Richards Packaging Income Fund

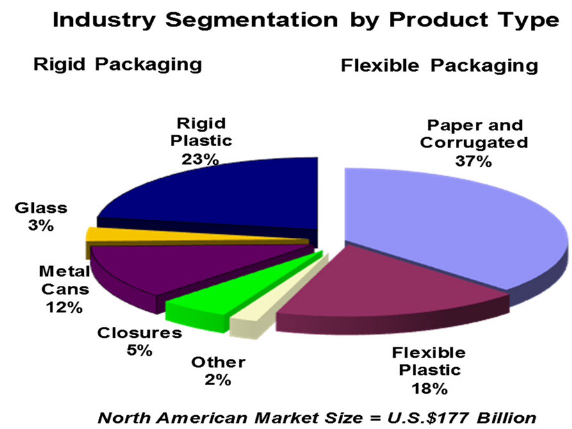
MANAGEMENT'S DISCUSSION AND ANALYSIS

March 6, 2020

This management's discussion and analysis of Richards Packaging Income Fund ("MD&A") for the year should be read in conjunction with the attached audited financial statements for the year ended December 31, 2019, the annual statements for the year ended December 31, 2018, the quarterly reports for the periods ended March 31, June 30 and September 30, 2019 and the Annual Information Form dated March 6, 2020. Results are reported in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards on a consistent basis with the annual financial statements except as disclosed in the Change in Accounting Policy note.

North American Packaging Industry

Packaging is pervasive, as almost all products are delivered in some form of packaging. The properties of packaging fulfils not only the practical, transportability, protection functions and shelf life, but also serves to differentiate products and communicate branding messages such as quality, safety and consumer satisfaction. The latest ergonomically complex packaging components' design reflects significant investment in market research and product development. To meet the needs of this changing marketplace, the packaging industry has segmented into different product types outlined in the adjacent chart. Public market valuations tend to be higher in the Plastic and Flexible product types.



As large product marketers have consolidated, packaging companies have embarked on a parallel industry consolidation strategy to meet their needs. Concentration is high in the glass, metal and paper segments with two to five companies controlling approximately 90% of their market and concentration is medium in the rigid plastic, flexible plastic and closure segments with 10 to 15 companies controlling 50% to 60% of their market. In 2019, there were over 143 acquisitions in the North America, down from the 205 acquisitions in 2018 at a median multiple of 10 times Adjusted EBITDA[1] (2018 10.5x). During 2019, the top 20 companies continued to spend on capital at the cautious rate of 5% of revenue. At the same time, excess capacity is continually being addressed with divestitures by conglomerates. Financing structures in place at most packaging companies are similar to that of an income trust, with significant use of debt priced anywhere from 3% to 6% and free cash flow[2] at 4%, which ensures that a disciplined approach to passing cost increases through to customers will remain in place. Clear evidence is that for the top 20 companies, their Adjusted EBITDA as defined within the packaging industry as a percent of sales has remained at a healthy 16% overall for 2019.

Within the North American Packaging industry, a $3 billion distributor-based market for rigid packaging exists to serve regional small- to medium-sized premium product marketers. Approximately 50 distributors provide marketing and package design expertise, source multiple packaging components from around the world, aggregate orders ensuring access to large manufacturers and provide inventory and logistics support to deliver a complete packaging solution.

Concentration in this segment is growing with the top five companies now controlling over 60% of their market. Richards Packaging Holdings Inc., Richards Packaging Holdings 2 Inc. and their subsidiaries ("Richards Packaging") is the largest packaging distributor in Canada and the third largest in North America. Other distributors consist mainly of local or regional family-owned companies who specialize to meet the unique needs of their customers.

