WINPAK

NEWS RELEASE

Winpak Reports 2020 Second Quarter Results

Winnipeg, Manitoba, July 23, 2020 - Winpak Ltd. (WPK) today reports consolidated results in US dollars for the second quarter of 2020, which ended on June 28, 2020.

	Quarter Ended		Year-To-Date Ended	
	June 28 2020	June 30 2019	June 28 2020	June 30 2019
(thousands of US dollars, except per share amounts)				
Revenue	216,201	219,618	429,797	443,653
Net income	29,920	31,893	53,466	61,081
Income tax expense	10,597	11,247	19,202	21,782
Net finance income	(131)	(1,304)	(1,161)	(2,441)
Depreciation and amortization	11,170	10,205	22,005	20,363
EBITDA (1)	51,556	52,041	93,512	100,785
Net income attributable to equity holders of the Company	29,226	31,086	52,381	59,515
Net income attributable to non-controlling interests	694	807	1,085	1,566
Net income	29,920	31,893	53,466	61,081
Basic and diluted earnings per share (cents)	45	48	81	92

Winpak Ltd. manufactures and distributes high-quality packaging materials and related packaging machines. The Company's products are used primarily for the packaging of perishable foods, beverages and in healthcare applications.

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

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

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

Forward-looking statements: Certain statements made in the following Management's Discussion and Analysis contain forward-looking statements including, but not limited to, statements concerning possible or assumed future results of operations of the Company. Forward-looking statements represent the Company's intentions, plans, expectations and beliefs, and are not guarantees of future performance. Such forward-looking statements represent Winpak's current views based on information as at the date of this report. They involve risks, uncertainties and assumptions and the Company's actual results could differ, which in some cases may be material, from those anticipated in these forward-looking statements. Factors that could cause results to differ from those expected include, but are not limited to: the terms, availability and costs of acquiring raw materials and the ability to pass on price increases to customers; ability to negotiate contracts with new customers or renew existing customer contracts with less favorable terms; timely response to changes in customer product needs and market acceptance of our products; the potential loss of business or increased costs due to customer or vendor consolidation; competitive pressures, including new product development; industry capacity, and changes in competitors' pricing; ability to maintain or increase productivity levels; ability to contain or reduce costs; foreign currency exchange rate fluctuations; changes in governmental regulations, including environmental, health and safety; changes in Canadian and foreign income tax rates, income tax laws and regulations. In addition, factors arising as a result of the Coronavirus (COVID-19) global pandemic that could cause results to differ from those expected include, but are not limited to: potential government actions, changes in consumer behaviors and demand, changes in customer requirements, disruptions of the Company's suppliers and supply chain, availability of personnel and uncertainty about the extent and duration of the pandemic. Unless otherwise required by applicable securities law, Winpak disclaims any intention or obligation to publicly update or revise this information, whether as a result of new information, future events or otherwise. The Company cautions investors not to place undue reliance upon forward-looking statements.

Financial Performance

Net income attributable to equity holders of the Company for the second quarter of 2020 of $29.2 million or 45 cents in earnings per share (EPS) decreased by 6.0 percent from the $31.1 million or 48 cents per share recorded in the corresponding quarter in 2019. A contraction in sales volumes caused EPS to decline by 1.5 cents, of which 1.0 cent is estimated to be attributed to COVID-19. Lower gross profit margins negatively impacted EPS by 2.0 cents. Furthermore, a reduction in net finance income dampened EPS 1.5 cents. Conversely, lower operating expenses added 1.5 cents to EPS. Foreign exchange raised EPS by 0.5 cents.

For the six months ended June 28, 2020, net income attributable to equity holders of the Company amounted to $52.4 million or 81 cents per share, a decrease of 12.0 percent compared to the 2019 first half result of $59.5 million or 92 cents per share. Weaker sales volumes lowered EPS by 4.0 cents. It is estimated that COVID-19 accounted for 1.0 cent. Also impactful were lower gross profit margins and foreign exchange, which subtracted 4.5 cents and 3.0 cents respectively from EPS. The reduction in net finance income further decreased EPS by 1.5 cents. Operating expenses and net income attributable to non-controlling interests had the opposite effect with both items augmenting EPS by 1.0 cent each.

Operating Segments and Product Groups

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

The flexible packaging segment includes the modified atmosphere packaging, specialty films and biaxially oriented nylon product groups. Modified atmosphere packaging extends the shelf life of perishable foods, while at the same time maintains or improves the quality of the product. The packaging is used for a wide range of markets and applications, including fresh and processed meats, poultry, cheese, medical device packaging, high performance pouch applications and high-barrier films for converting applications. Specialty films include a full line of barrier and non-barrier films which are ideal for converting applications such as printing, laminating and bag making, including shrink bags. Biaxially oriented nylon film is stretched by length and width to add stability for further conversion using printing, metalizing or laminating processes and is ideal for food packaging applications such as cheese, fluid and viscous liquids, and industrial applications such as book covers and balloons.

The rigid packaging and flexible lidding segment includes the rigid containers, lidding and specialized printed packaging product groups. Rigid containers include portion control and single-serve containers, as well as plastic sheet, custom and retort trays, which are used for applications such as food, pet food, beverage, dairy, industrial and healthcare. Lidding products are available in die-cut, daisy chain and rollstock formats and are used for applications such as food, dairy, beverage, industrial and healthcare. Specialized printed packaging provides packaging solutions to the pharmaceutical, healthcare, nutraceutical, cosmetic and personal care markets.

