received, excluding amounts recognized as revenue during the year	(3,715)
Closing balance, December 29, 2019	(3,715)

Performance obligations

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.

No revenue was recognized in 2019 or 2018 relating to performance obligations that were satisfied or partially satisfied in previous years. Similarly, no revenue will be recognized in subsequent years relating to unsatisfied performance obligations as at December 29, 2019.

Significant judgments in applying revenue accounting policy

Significant judgment is required to determine whether revenue should be recognized over time or at a point in time. To assess whether any revenue should be recognized over time, the Company analyzes customer-specific products without alternative use to determine whether a legally enforceable right to payment exists as performance is completed, including a reasonable return. During 2019, no material arrangements satisfied these criteria, and as a result, the Company did not recognize any revenue over time. Accordingly, all revenue was recognized at a point in time giving consideration to whether the customer has: a) assumed the risks and rewards of ownership, b) a present obligation to pay and c) obtained legal title and physical possession. These conditions are usually fulfilled upon shipment of products.

For customer contracts that include a volume rebate program, judgment is required to estimate the eventual amount that will be paid to the customer. Most volume rebate programs entitle a customer to an increasing rebate percentage based upon the attainment of purchase level thresholds. Estimated amounts are included in the transaction price to the extent it is highly probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the volume rebate is resolved. At each reporting date, the Company updates its estimates regarding variable consideration.

	2019	2018

9. Expenses by nature

	2019	2018
Raw materials and consumables used	**(422,959)**	(443,970)
Depreciation and amortization	**(43,570)**	(40,068)
Personnel expenses (note 10)	**(182,222)**	(182,713)
Freight	**(24,469)**	(24,674)
Other expenses	**(45,913)**	(46,290)
Foreign exchange and cash flow hedge gains (losses) transferred from other comprehensive income (note 11)	**264**	(1,840)
	(718,869)	(739,555)

10. Personnel expenses

	2019	2018
Wages and salaries	**(157,517)**	(158,909)
Social security	**(14,732)**	(14,234)
Employee defined benefit plan expenses (note 19)	**(3,490)**	(3,650)
Employee defined contribution plan expenses (note 19)	**(6,483)**	(5,920)
	(182,222)	(182,713)

11. Other income (expenses)

	2019	2018
Foreign exchange gains (losses)	**1,215**	(1,509)
Cash flow hedge losses transferred from other comprehensive income	**(951)**	(331)
	264	(1,840)
Employee benefit plan settlement expense (note 19)	**(244)**	-
	20	(1,840)

12. Finance income and expense

	2019	2018
Finance income on cash and cash equivalents	**8,310**	5,134
Net finance income on defined benefit plans (note 19)	**205**	142
Finance income	**8,515**	5,276
Finance expense on bank overdrafts	**(8)**	(6)
Finance expense on lease liabilities	**(77)**	-
Finance expense on sale of extended term trade receivables	**(3,191)**	(3,456)
Net finance expense on defined benefit plans (note 19)	**(438)**	(371)
Finance expense	**(3,714)**	(3,833)
Net finance income	**4,801**	1,443

13. Income tax expense

	2019	2018
Current tax expense		
Current year	(40,086)	(39,195)
Deferred tax expense		
Origination and reversal of temporary differences	(1,625)	(757)
Income tax expense	(41,711)	(39,952)
Income tax (expense) recovery recognized in other comprehensive income		
Cash flow hedges	(573)	602
Employee benefit plan remeasurements	(1,112)	(613)
	(1,685)	(11)
Reconciliation of effective income tax rate		
Combined Canadian federal and provincial income tax rate	26.7%	26.8%
United States income taxed at rates lower than Canadian tax rates	(0.1)	(0.1)
Permanent differences and other	(0.5)	(0.3)
Effective income tax rate	26.1%	26.4%

	December 29 2019	December 30 2018

14. Cash and cash equivalents

Bank balances	19,744	24,056
Money market and short-term deposits	377,415	320,266
	397,159	344,322

15. Trade and other receivables

Trade receivables	129,475	124,376
Less: Allowance for expected credit losses	(1,398)	(956)
Net trade receivables	128,077	123,420
Other receivables	13,778	8,431
	141,855	131,851

16. Inventories

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 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).