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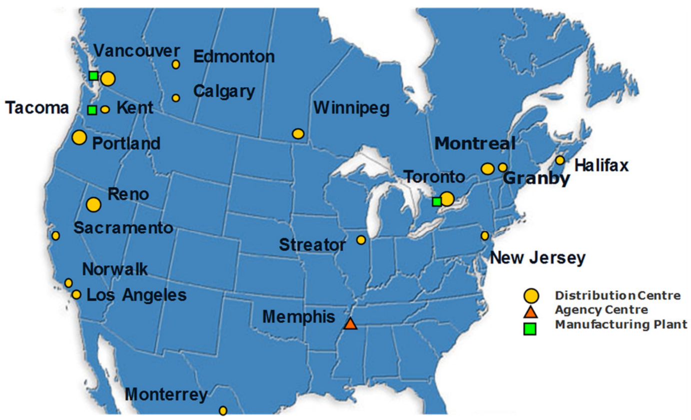
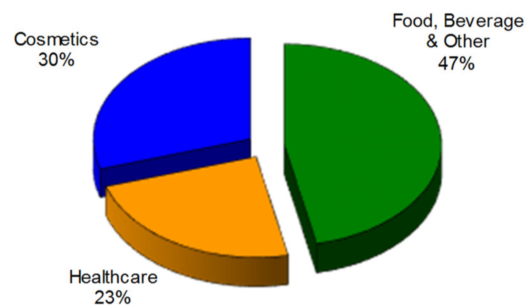
Description of the Business

Richards Packaging Income Fund (the "Fund") is a limited purpose, open-ended trust created on February 26, 2004 to invest in distribution businesses throughout North America. The Fund commenced operations on April 7, 2004 when the Fund completed an initial public offering of 8.6 million trust units of the Fund ("Units") at a price of $10 per Unit and indirectly purchased 96% of the securities of Richards Packaging Inc. The remaining 4% represented the exchangeable shareholder ownership.

Richards Packaging Locations



Revenue Categories



Richards Packaging serves a wide customer base that is comprised of approximately 14,300 regional cosmetics, healthcare, food, beverage and other companies. The primary source of revenue is from the distribution of over 5,800 different types of packaging containers and related components sourced from over 850 suppliers and its three dedicated manufacturing facilities. Sales from these manufacturing facilities represent 7% of the total revenues (2018 9%). In addition to providing its customers with a wide range of packaging solutions, Richards Packaging provides design and development services and comprehensive logistics management through 17 sales offices and one agency location.

The cornerstones of Richards Packaging's strategy include:

- Being a leading supplier of cosmetic and nutraceutical packaging solutions,
- Being the largest distributor of surplus packaging,
- Being the leading supplier of sterile IV, chemo and oral drug packaging and dispensing systems and health care service providers in Canada,
- Focusing on a diversified customer base dominated by small regional premium product marketers, and
- Being one of the largest distributors of European and Asian glass for the specialty food and beverage markets.

(% change)	Qtr.1	Qtr.2	Qtr.3	Qtr.4	2019
Revenue disaggregation					
Cosmetics……………………….	3.4%	15.6%	4.6%	-2.6%	**5.5%**
Heathcare………………………..	15.3%	1.5%	8.0%	-2.2%	**4.9%**
Food, beverage & other…………..	3.2%	-2.6%	5.0%	-4.5%	**0.3%**
Exchange translation……………..	4.2%	3.7%	2.3%	0.1%	**2.5%**
Weighted average growth………..	9.8%	6.5%	7.2%	-2.8%	**5.1%**

Cosmetics quarterly sales comparisons need to take into account the implementation of the Chinese tariffs which distort the first, second and fourth quarters. Large customer pre-purchases in the fourth quarter of 2018 representing $2 million in revenue inflating the fourth quarter 2018 comparative and depressed first quarter 2019 buying activity. Also, we invested $1.1 million in extra inventory which was sold to customers outside our base inflating the second quarter performance. The full year increase of $4.0 million, or 5.5%, represents normal activity across the Cosmetics customer base.

Healthcare quarterly sales reflect a $0.9 million win in the first quarter due to a supplier acquiring its' competitor in the second quarter of 2018, a shift in timing of $0.7 million in sales from the second quarter to the third quarter in response to the threat of Ontario Government budget cuts that did not materialize and a decrease of $0.5 million for the fourth quarter due to a large vitamin customer going direct to our supplier for their safety caps. The full year increase of $3.7 million, or 4.9%, represents normal activity across the Healthcare customer base.