Packaging machinery includes a full line of horizontal fill/seal machines for preformed containers and vertical form/fill/seal pouch machines for pumpable liquid and semi-liquid products and certain dry products.

Revenue

The impact of COVID-19 varied amongst the Company's product groups. It is estimated that COVID-19 reduced second quarter sales volumes between 1.0 to 2.0 percent and lowered year-to-date sales volumes between 0.5 to 1.0 percent. Order levels with respect to customers that serve the restaurant and food service industries were severely restrained due to shelter-in-place orders instituted across North America. In contrast, for customers that serve the retail food industry, overall volumes were elevated despite the prevalence of temporary plant closures within the protein sector from the pandemic.

Revenue in the second quarter of 2020 was $216.2 million, $3.4 million or 1.6 percent less than the second quarter of 2019. Volumes, in total, declined by 3.4 percent from the prior year comparable quarter after adjusting for the incremental volume from the Control Group acquisition in October 2019. The flexible packaging operating segment realized limited volume growth of 2 percent in the quarter. For the modified atmosphere packaging product group, modest volume growth reflected expansion within the Mexican market and heightened demand with respect to certain customers that service the retail meat and cheese markets. Notable increases were realized in printed films and stand-up pouches. Conversely, biaxially oriented nylon volumes decreased moderately as several major customers in food services and non-food retail were negatively impacted by COVID-19. Within the rigid packaging and flexible lidding operating segment, volumes contracted by 10 percent in the quarter after adjusting for the acquisition of Control Group. The pronounced decline in rigid container volumes was mainly a consequence of the reduced level of involvement in supplying the specialty beverage business with the new recyclable polypropylene cup. Additionally, the shelter-in-place orders significantly affected the restaurant industry, weakening the demand for condiment and creamer containers. Positive volume gains were achieved relating to dessert containers and meat trays. The lidding product group volumes were relatively equal to the prior year as advances in dessert lidding were nearly offset by lower condiment and creamer lidding shipments. For the packaging machinery operating segment, solid volume growth of 6 percent was achieved in comparison to the second quarter of 2019. Selling price and mix changes, as well as the slight depreciation of the Canadian dollar relative to the US dollar, had a minor unfavorable impact on revenue.

For the first six months of 2020, revenue decreased by 3.1 percent to $429.8 million from $443.7 million in the corresponding prior year period. Normalizing for the acquisition of Control Group, volumes contracted by 4.5 percent. The flexible packaging operating segment attained volume growth of 3 percent. In particular, modified atmosphere packaging volumes accelerated due to both the overall enhanced demand for retail meat and cheese products and the inroads made within the Mexican market. Volumes within the rigid packaging and flexible lidding operating segment retreated by 11 percent after adjusting for the Control Group acquisition. Rigid container volumes decreased significantly due to the lower market share retained with respect to specialty beverages following the major customer's transition to a new recyclable cup. For the lidding product group, healthy first half volumes were attributable to food rollstock applications as well as specialty beverage and dessert lidding. Due to the exceptionally high number of machines shipped in the first half of the prior year, the packaging machinery operating segment's volumes dropped by 25 percent. The current machinery sales order backlog is exceptional, which should positively influence revenue for the remainder of 2020. Selling price and mix changes lowered revenue by 1.0 percent. Foreign exchange had virtually no effect on revenue.

Gross Profit Margins

Gross profit margins fell to 31.5 percent of revenue in the second quarter of 2020, down from the 32.4 percent of revenue recorded in the same quarter of 2019. The decrease in sales volumes, predominantly within the rigid container product group, led to under-utilized equipment capacity, causing a reduction in gross profit margins. This was largely offset by raw material costs declining to a much greater extent than the related selling price adjustments. The normal delayed timing of selling price pass-through adjustments to customers on formal price indexing programs led to this inequity.

For the first six months of 2020, gross profit margins of 30.8 percent of revenue narrowed by 0.8 percentage points from the 31.6 percent of revenue recorded in the 2019 year-to-date comparable period. The reduction in sales volumes, combined with the expansion in fixed manufacturing costs, lowered gross profit margins. However, this was tempered by the degree to which the decline in raw material costs exceeded the corresponding selling price adjustments.

The raw material purchase price index dropped by 5.9 percent compared to the first quarter of 2020. In the past 12 months, the decrease in the index was more noteworthy at 12.4 percent. During the second quarter, polypropylene resin costs declined by an additional 12 percent. The other major raw materials experienced moderate reductions.

Expenses and Other

Operating expenses, exclusive of foreign exchange and the acquisition of Control Group, in the second quarter of 2020 receded at a greater rate relative to the decline in sales volumes, thereby contributing 1.5 cents to EPS. As a direct consequence of the pandemic, travel related spending was significantly curtailed. Foreign exchange elevated EPS by 0.5 cents. Lower net finance income subtracted 1.5 cents from EPS and was the outcome of the substantial decline in the rate of interest earned on the Company's cash and cash equivalent amounts.