17. Property, plant and equipment

	Land	Buildings	Equipment	Packaging Machines	Capital In Progress	Total
Net book value						
At January 1, 2018						
Cost	9,273	178,676	588,530	23,159	18,653	818,291
Accumulated depreciation	-	(51,286)	(321,592)	(22,424)	-	(395,302)
	9,273	127,390	266,938	735	18,653	422,989
2018 Activity						
Additions	12,213	5,014	19,108	203	35,789	72,327
Disposals	-	-	(137)	(169)	-	(306)
Transfers	-	1,560	17,093	-	(18,653)	-
Depreciation	-	(5,966)	(34,932)	(245)	-	(41,143)
At December 30, 2018	21,486	127,998	268,070	524	35,789	453,867
At December 30, 2018						
Cost	21,486	185,152	617,988	22,981	35,789	883,396
Accumulated depreciation	-	(57,154)	(349,918)	(22,457)	-	(429,529)
	21,486	127,998	268,070	524	35,789	453,867
Net book value						
At December 31, 2018						
Cost	**21,486**	**185,152**	**617,988**	**22,981**	**35,789**	**883,396**
Accumulated depreciation	**-**	**(57,154)**	**(349,918)**	**(22,457)**	**-**	**(429,529)**
	21,486	**127,998**	**268,070**	**524**	**35,789**	**453,867**
Adjustment on initial application of IFRS 16 (note 3(c))	**-**	**568**	**-**	**-**	**-**	**568**
Adjusted balance, at December 31, 2018	**21,486**	**128,566**	**268,070**	**524**	**35,789**	**454,435**
2019 Activity						
Additions	**-**	**5,908**	**18,409**	**264**	**37,343**	**61,924**
Business acquisition (note 6)	**3,000**	**7,845**	**6,686**	**-**	**-**	**17,531**
Disposals	**-**	**(18)**	**(231)**	**(64)**	**-**	**(313)**
Transfers	**-**	**-**	**8,840**	**-**	**(8,840)**	**-**
Depreciation	**-**	**(6,785)**	**(37,285)**	**(240)**	**-**	**(44,310)**
At December 29, 2019	**24,486**	**135,516**	**264,489**	**484**	**64,292**	**489,267**
At December 29, 2019						
Cost	**24,486**	**199,281**	**647,031**	**23,025**	**64,292**	**958,115**
Accumulated depreciation	**-**	**(63,765)**	**(382,542)**	**(22,541)**	**-**	**(468,848)**
	24,486	**135,516**	**264,489**	**484**	**64,292**	**489,267**

At December 29, 2019, property, plant and equipment includes right-of-use assets of $4,755 related to leased facilities (see note 23).

Government grants/tax credits in respect of property, plant and equipment were recognized within deferred income totaling $968 in 2019 (2018 - $1,100). No impairment losses or impairment reversals were recorded during 2019 and 2018. No borrowing costs were capitalized during 2019 and 2018.