Food, beverage & other decreased by $1.4 million for the fourth quarter and increased $0.4 million for the year from the same periods in 2018 excluding the impact of translation and were in line with GDP growth. The 25% US tariff on Chinese imports resulted in the loss of two large accounts representing $2 million in revenue per quarter. Delayed shipments in the second quarter led to a 2% higher growth rate in the third quarter. Without the loss of these two accounts the increases for the year exceeded normal activity across the Food, beverage & other customer base.

During 2019, management continued to strategically reposition Richards Packaging in the marketplace to optimize the concentration of large customers and focus on customers with the highest value for the unique product offering and services we provide. The concentration of our top 60 customers decreased in 2019 by $6 million or 5.7% (2018 increased $12 million) while growth in small customers was $22 million or 10.7% (2018 $9 million). Our concentration of business in the US grew 3% to 58% as US GDP grows at twice the pace of Canada.

Changes in Financial Markets

Global economic markets and the impending end to the current economic cycle reflect pressure on GDP growth, currency wars and divergent United States monetary policy from the rest of the first world. Policy shifts to government deficit spending, protectionism and US tax rate decreases will also impact currency valuations and GDP growth.

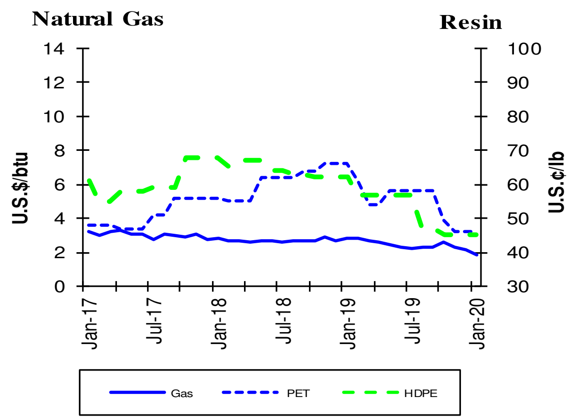
Interest Rates and Foreign Exchange

Interest rates were flat during the year with short term BA's at 2.1% by year end (2018 2.1%). The US Federal Reserve and The Bank of Canada both implemented 50 bps reductions given recent economic uncertainty. Exchange rates averaged U.S./Cdn. $0.75 leading to a positive impact on both revenue and Adjusted EBITDA[1] of $8.0 million and $1.5 million, respectively in the year as US denominated volumes grew. Oil prices and exchange rates were range bound between $50-$60 per barrel and U.S./Cdn. $0.74 - $0.76 for the year.

($ millions)	**2017**	**2018**	**2019**
INTEREST RATES	*1.4%*	***2.1%***	***2.1%***
Impact on Interest	(0.1)	(0.2)	—
F/X - U.S./Cdn.$	***0.77***	***0.77***	***0.75***
Impact on:			
Revenue	**(0.4)**	**3.4**	**8.0**
Adjusted EBITDA	**(0.3)**	**0.9**	**1.5**

Energy Prices

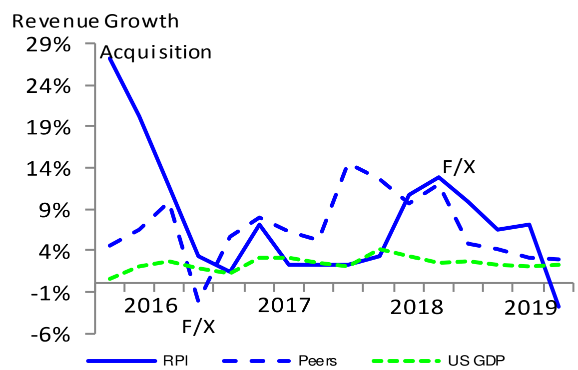
Energy prices are a major factor for the industry affecting glass furnace economics, resin costs and freight costs. In 2019, HDPE and PET resin prices converged with natural gas, their main feedstock, as improved supply reliability resulted in prices dropping towards the end of the year.



PET – Polyethylene terephthalate; HDPE – High Density Polyethylene

Gross Domestic Product

In Canada, GDP grew 1.5% in the first quarter, 1.9% in the second quarter, 1.7% in the third and only 0.1% for the fourth quarter. The United States GDP grew 2.7%, 2.3%, 2.1% and 2.3% in each of the respective quarters. Our US operations outpaced the United States' pattern, however our Canadian operations underperformed as GDP growth dropped significantly in the fourth quarter. For 2019, we outperformed GDP during the first three quarters but underperformed in the fourth quarter unlike our peers who have limited exposure to Canada.