On a year-to-date basis, operating expenses, adjusted for foreign exchange and the Control Group acquisition, decreased at a rate of 6.4 percent in relation to the drop in sales volumes, generating an increase in EPS of 1.0 cent. Foreign exchange dampened EPS by 3.0 cents due to the large unfavorable translation differences recorded on the revaluation of monetary assets and liabilities denominated in Canadian dollars and Mexican pesos. Both currencies experienced a sizeable devaluation in relation to the US dollar since the start of the year. Additionally, the much lower rate of interest applied to the cash and cash equivalent amounts led to a contraction in EPS of 1.5 cents. In contrast, a lower proportion of earnings attributable to non-controlling interests elevated EPS by 1.0 cent.

Capital Resources, Cash Flow and Liquidity

The Company's cash and cash equivalents balance ended the second quarter of 2020 at $455.7 million, an increase of $38.3 million from the end of the prior quarter. Winpak generated strong cash flows from operating activities before changes in working capital of $52.0 million. Working capital provided $8.5 million in cash. Trade payables and other liabilities advanced by $7.7 million, reflecting the magnitude of raw material purchases and the timing of supplier payments. Similarly, inventory levels climbed by $3.8 million as a result of the level of raw material procurement. Trade and other receivables declined by $3.8 million following the collection of value added taxes owing from government authorities in relation to recent capital expansion projects. Cash was used for plant and equipment additions of $10.9 million, income tax payments of $9.9 million, dividend payments of $1.4 million and other items totaling $0.3 million while net finance income provided cash of $0.3 million.

For the first half of 2020, the cash and cash equivalents balance advanced by $58.5 million as a result of the significant cash flow provided by operating activities before changes in working capital of $94.5 million. Working capital generated $1.7 million in cash. Cash outflows included: $17.3 million in plant and equipment additions, income tax payments of $17.2 million, dividend payments of $2.9 million, employee defined benefit plan contributions of $1.4 million and other items amounting to $0.3 million. Net finance income had a positive impact of $1.4 million.

Summary of Quarterly Results

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

	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Revenue	216,201	213,596	217,456	212,734	219,618	224,035	222,138	220,647
Net income attributable to equity holders of the Company	29,226	23,155	26,679	28,578	31,086	28,429	26,683	27,835
EPS	45	36	41	44	48	44	41	43

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

Looking Forward

Along with most other North American businesses, Winpak continues to deal with the effects of the Coronavirus (COVID-19) pandemic. The Company is deemed an essential supplier of packaging materials and machinery for our customers in the food, beverage and healthcare industries. Winpak fully embraces its responsibility to undertake all the necessary measures to help minimize the impact of COVID-19 in its communities and ensures that all the necessary health and safety protocols are updated, followed and maintained at our production sites to protect our dedicated employees and their families. The Company has been able to keep all its plants operational with relatively minor issues during the pandemic. Winpak is closely following the various effects from the lifting of the shelter-in-place orders across North America with the resurgence and potential second wave of COVID-19 cases in certain parts of the United States. The extent and duration of the pandemic remains uncertain, making it difficult to predict the ongoing effects on Winpak's operations and financial results.

Starting in the latter part of the second quarter, the removal of shelter-in-place orders and the different stages of reopenings across North America has resulted in some varied shifting of customer order patterns. The flexible packaging segment has benefitted from heightened buying by consumers at the retail level from pantry filling and elevated at-home food consumption, most notably with printed films and stand-up pouches. However, there has been recent softness in customer order levels in the protein and cheese markets. Almost all customers' protein plants that were previously shut down due to COVID-19 cases within their facilities have since been able to reopen, however, the increased level of safety measures to protect their employees has reduced their output capabilities. Winpak is starting to experience lighter order volumes with a few of these customers. This segment has started to realize a marginal recovery in order activity in the food service and non-food retail markets. The demand for single-serve products in the rigid packaging and flexible lidding segment with customers in the restaurant and food service industries has slowly started to rebound with the expectation that volumes will remain muted in the near term. Rigid container products continue to benefit from elevated volumes in fresh meat trays and dessert containers. New pet food retort tray business was scheduled to scale-up in the second quarter along with two new dessert tray products that were to commence in the third quarter. However, due to the pandemic, all three product launches have been deferred until early 2021. Separate from COVID-19, rigid containers continued to experience a sizeable reduction in volumes due to the reduced supply position of the recyclable specialty beverage polypropylene cup which will continue to impact year-over-year comparisons through the third quarter. The lidding product group continues to experience modest volume gains within the food rollstock, specialty beverage and dessert lidding products. The packaging machinery segment continues to benefit from a robust machine order backlog which will keep it very busy for the remainder of the year. During the pandemic, the raw material supply chain has remained consistent and reliable which has enabled all plants to remain fully operational. The significant drop in oil prices earlier in the year, from over supply and reduced demand due to COVID-19, has lowered the Company's raw material resin costs with the three primary resins experiencing moderate reductions during the second quarter. This trend is forecasted to start reversing in the last six months of the year due in part to resin suppliers curtailing production levels in order to support price increases. The timing and magnitude of these future increases is difficult to predict. These potential raw material cost increases would be a headwind to gross profit margins moving forward. In the first half of 2020, Winpak's gross profit margins have benefitted from lower raw material prices, however, in the second half of the year, these declines will result in notably reduced selling prices to customers due to the pass-through of lower raw material costs as 65 percent of the Company's revenues are indexed albeit with a 90 to 120-day time lag. These lower selling prices will put downward pressure on Winpak's gross profit margins in the second half of the year. Should the current level of the Canadian dollar versus the US dollar persist for the balance of the year, the overall effect from foreign exchange on net income should not be significant after considering the foreign exchange hedges that have been executed. Finance income earned on the cash and cash equivalent amounts will continue to be minimal due to the negligible North American interest rates.