18. Intangible assets

	Goodwill	Software	Patents	Customer Related	Total
Net book value					
At January 1, 2018					
Cost	12,766	10,371	26	881	24,044
Accumulated amortization	-	(8,755)	(9)	(836)	(9,600)
	12,766	1,616	17	45	14,444
2018 Activity					
Additions	-	378	-	-	378
Amortization	-	(465)	(1)	(45)	(511)
At December 30, 2018	12,766	1,529	16	-	14,311
At December 30, 2018					
Cost	12,766	10,287	26	881	23,960
Accumulated amortization	-	(8,758)	(10)	(881)	(9,649)
	12,766	1,529	16	-	14,311
Net book value					
At December 31, 2018					
Cost	**12,766**	**10,287**	**26**	**881**	**23,960**
Accumulated amortization	**-**	**(8,758)**	**(10)**	**(881)**	**(9,649)**
	12,766	**1,529**	**16**	**-**	**14,311**
2019 Activity					
Additions	**-**	**110**	**12**	**-**	**122**
Business acquisition (note 6)	**5,669**	**54**	**-**	**17,949**	**23,672**
Disposals	**-**	**(2)**	**-**	**-**	**(2)**
Amortization	**-**	**(457)**	**(1)**	**(319)**	**(777)**
At December 29, 2019	**18,435**	**1,234**	**27**	**17,630**	**37,326**
At December 29, 2019					
Cost	**18,435**	**9,976**	**38**	**18,830**	**47,279**
Accumulated amortization	**-**	**(8,742)**	**(11)**	**(1,200)**	**(9,953)**
	18,435	**1,234**	**27**	**17,630**	**37,326**

The 2019 goodwill balance includes $12,542 (2018 - $12,542) related to the lidding CGU. The impairment testing for this CGU was conducted under the value-in-use approach, using a pre-tax discount rate of 10.4 percent (2018 - 11.5 percent). Cash flows were projected based on actual operating results and the five-year business plan. Average volume growth projected for the next five years was 4.6 percent (2018 - 5.7 percent) and the average gross profit percentage projected over the same time-frame was within one percentage point of (2018 - equivalent to) the actual gross profit percentage attained in the current year. Cash flows after the five-year period were assumed to increase at a terminal growth rate of 1.5 percent (2018 - 1.5 percent).

The 2019 goodwill balance includes $5,669 (2018 - $0) related to the specialized printed packaging CGU. The impairment testing for this CGU was conducted under the value-in-use approach, using a pre-tax discount rate of 14.4 percent. Cash flows were projected based on actual operating results and the five-year business plan. Average volume growth projected for the next five years was 5.0 percent. Cash flows after the five-year period were assumed to increase at a terminal growth rate of 1.5 percent.

As of December 29, 2019, there were no indefinite life intangible assets other than goodwill. The amortization of software and patents is included within general and administrative expenses and the amortization of customer-related intangibles is included within sales, marketing and distribution expenses. At December 29, 2019 the weighted average remaining useful life of customer-related intangible assets was 14.4 years (2018 - 0.0 years). No impairment losses or impairment reversals were recorded during 2019 and 2018.

19. Employee benefit plans

The Company maintains four funded non-contributory defined benefit pension plans, one funded non-contributory supplementary income postretirement plan for certain CDN-based executives, one unfunded contributory defined benefit postretirement plan for healthcare benefits for a limited group of US individuals and seven defined contribution pension plans. Effective January 1, 2005, all defined benefit pension plans were frozen to new entrants except one, which was frozen effective January 1, 2009. All new CDN employees are required, and all new US employees have the option, to participate in defined contribution plans upon satisfaction of certain eligibility requirements.

The employee benefit plans are overseen by the Company Pension Committee (CPC) which is comprised of two members from senior management and one Board member. The CPC is responsible for determining and recommending the following items to the Company's Board of Directors for approval: (a) the benefit plan asset investment policies, (b) the Company's cash funding and (c) the employee benefit entitlements within the respective benefit plans.

Total amounts paid by the Company on account of all benefit plans, consisting of: defined benefit pension plans, supplementary income postretirement plan, direct payments to beneficiaries for the unfunded postretirement plan and the defined contribution plans, amounted to $9,035 (2018 - $7,980).

Defined contribution pension plans

The Company maintains four defined contribution pension plans for employees in Canada and three retirement savings plans (401(k) Plans) for employees in the United States. The Company's total expense for these plans was $6,483 (2018 - $5,920).