Capital expenditures remained relatively light in the second quarter with spending expected to accelerate in the second half of the year and be in the area of $45 to $55 million for 2020. COVID-19 has created disruptions with certain larger scale projects and there is now some uncertainty as to the timing of completion due to possible further delays from labor shortages and equipment suppliers in North America and Europe. The new biaxially oriented polyamide (BOPA) line and building expansion in Winnipeg, Manitoba continues to progress but has encountered some pandemic related setbacks and commercial start-up is expected to commence mid-year 2021. At the Winnipeg, Manitoba modified atmosphere packaging plant, projects include: adding capacity with a new cast co-extrusion line, new conversion capabilities for resealable lidding and spouted pouches and modifications to two of the cast co-extrusion lines, which will elevate Winpak's competencies and product offerings with a new generation of reusable/recyclable high-barrier thermoformable films. Other initiatives to note include: the relocation of the packaging machinery operation to Rialto, California with an expanded leased facility and additional slitting capabilities at the Norwood, New Jersey site. For the time being, COVID-19 has put any potential acquisition opportunities on hold as there has been limited activity in this regard. Winpak continues to generate strong cash flows from operations with sizeable cash resources on hand, along with unused operating lines of credit totaling $38 million, which has permitted the Company to operate successfully during the pandemic.

Controls and Procedures

Disclosure Controls

Management is responsible for establishing and maintaining disclosure controls and procedures in order to provide reasonable assurance that material information relating to the Company is made known to them in a timely manner and that information required to be disclosed is reported within time periods prescribed by applicable securities legislation. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based on management's evaluation of the design of the Company's disclosure controls and procedures, the Company's Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures are designed as of June 28, 2020 to provide reasonable assurance that the information being disclosed is recorded, summarized and reported as required.

Internal Controls Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Internal control systems, no matter how well designed, have inherent limitations and therefore can only provide reasonable assurance as to the effectiveness of internal controls over financial reporting, including the possibility of human error and the circumvention or overriding of the controls and procedures. Management used the Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013) as the control framework in designing its internal controls over financial reporting. Based on management's design of the Company's internal controls over financial reporting, the Company's Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures are designed as of June 28, 2020 to provide reasonable assurance that the financial information being reported is materially accurate. During the second quarter ended June 28, 2020, there have been no changes to the design of the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

Winpak Ltd.
Interim Condensed Consolidated Financial Statements
Second Quarter Ended: June 28, 2020

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

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

	Note	June 28 2020	December 29 2019
Assets			
Current assets:			
Cash and cash equivalents		455,673	397,159
Trade and other receivables	12	137,683	141,855
Income taxes receivable		6,120	1,253
Inventories	6	130,906	130,467
Prepaid expenses		4,550	2,715
Derivative financial instruments		29	527
		734,961	673,976
Non-current assets:			
Property, plant and equipment	7	494,630	489,267
Intangible assets		36,584	37,326
Employee benefit plan assets		11,062	11,131
Deferred tax assets		649	688
		542,925	538,412
Total assets		1,277,886	1,212,388
Equity and Liabilities			
Current liabilities:			
Trade payables and other liabilities		65,244	64,134
Contract liabilities		2,931	3,715
Provisions		149	149
Income taxes payable		727	3,529
Derivative financial instruments		742	8
		69,793	71,535
Non-current liabilities:			
Employee benefit plan liabilities		12,350	11,411
Deferred income		13,535	14,237
Provisions and other long-term liabilities		14,018	4,839
Deferred tax liabilities		52,685	44,604
		92,588	75,091
Total liabilities		162,381	146,626
Equity:			
Share capital		29,195	29,195
Reserves		(523)	380
Retained earnings		1,054,763	1,005,202
Total equity attributable to equity holders of the Company		1,083,435	1,034,777
Non-controlling interests		32,070	30,985
Total equity		1,115,505	1,065,762
Total equity and liabilities		1,277,886	1,212,388

See accompanying notes to condensed consolidated financial statements.