Defined benefit plans

For financial reporting purposes, the Company measures the benefit obligations and fair value of the benefit plan assets as of the year-end date. The most recent actuarial valuations for funding purposes for the funded non-contributory plans were completed as at the following dates: January 1, 2019 for one plan, January 1, 2017 for one plan, December 31, 2016 for one plan and October 31, 2017 for one inactive plan. These actuarial valuations establish the minimum funding requirements. The most recent actuarial valuations for funding purposes for the supplementary income postretirement plan and the postretirement plan for healthcare benefits were dated December 29, 2019. The supplementary income postretirement plan has no minimum funding requirements. The next required actuarial valuations for all of the Company's active defined benefit plans are three years from the aforementioned dates. Based on the most recent actuarial valuations, the Company expects to contribute $1,956 in cash to its defined benefit plans in 2020. The CPC also reviews the funding position of each plan on an annual basis and makes recommendations to the Company's Board of Directors regarding any additional cash funding by the Company deemed appropriate.

Regarding the funded non-contributory plans and the supplementary income postretirement plan, the normal retirement age is 65. The option to retire early and receive a reduced pension begins at age 55. For most plan members, the annual pension entitlement is based on years of credited service and the earnings attained in each of those years. However, for certain CDN-based executives, the annual pension entitlement is based on years of credited service and the highest average annual base compensation excluding incentive payments during the highest 36 consecutive months of earnings prior to retirement. At December 29, 2019 and December 30, 2018, the benefit obligation pertaining to these plan members represented less than 10 percent of the Company's total benefit obligation.

All equity and debt securities have quoted prices in active markets. The defined benefit pension plans do not invest in the shares of the Company. The objective of the benefit plan asset allocation policy is to manage the funded status of the benefit plans at an appropriate level of risk, giving consideration to the security of the assets and the potential volatility of market returns. The long-term rate of return is targeted to exceed the return indicated by a benchmark portfolio by at least 1 percent annually. The CPC also pays attention to potential fluctuations in the benefit obligations. In the ideal case, benefit plan assets and obligations move in the same direction when interest rates change, creating a natural hedge against possible underfunding of the benefit plans.

The following presents the financial position of the Company's defined benefit pension plans and other postretirement benefits, which include the supplementary income plan and the postretirement plan for healthcare benefits:

	December 29 2019	December 30 2018
Funded status		
Present value of funded obligations	**(101,136)**	(90,947)
Fair value of benefit plan assets	**103,625**	90,463
Status of funded obligations	**2,489**	(484)
Present value of unfunded obligations	**(1,630)**	(1,838)
Total funded status of obligations	**859**	(2,322)
Benefit plan assets not recognized due to pension plan asset ceiling limit	**(1,139)**	(1,279)
	(280)	(3,601)

	December 29 2019	December 30 2018
Amounts recognized in the balance sheet		
Employee benefit plan assets	**11,131**	7,507
Employee benefit plan liabilities	**(11,411)**	(11,108)
	(280)	(3,601)
Change in benefit obligation		
Benefit obligation, beginning of year	**92,785**	102,354
Current service cost	**2,856**	3,286
Finance expense	**3,805**	3,650
Remeasurement losses (gains) recognized in other comprehensive income	**9,534**	(8,228)
Benefits paid	**(3,430)**	(3,535)
Settlement	**(5,113)**	-
Foreign exchange	**2,329**	(4,742)
Benefit obligation, end of year	**102,766**	92,785
Change in benefit plan assets		
Fair value of benefit plan assets, beginning of year	**90,463**	99,762
Expected return on benefit plan assets	**3,572**	3,421
Remeasurement gains (losses) recognized in other comprehensive income	**13,513**	(5,597)
Employer contributions	**2,530**	2,056
Benefits paid	**(3,430)**	(3,535)
Settlement	**(5,357)**	-
Benefit plan administration cost paid from the plan assets recognized in income	**(390)**	(364)
Foreign exchange	**2,724**	(5,280)
Fair value of benefit plan assets, end of year	**103,625**	90,463
Change in benefit plan assets not recognized due to pension plan asset ceiling limit		
Balance, beginning of year	**1,279**	995
Remeasurement (gains) losses recognized in other comprehensive income	**(195)**	362
Foreign exchange	**55**	(78)
Balance, end of year	**1,139**	1,279
Benefit plan obligation		
The following represents the geographical breakdown of the benefit obligation:		
Canada	**(57,505)**	(52,913)
United States	**(45,261)**	(39,872)
	(102,766)	(92,785)
The following represents the membership status breakdown of the benefit obligation:		
Active members	**(63,739)**	(53,534)
Retired members	**(34,862)**	(35,354)
Deferred vested members	**(3,510)**	(3,279)
Other	**(655)**	(618)
	(102,766)	(92,785)
Benefit plan assets		
The following represents the weighted average allocation of benefit plan assets:		
Asset category		
Equity securities	**48%**	45%
Debt securities	**48%**	50%
Cash	**4%**	5%
Total	**100%**	100%

	2019	2018
Net benefit plan expense		
Current service cost	**(2,856)**	(3,286)
Settlement	**(244)**	-
Plan administration cost	**(390)**	(364)
	(3,490)	(3,650)
Net finance income	**205**	142
Net finance expense	**(438)**	(371)
	(3,723)	(3,879)
Actual return on benefit plan assets	**17,085**	(2,176)
Cumulative remeasurements recognized in other comprehensive income		
Cumulative amount, beginning of year	**4,188**	1,919
Annual activity		
Remeasurement of benefit obligation:		
Actuarial gains arising from changes in demographic assumptions	**945**	399
Actuarial (losses) gains arising from changes in financial assumptions	**(10,781)**	7,376
Actuarial gains arising from experience adjustments	**302**	453
	(9,534)	8,228
Remeasurement of benefit plan assets - actuarial gains (losses) arising from experience adjustments	**13,513**	(5,597)
Remeasurement of benefit plan assets not recognized due to pension plan asset ceiling limit	**195**	(362)
	4,174	2,269
Cumulative amount, end of year	**8,362**	4,188

	December 29 2019	December 30 2018
Significant assumptions		
The following weighted averages were used to value the benefit obligation:		
Discount rate	**3.3%**	4.1%
Rate of compensation increase	**3.7%**	3.6%

Assumptions regarding future mortality were based on the following mortality tables: Canada - CPM - RPP2014 private generational (2018 - CPM - RPP2014 private generational) and United States - RP2019 (2018 - RP2018).

At December 29, 2019, the weighted average duration of the benefit obligations was 15.4 years (2018 - 14.6 years).

Sensitivity analysis

At December 29, 2019, the present value of the benefit obligation was $102,766. Based on changes to the definitive actuarial assumptions, the benefit obligation would have been as follows:

	Increase	Decrease
Discount rate - one percentage point	89,676	119,119
Future mortality - one year	105,650	99,830
Rate of compensation increase - one percentage point	103,534	102,031

20. Deferred tax assets and liabilities

The following are the components of the deferred tax assets and liabilities recognized by the Company:

	Assets		Liabilities		Net	
	December 29 2019	December 30 2018	**December 29 2019**	December 30 2018	**December 29 2019**	December 30 2018
Trade and other receivables	**257**	156	**-**	-	**257**	156
Inventories	**5,157**	3,698	**-**	-	**5,157**	3,698
Prepaid expenses	**-**	-	**(95)**	(92)	**(95)**	(92)
Derivative financial instruments	**-**	434	**(139)**	-	**(139)**	434
Property, plant and equipment	**684**	702	**(49,971)**	(45,413)	**(49,287)**	(44,711)
Intangible assets	**4**	4	**(2,150)**	(2,326)	**(2,146)**	(2,322)
Employee benefit plans	**3,018**	2,901	**(2,916)**	(1,920)	**102**	981
Trade payables and other liabilities	**984**	1,133	**(74)**	(61)	**910**	1,072
Provisions	**40**	-	-	-	**40**	-
Provisions and other long-term liabilities	**1,285**	178	**-**	-	**1,285**	178
Tax assets (liabilities)	**11,429**	9,206	**(55,345)**	(49,812)	**(43,916)**	(40,606)
Set off of tax	**(10,741)**	(8,499)	**10,741**	8,499	**-**	-
Net tax assets (liabilities)	**688**	707	**(44,604)**	(41,313)	**(43,916)**	(40,606)