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

	Note	Quarter Ended June 28 2020	Quarter Ended June 30 2019	Year-To-Date Ended June 28 2020	Year-To-Date Ended June 30 2019
Revenue	4	216,201	219,618	429,797	443,653
Cost of sales		(148,156)	(148,359)	(297,583)	(303,264)
Gross profit		68,045	71,259	132,214	140,389
Sales, marketing and distribution expenses		(16,407)	(17,230)	(34,108)	(34,919)
General and administrative expenses		(7,607)	(7,985)	(15,700)	(16,619)
Research and technical expenses		(3,859)	(4,381)	(7,912)	(8,458)
Pre-production expenses		-	(160)	(178)	(160)
Other income (expenses)	5	214	333	(2,809)	189
Income from operations		40,386	41,836	71,507	80,422
Finance income		744	2,285	2,403	4,391
Finance expense		(613)	(981)	(1,242)	(1,950)
Income before income taxes		40,517	43,140	72,668	82,863
Income tax expense		(10,597)	(11,247)	(19,202)	(21,782)
Net income for the period		29,920	31,893	53,466	61,081
Attributable to:					
Equity holders of the Company		29,226	31,086	52,381	59,515
Non-controlling interests		694	807	1,085	1,566
		29,920	31,893	53,466	61,081
Basic and diluted earnings per share - cents	10	45	48	81	92

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

	Note	Quarter Ended June 28 2020	Quarter Ended June 30 2019	Year-To-Date Ended June 28 2020	Year-To-Date Ended June 30 2019
Net income for the period		29,920	31,893	53,466	61,081
Items that will not be reclassified to the statements of income:					
Cash flow hedge gains recognized		-	43	-	502
Cash flow hedge losses transferred to property, plant and equipment		-	413	-	508
Income tax effect		-	-	-	-
		-	456	-	1,010
Items that are or may be reclassified subsequently to the statements of income:					
Cash flow hedge gains (losses) recognized		520	585	(1,623)	1,276
Cash flow hedge losses transferred to the statements of income	5	464	309	391	855
Income tax effect		(264)	(239)	329	(570)
		720	655	(903)	1,561
Other comprehensive income (loss) for the period - net of income tax		720	1,111	(903)	2,571
Comprehensive income for the period		30,640	33,004	52,563	63,652
Attributable to:					
Equity holders of the Company		29,946	32,197	51,478	62,086
Non-controlling interests		694	807	1,085	1,566
		30,640	33,004	52,563	63,652

See accompanying notes to condensed consolidated financial statements.

Winpak Ltd.

Condensed Consolidated Statements of Changes in Equity

(thousands of US dollars) (unaudited)

	Note	Share capital	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
		Attributable to equity holders of the Company					
Balance at December 31, 2018		29,195	(2,264)	893,279	920,210	27,693	947,903
Comprehensive income for the period							
Cash flow hedge gains, net of tax		-	1,437	-	1,437	-	1,437
Cash flow hedge losses transferred to the statements of income, net of tax		-	626	-	626	-	626
Cash flow hedge losses transferred to property, plant and equipment		-	508	-	508	-	508
Other comprehensive income		-	2,571	-	2,571	-	2,571
Net income for the period		-	-	59,515	59,515	1,566	61,081
Comprehensive income for the period		-	2,571	59,515	62,086	1,566	63,652
Dividends	9	-	-	(2,948)	(2,948)	-	(2,948)
Balance at June 30, 2019		29,195	307	949,846	979,348	29,259	1,008,607
Balance at December 30, 2019		29,195	380	1,005,202	1,034,777	30,985	1,065,762
Comprehensive (loss) income for the period							
Cash flow hedge losses, net of tax		-	(1,189)	-	(1,189)	-	(1,189)
Cash flow hedge losses transferred to the statements of income, net of tax		-	286	-	286	-	286
Other comprehensive loss		-	(903)	-	(903)	-	(903)
Net income for the period		-	-	52,381	52,381	1,085	53,466
Comprehensive (loss) income for the period		-	(903)	52,381	51,478	1,085	52,563
Dividends	9	-	-	(2,820)	(2,820)	-	(2,820)
Balance at June 28, 2020		29,195	(523)	1,054,763	1,083,435	32,070	1,115,505

See accompanying notes to condensed consolidated financial statements.

Winpak Ltd.

Winpak Ltd.

Condensed Consolidated Statements of Cash Flows

(thousands of US dollars) (unaudited)

	Note	Quarter Ended June 28 2020	Quarter Ended June 30 2019	Year-To-Date Ended June 28 2020	Year-To-Date Ended June 30 2019
Cash provided by (used in):					
Operating activities:					
Net income for the period		29,920	31,893	53,466	61,081
Items not involving cash:					
Depreciation		11,142	10,468	21,944	20,886
Amortization - deferred income		(382)	(383)	(770)	(755)
Amortization - intangible assets		410	120	831	232
Employee defined benefit plan expenses		855	908	1,770	1,764
Net finance income		(131)	(1,304)	(1,161)	(2,441)
Income tax expense		10,597	11,247	19,202	21,782
Other		(441)	(444)	(782)	(1,183)
Cash flow from operating activities before the following		51,970	52,505	94,500	101,366
Change in working capital:					
Trade and other receivables		3,784	3,532	4,172	1,722
Inventories		(3,797)	(2,909)	(439)	710
Prepaid expenses		309	(170)	(1,835)	(1,383)
Trade payables and other liabilities		7,717	3,995	566	2,671
Contract liabilities		442	394	(784)	(1,564)
Employee defined benefit plan contributions		(109)	(107)	(1,408)	(2,091)
Income tax paid		(9,908)	(12,652)	(17,200)	(20,903)
Interest received		735	2,227	2,284	4,359
Interest paid		(443)	(880)	(920)	(1,769)
Net cash from operating activities		50,700	45,935	78,936	83,118
Investing activities:					
Acquisition of property, plant and equipment - net		(10,864)	(11,547)	(17,251)	(28,862)
Acquisition of intangible assets		(57)	(17)	(88)	(35)
		(10,921)	(11,564)	(17,339)	(28,897)
Financing activities:					
Payment of lease liabilities		(97)	(105)	(198)	(209)
Dividends paid	9	(1,394)	(1,460)	(2,885)	(2,889)
		(1,491)	(1,565)	(3,083)	(3,098)
Change in cash and cash equivalents		38,288	32,806	58,514	51,123
Cash and cash equivalents, beginning of period		417,385	362,639	397,159	344,322
Cash and cash equivalents, end of period		455,673	395,445	455,673	395,445

See accompanying notes to condensed consolidated financial statements.

1. General

Winpak Ltd. is incorporated under the Canada Business Corporations Act. The Company manufactures and distributes high-quality packaging materials and related packaging machines. The Company's products are used primarily for the packaging of perishable foods, beverages and in healthcare applications. The address of the Company's registered office is 100 Saulteaux Crescent, Winnipeg, Manitoba, Canada R3J 3T3.

2. Basis of Presentation

Statement of compliance
The unaudited interim condensed consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS). The unaudited interim condensed consolidated financial statements are in compliance with IAS 34. Accordingly, certain information and note disclosures normally included in annual consolidated financial statements prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB) have been omitted or condensed. These unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 29, 2019, which are included in the Company's 2019 Annual Report.

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 2020 and 2019 fiscal years are both comprised of 52 weeks and each quarter of 2020 and 2019 are comprised of 13 weeks.

The unaudited interim condensed consolidated financial statements were approved by the Audit Committee on behalf of the Board of Directors on July 23, 2020.

Coronavirus (COVID-19)
In March 2020, the World Health Organization declared a global pandemic known as Coronavirus (COVID-19). The extent of the pandemic's effect on the Company's operational and financial performance will depend on future developments, including the extent and duration of the pandemic, both of which are uncertain and difficult to predict considering the rapidly evolving landscape. As a result, it is not currently possible to ascertain the overall financial impact on the Company's business. Winpak has a solid balance sheet with significant cash resources on hand, unused credit facilities comprised of unsecured operating lines of $38 million and strong cash flows from operations to enable the Company to function effectively during the COVID-19 pandemic.

All Winpak facilities in North America are now under some level of health state of emergency, or shelter-in-place order restricting business activities, movement of people, size of groups and instituting mandatory quarantine for travelers. Wherever a shelter-in-place order or state of emergency has been declared, local and federal authorities have identified under specific acts, which essential industries may remain open and active until further notice. In all affected jurisdictions, Winpak is classified as an essential provider of packaging materials and machinery to the food and healthcare industries, and is being actively urged by its customers to provide uninterrupted supply of quality packaging materials and machinery to maintain their essential supply chains. As of the date of these interim financial statements, all Winpak production sites are operational and working with the complete support of equally determined suppliers and logistics companies servicing customers who face similar challenges to stay in operation and supply our communities with food and healthcare supplies. With the tremendous support and dedication of all stakeholders, the Company spares no effort to strengthen a safe workplace in all production facilities as well as curb the spread of the virus through a comprehensive and as we learn, expanding list of counter safety measures. All sites have meticulously reviewed and updated their disaster mitigation and recovery plans for readiness in the face of any contamination.

3. Segment Reporting

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

The flexible packaging segment includes the modified atmosphere packaging, specialty films and biaxially oriented nylon product groups. Modified atmosphere packaging extends the shelf life of perishable foods, while at the same time maintains or improves the quality of the product. The packaging is used for a wide range of markets and applications, including fresh and processed meats, poultry, cheese, medical device packaging, high performance pouch applications and high-barrier films for converting applications. Specialty films include a full line of barrier and non-barrier films which are ideal for converting applications such as printing, laminating and bag making, including shrink bags. Biaxially oriented nylon film is stretched by length and width to add stability for further conversion using printing, metalizing or laminating processes and is ideal for food packaging applications such as cheese, fluid and viscous liquids, and industrial applications such as book covers and balloons.

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

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.

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 flexible packaging and rigid packaging and flexible lidding operating segments have been aggregated as one reportable segment. In addition, the packaging machinery operating segment has been aggregated with these two segments as the segment's revenue and assets represents less than 3 percent of total Company revenue and assets.

The Company operates principally in Canada and the United States. See note 4 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:

	June 28 2020	December 29 2019
United States	268,338	264,639
Canada	243,324	242,296
Mexico	19,552	19,658
	531,214	526,593

4. Revenue

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

Disaggregation of Revenue

	Quarter Ended		Year-To-Date Ended	
	June 28 2020	June 30 2019	June 28 2020	June 30 2019
Operating segment				
Flexible packaging	114,720	112,667	226,852	224,199
Rigid packaging and flexible lidding	93,876	101,186	189,929	205,483
Packaging machinery	7,605	5,765	13,016	13,971
	216,201	219,618	429,797	443,653
Geographic segment				
United States	170,198	179,540	341,347	367,417
Canada	28,678	27,646	56,290	52,629
Mexico and other	17,325	12,432	32,160	23,607
	216,201	219,618	429,797	443,653

The Company's products are primarily used for the packaging of perishable foods and beverages, which accounted for more than 90 percent of sales during the year-to-date periods ended June 28, 2020 and June 30, 2019. Other markets include medical, pharmaceutical, personal care, industrial, and other consumer goods.