Movement in deferred tax assets and liabilities:

	Opening Balance	Recognized In Income	Recognized In Equity	Ending Balance
2018				
Trade and other receivables	180	(24)	-	156
Inventories	3,149	549	-	3,698
Prepaid expenses	(85)	(7)	-	(92)
Derivative financial instruments	(168)	-	602	434
Property, plant and equipment	(42,530)	(2,181)	-	(44,711)
Intangible assets	(2,217)	(105)	-	(2,322)
Employee benefit plans	982	612	(613)	981
Trade payables and other liabilities	607	465	-	1,072
Provisions and other long-term liabilities	244	(66)	-	178
	(39,838)	(757)	(11)	(40,606)

	Opening Balance	Recognized In Income	Recognized In Equity	Ending Balance
2019				
Trade and other receivables	**156**	**101**	**-**	**257**
Inventories	**3,698**	**1,459**	**-**	**5,157**
Prepaid expenses	**(92)**	**(3)**	**-**	**(95)**
Derivative financial instruments	**434**	**-**	**(573)**	**(139)**
Property, plant and equipment	**(44,711)**	**(4,576)**	**-**	**(49,287)**
Intangible assets	**(2,322)**	**176**	**-**	**(2,146)**
Employee benefit plans	**981**	**233**	**(1,112)**	**102**
Trade payables and other liabilities	**1,072**	**(162)**	**-**	**910**
Provisions	**-**	**40**	**-**	**40**
Provisions and other long-term liabilities	**178**	**1,107**	**-**	**1,285**
	(40,606)	**(1,625)**	**(1,685)**	**(43,916)**

Deferred tax assets have been recognized where it is probable that they will be recovered. In recognizing deferred tax assets, the Company has considered if it is probable that sufficient future income will be available to absorb temporary differences.

No deferred tax liability has been recognized in respect of temporary differences associated with investments in subsidiaries where the Company controls the timing of the reversal and it is probable that such temporary differences will not reverse in the foreseeable future. The aggregate amount of temporary differences associated with investments in domestic and foreign subsidiaries for which a deferred tax liability has not been recognized is $580,223 (2018 - $537,933). Temporary differences relating to unremitted earnings of foreign subsidiaries which would be subject to withholding and other taxes totaled $445,696 (2018 - $398,449).

21. Trade payables and other liabilities

	December 29 2019	December 30 2018
Trade payables	**(34,960)**	(39,146)
Current portion of lease liabilities (note 23)	**(612)**	-
Other current liabilities and accrued expenses	**(28,562)**	(24,541)
	(64,134)	(63,687)

22. Provisions and other long-term liabilities

Provisions	**(561)**	(660)
Non-current portion of lease liabilities (note 23)	**(4,278)**	-
	(4,839)	(660)

23. Leases

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 2019, 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 2019 totalled $780.

24. Share capital and reserves

Share capital
At December 29, 2019, the authorized voting common shares were unlimited (2018 - unlimited). The issued and fully paid voting common shares at December 29, 2019 were 65,000,000 (2018 - 65,000,000). The shares have no par value. The Company has no stock option plans in place.

Reserves
Reserves comprise the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to the hedged transactions that have not yet occurred.

Dividends
During 2019, dividends in Canadian dollars of 12 cents per common share were declared (2018 - 12 cents).