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

5. Other Income (Expenses)

	Quarter Ended		Year-To-Date Ended	
Amounts shown on a net basis	June 28 2020	June 30 2019	June 28 2020	June 30 2019
Foreign exchange gains (losses)	678	642	(2,418)	1,044
Cash flow hedge losses transferred from other comprehensive income	(464)	(309)	(391)	(855)
	214	333	(2,809)	189

6. Inventories

	June 28 2020	December 29 2019
Raw materials	33,537	32,741
Work-in-process	27,382	25,281
Finished goods	57,803	60,532
Spare parts	12,184	11,913
	130,906	130,467

During the second quarter of 2020, the Company recorded, within cost of sales, inventory write-downs for slow-moving and obsolete inventory of $1,966 (2019 - $1,066) and reversals of previously written-down items of $258 (2019 - $326). On a year-to-date basis, the Company recorded, within cost of sales, inventory write-downs for slow-moving and obsolete inventory of $4,802 (2019 - $3,538) and reversals of previously written-down items of $1,915 (2019 - $1,869).

7. Property, Plant and Equipment

At June 28, 2020, the Company has commitments to purchase plant and equipment of $26,630 (December 29, 2019 - $29,741). No impairment losses or impairment reversals were recognized during the year-to-date periods ended June 28, 2020 or June 30, 2019.

8. Leases

Right-of-use assets

	June 28 2020
Opening balance, December 30, 2019	4,755
Additions	10,064
Depreciation	(414)
Closing balance, June 28, 2020	14,405

Lease liabilities

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

	June 28 2020
Less than one year	(1,184)
One to five years	(5,299)
More than five years	(13,234)
Total contractual undiscounted lease liabilities	(19,717)

	June 28 2020
Current	(1,164)
Non-current	(13,258)
Total discounted lease liabilities	(14,422)

Extension Options

Some leases of office and manufacturing facilities contain extension options exercisable by the Company up to one year before the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Company and not by the lessors. The Company assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control. At June 28, 2020, potential future lease payments not included in lease liabilities totaled $4,829 on a discounted basis.

9. Dividends

During the second quarter of 2020, dividends in Canadian dollars of 3 cents per common share were declared (2019 - 3 cents) and on a year-to-date basis, 6 cents per common share were declared (2019 - 6 cents).

10. Earnings Per Share

	Quarter Ended		Year-To-Date Ended	
	June 28 2020	June 30 2019	June 28 2020	June 30 2019
Net income attributable to equity holders of the Company	29,226	31,086	52,381	59,515
Weighted average shares outstanding (000's)	65,000	65,000	65,000	65,000
Basic and diluted earnings per share - cents	45	48	81	92

11. Financial Instruments

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

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

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

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

Financial Assets (Liabilities)	Level 1	Level 2	Level 3	Total
At June 28, 2020				
Foreign currency forward contracts - net	-	(713)	-	(713)
At December 29, 2019				
Foreign currency forward contracts - net	-	519	-	519

When the Company has a legally enforceable right to set off supplier rebates receivable against supplier trade payables and intends to settle the amount on a net basis or simultaneously, the balance is presented as an offset within 'Trade payables and other liabilities' on the consolidated balance sheet. At June 28, 2020, the supplier rebate receivable balance that was offset was $2,768 (December 29, 2019 - $4,036).

12. Financial Risk Management

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

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

Foreign Exchange Risk

Translation differences arise when foreign currency monetary assets and liabilities are translated at foreign exchange rates that change over time. These foreign exchange gains and losses are recorded in other income (expenses). As a result of the Company's CDN dollar net asset monetary position as at June 28, 2020, a one-cent change in the period-end foreign exchange rate from 0.7313 to 0.7213 (CDN to US dollars) would have decreased net income by $259 for the second quarter of 2020. Conversely, a one-cent change in the period-end foreign exchange rate from 0.7313 to 0.7413 (CDN to US dollars) would have increased net income by $259 for the second quarter of 2020.

The Company's Foreign Exchange Policy requires that between 50 and 80 percent of the Company's net requirement of CDN dollars for the ensuing 9 to 15 months will be hedged at all times with a combination of cash and cash equivalents and forward or zero-cost option foreign currency contracts. The Company may also enter into forward foreign currency contracts when equipment purchases and special dividend payments will be settled in foreign currencies. Transactions are only conducted with certain approved Schedule 1 Canadian financial institutions. All foreign currency contracts are designated as cash flow hedges of the highly probable CDN dollar expenditures. These derivatives meet the hedge effectiveness criteria as a result of the following factors:

a) An economic relationship exists between the hedged item and the hedging instrument as notional amounts match and both the hedged item and hedging instrument fair values move in response to the same risk - foreign exchange rates. There are no significant reasons or causes for the designated hedged item and hedging instrument to be mismatched since the hedging instrument matures during the same month as the expected hedged expenditures are incurred. The correlation between the foreign exchange rate of the hedged item and the hedging instrument should be highly correlated and closely aligned as the maturity and the notional amount are the same.

b) The hedge ratio is one to one for this hedging relationship as the hedged item is foreign currency risk that is hedged with a foreign currency hedging instrument.

c) Credit risk is not material in the fair value of the hedging instrument.

The Company has identified two sources of potential ineffectiveness: a) the timing of cash flow differences between the expenditure and the related derivative and b) the inclusion of credit risk in the fair value of the derivative not replicated in the hedged item. The Company expects the impact of these sources of hedge ineffectiveness to be minimal. The timing of hedge settlements and incurred expenditures are closely aligned as they are expected to occur within 30 days of each other. Credit risk is not a material component of the fair value of the Company's hedging instruments as all counterparties are Schedule 1 Canadian financial institutions, which are highly rated.

Certain foreign currency contracts matured during the second quarter of 2020 and the Company realized pre-tax foreign exchange losses of $464 (year-to-date losses - $391). Of these foreign exchange differences, losses of $464 (year-to-date losses - $391) were recorded in other income (expenses) and $0 was recorded in property, plant and equipment (year-to-date - $0). During the second quarter of 2019, the Company realized pre-tax foreign exchange losses of $722 (year-to-date losses - $1,363). Of these foreign exchange differences, losses of $309 were recorded in other income (expenses) (year-to-date losses - $855) and losses of $413 were recorded in property, plant and equipment (year-to-date losses - $508).

As at June 28, 2020, the Company had US to CDN dollar foreign currency forward contracts outstanding with a notional amount of US $30.0 million at an average exchange rate of 1.3328 maturing between July 2020 and March 2021. The fair value of these financial instruments was negative $713 US and the corresponding unrealized loss has been recorded in other comprehensive income. The Company did not recognize any ineffectiveness on the hedging instruments for the year-to-date periods ended June 28, 2020 and June 30, 2019.

Interest Rate Risk

The Company's interest rate risk arises from interest rate fluctuations on the finance income that it earns on its cash invested in money market accounts and short-term deposits. The Company developed and implemented an investment policy, which was approved by the Company's Board of Directors, with the primary objective to preserve capital, minimize risk and provide liquidity. Regarding the June 28, 2020 cash and cash equivalents balance of $455.7 million, a 1.0 percent increase/decrease in interest rate fluctuations would increase/decrease income before income taxes by $4,557 annually.

Commodity Price Risk

The Company's manufacturing costs are affected by the price of raw materials, namely petroleum-based and natural gas-based plastic resins and aluminum. In order to manage its risk, the Company has entered into selling price-indexing programs with certain customers. Changes in raw material prices for these customers are reflected in selling price adjustments but there is a slight time lag. For the year-to-date period ended June 28, 2020, 65 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.

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

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 $455.7 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 the next twelve months. The Company's trade payables and other liabilities and derivative financial instrument liabilities are all due within twelve months.

Credit Risk

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

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

	June 28 2020	December 29 2019
Cash and cash equivalents	455,673	397,159
Trade and other receivables	137,683	141,855
Foreign currency forward contracts	29	527
	593,385	539,541

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

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

During the second quarter of 2020, the Company incurred costs on the sale of trade receivables of $499 (2019 - $1,263). Of these costs, $402 was recorded in finance expense (2019 - $876) and $97 was recorded in general and administrative expenses (2019 - $387). On a year-to-date basis, the Company incurred costs on the sale of trade receivables of $996 (2019 - $2,491). Of these costs, $823 was recorded in finance expense (2019 - $1,757) and $173 was recorded in general and administrative expenses (2019 - $734).

As at June 28, 2020, the Company believes that the credit risk for trade and other receivables is mitigated due to the following: a) a broad customer base which is dispersed across varying market sectors and geographic locations, b) 97 percent of the gross trade and other receivables balance is within 30 days of the agreed upon payment terms with customers, c) the sale of certain extended term trade receivables without recourse to a third party and d) 41 percent of the trade and other receivables balance is insured against credit losses. The Company's exposure to the ten largest customer balances, on aggregate, accounted for 40 percent of the total trade and other receivables balance.

The carrying amount of trade and other receivables is reduced through the use of an allowance for expected credit losses and the amount of the loss is recognized in the statement of income within general and administrative expenses. When a receivable balance is considered uncollectible, it is written off against the allowance for expected credit losses. Subsequent recoveries of amounts previously written off are credited against general and administrative expenses in the statement of income. In its assessment of the allowance for expected credit losses as at June 28, 2020, the Company considered the economic impact of the COVID-19 pandemic on its assessment, including the risk of default of its customers given the economic downturn caused by this pandemic. During the second quarter of 2020, the Company recorded impairment losses on trade and other receivables of $262 (2019 - $48). On a year-to-date basis, the Company recorded impairment losses on trade and other receivables of $438 (2019 - $124).

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

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

	June 28 2020	December 29 2019
Current (not past due)	119,185	119,227
1 - 30 days past due	15,960	19,840
31 - 60 days past due	2,068	2,364
More than 60 days past due	2,256	1,822
	139,469	143,253
Less: Allowance for expected credit losses	(1,786)	(1,398)
Total trade and other receivables, net	137,683	141,855

13. Seasonality

The Company experiences seasonal variation in revenue, with revenue typically being the highest in the second and fourth quarters, and lowest in the first quarter.