25. Earnings per share

	2019	2018
Net income attributable to equity holders of the Company	**114,772**	108,921
Weighted average shares outstanding (000's)	**65,000**	65,000
Basic and diluted earnings per share - cents	**177**	168

26. Financial instruments

The following sets out the classification and the carrying/fair value of financial instruments:

Assets (Liabilities)	Classification	Carrying / Fair Value
Cash and cash equivalents	Amortized cost	397,159
Trade and other receivables	Amortized cost	125,686
Trade and other receivables - factoring arrangements	FVOCI	16,169
	Total trade and other receivables	141,855
Derivative financial instrument assets	Fair value - hedging instrument	527
Trade payables and other liabilities	Amortized cost	(64,134)
Derivative financial instrument liabilities	Fair value - hedging instrument	(8)

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 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, have been determined by valuing those contracts to market against prevailing forward foreign exchange rates as at the year-end reporting date. 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 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 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 (2018 - $5,166).

27. Commitments and guarantees

(a) Commitments

At December 29, 2019, the Company has commitments to purchase plant and equipment of $29,741 (2018 - $31,157).

(b) Guarantees

Directors and officers

The Company and its subsidiaries have entered into indemnification agreements with their respective directors and officers to indemnify them, to the extent permitted by law, against any and all amounts paid in settlement and damages incurred by the directors and officers as a result of any lawsuit, or any judicial, administrative or investigative proceeding involving the directors and officers. Indemnification claims will be subject to any statutory or other legal limitation period. The Company has purchased directors' and officers' liability insurance to mitigate losses from any such claims.

Leased real property

The Company and its subsidiaries enter into leases in the ordinary course of business for real property. In certain instances, the Company and its subsidiaries have indemnified the landlord from any obligations that may arise from any occurrences of personal bodily injury, loss of life and property damages. The Company's property and liability insurance coverage mitigates losses from any such claims.

Pension plan

The Company has indemnified the Manitoba Pension Commission from any and all claims that may be made by any beneficiary under a certain defined benefit pension plan. The indemnity relates to the transfer of a portion of the surplus in the respective pension plan to a non-contributory supplementary income plan.

Given the nature of the aforementioned indemnification agreements, the Company is unable to reasonably estimate its maximum potential liability under these agreements. The Company believes the likelihood of a material payment pursuant to these indemnification agreements is remote. No amounts have been recorded in the consolidated financial statements with respect to these indemnification agreements.

28. 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, credit risk and liquidity 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 year-end foreign exchange rate from 0.7644 to 07544 (CDN to US dollars) would have decreased net income by $163 for 2019. Conversely, a one-cent change in the year-end foreign exchange rate from 0.7644 to 0.7744 (CDN to US dollars) would have increased net income by $163 for 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 foreign currency forward contracts when equipment purchases and special dividend payments will be settled in other 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.

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 forward contracts matured during the year and the Company realized pre-tax foreign exchange losses of $1,641 (2018 losses - $378). Of these foreign exchange differences, losses of $951 (2018 losses - $331) were recorded in other income (expenses) and losses of $690 were recorded in property, plant and equipment (2018 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 (2018 - 73 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.

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

Credit risk on cash and cash equivalents and 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 CDN Schedule 1 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 receivable balances against credit losses.

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 (2018 - 98 percent) of the gross trade and other receivables balance is within 30 days of the agreed upon payment terms with customers, c) the sale of certain extended term trade receivables without recourse to a third party and (d) 32 percent (2018 - 36 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 (2018 - 41 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 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

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.

Capital management

The Company's objectives in managing capital are to ensure the Company will continue as a going concern and have sufficient liquidity to pursue its strategy of organic growth combined with strategic acquisitions and to deploy capital to provide an appropriate return on investment to its shareholders. In the management of capital, the Company includes bank overdrafts, bank loans and shareholders' equity. The Board of Directors has established quantitative return on capital criteria for management and year-over-year sustainable earnings growth targets. The Board of Directors also reviews, on a regular basis, the level of dividends paid to the Company's shareholders.

The Company has externally imposed capital requirements as governed through its bank operating line credit facilities. The Company monitors capital on the basis of funded debt to EBITDA (income before interest, income taxes, depreciation and amortization) and debt service coverage. Funded debt is defined as the sum of bank loans and bank overdrafts less cash and cash equivalents. The funded debt to EBITDA is calculated as funded debt, as at the financial reporting date, over the 12-month rolling EBITDA. This ratio is to be maintained under 3.00:1. As at December 29, 2019, the ratio was 0.00:1. Debt service coverage is calculated as a 12-month rolling income from operations over debt service. Debt service is calculated as the sum of one-sixth of bank loans outstanding plus annualized finance expense and dividends. This ratio is to be maintained over 1.50:1. As at December 29, 2019, the ratio was 142.67:1.

There were no changes in the Company's approach to capital management during 2019.

29. Contingencies

In the normal course of business activities, the Company may be subject to various legal actions. Management contests these actions and believes resolution of the actions will not have a material adverse impact on the Company's financial condition.

30. Related party transactions

The Company had revenue of $137 (2018 - $0), purchases of $16,089 (2018 - $2,733) and commission income of $594 (2018 - $488) with its majority shareholder company. Trade and other receivables and trade payables and other liabilities include amounts of $240 (2018 - $101) and $2,557 (2018 - $610) respectively with the majority shareholder company. These transactions were completed at market values with normal payment terms.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Board of Directors and Executive Committee are key management personnel. The following table details the compensation earned by these key management personnel:

	2019	2018
Salaries, fees and short-term benefits	**(4,186)**	(4,857)
Post-employment benefits	**(273)**	(299)
	(4,459)	(5,156)

No loans were advanced to key management personnel during the year.

The aggregate remuneration earned by the Board of Directors in 2019 was $1,066 (2018 - $830). As a group, the Board of Directors hold, directly or indirectly, 52.5 percent (2018 - 52.5 percent) of the outstanding shares of the Company. The members of the Executive Committee hold, directly or indirectly, 0.0 percent (2018 - 0.0 percent) of the outstanding shares of the Company.

Annual Meeting

The Annual Meeting of Shareholders will be held on Wednesday, April 22, 2020 at 4:30 p.m.
at The Fort Garry Hotel, Winnipeg, Canada

Listing

Winpak Ltd. shares are listed WPK on the Toronto Stock Exchange

Transfer Agent

Computershare Investor Services Inc.

Annual Information Form

The most recent version of the Annual Information Form for Winpak Ltd.
is available by contacting Winpak's Corporate Office
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Board of Directors

Chairman, *A.I. Aarnio-Wihuri (2)*, Kaarina, Finland; Chairman, Wihuri International Oy
M.H. Aarnio-Wihuri (2), Kaarina, Finland; Deputy CEO, Wihuri International Oy
R.J. Aarnio-Wihuri (3), Kaarina, Finland; Chief Development Officer, Wihuri International Oy
K.A. Albrechtsen (1), Winnipeg, Canada
B.J. Berry (2), Winnipeg, Canada
D.R.W. Chatterley (1), Winnipeg, Canada
K.P. Kuchma, Winnipeg, Canada
D. Spiring (3), Winnipeg, Canada; President and CEO, Economic Development Winnipeg Inc.
I.T. Suominen (1), Helsinki, Finland; Vice President and Chief Financial Officer, Wihuri International Oy

(1) Member of the Audit Committee
(2) Member of the Compensation and Nomination Committee
(3) Member of the Corporate Governance and Sustainability Committee

Executive Committee

The Executive Committee, in consultation with the Board of Directors, establishes the objectives and the long-term direction of the Company. The Committee meets regularly throughout the year to review progress towards achievement of the Company's goals and to implement policies and procedures directed at optimizing performance.

M. Bilgen, Vice President, Technology and Innovation, Winpak Ltd.
J.C. Holland, President, Winpak Division, a division of Winpak Ltd. and President, Winpak Films Inc.
T.L. Johnson, President, Winpak Heat Seal
O.Y. Muggli, President and Chief Executive Officer, Winpak Ltd.
D.J. Stacey, President, Winpak Portion Packaging
L.A. Warelis, Vice President and Chief Financial Officer, Winpak Ltd.

Auditors

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Legal Counsel

Thompson Dorfman Sweatman LLP, Winnipeg, Canada
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