Financial Highlights

The MD&A covers the three months ending March 31, June 30, September 30 and December 31, 2019 and 2018 (generally referred to in this MD&A as the "first, second, third or fourth quarter") and the 12 months ended December 31, 2019 and 2018 (generally referred to in this MD&A as the "year").

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March 6, 2020

The 2019 year results

- Revenue up 5.1% due to 2.6% organic growth in addition to 2.5% from U.S./Cdn. currency translation,
- Adjusted EBITDA[1] up $2.1 mil. or 4.6%; foreign currency translation contributed $1.5 mil.,
- Current income taxes down $0.2 mil. mainly reflecting the 2018 tax on refinancing the intercompany notes,
- Net income down $2.4 mil. due primarily to $3.7 mil. in higher mark-to-market losses on exchangeable shares partially offset by higher Adjusted EBITDA,
- Assets increased by $42.4 mil. and long-term financial liabilities by $37.4 mil. to reflect the new accounting policy for leases,
- Term debt repayments of $12.5 mil., leverage down 0.3x,
- Cash balance of $8.0 mil. was accumulated to settle income tax payable, annual bonuses and working capital,
- Monthly distributions of 11¢ per Unit to yield a 2.9% return (@$45.59/Unit Dec 31st), and
- Distributable cash flow[2] increased by 21¢ to $2.73 per Unit yielding a payout ratio[3] of 49%, free cash flow[2] increased $2.6 mil. or 21¢ to $1.40 per Unit.

($ thousands)	**Calendar Year**		
	2019	**2018**	**2017**
Income Statement Data:			
Revenue	**334,148**	318,058	296,580
Net income	**21,734**	24,120	16,640
Diluted per Unit c)	*$1.97*	*$2.21*	*$1.53*
Financial Position Data:			
Assets	**248,014**	212,973	191,784
Long-term finacial liabilities	**52,347**	27,441	33,440
Leverage b)	*0.3*	*0.6*	*0.8*
Cash Flow Statement Data:			
Distributions a)	**15,533**	15,564	14,986
Diluted per Unit	*$1.33*	*$1.33*	*$1.28*
Payout ratio 3	*49%*	*53%*	*63%*
Debt repayments	**12,500**	6,000	8,500

a) presented on a declared basis
b) Term debt/Adjusted EBITDA
c) anti-dilutive result reverts back to basic income per Unit

The 2018 year results

- Revenue up 7.2% due to organic growth of 6.1% and U.S./Cdn. currency translation,
- Net income up $7.5 mil. primarily due higher Adjusted EBITDA and $2.1 mil. lower mark-to-market losses on exchangeable shares,
- Assets increase of $21.2 mil. mainly due to higher inventory ($11.9 mil.), receivables ($5.2 mil.), prepaids ($1.8 mil) and $2.3 mil. intangible assets and goodwill,
- Term debt repayments of $6.0 mil., leverage down 0.2x,
- Monthly distributions of 11¢ per Unit yield a 3.8% return (@$35.00/Unit Dec. 31st), and
- Distributable cash flow**[2]** increases by 50¢ to $2.52 per Unit
- Free cash flow[2] increased 44¢ to $1.19 per Unit.

Review of Operations

Operations were 58% in the United States ("Richards US") and 42% in Canada ("Richards Canada"). Approximately forty percent of sales are concentrated in Los Angeles, Reno and Portland and 23% in Toronto, Montreal, Winnipeg and Vancouver.

Revenue decreased by $2.3 million, or 2.8% for the fourth quarter (2018 up $9.4 million, or 12.9%), and increased by $16.1 million, or 5.1% for the year, (2018 $21.5 million, or 7.2%), from the same periods in 2018, respectively. During the fourth quarter, revenue decreased on organic shrinkage of $2.4 million, or 2.9%, (2018 $6.7 million growth, or 9.2%) slightly below industry norms with no translation impact of Richards US as the Canadian dollar was flat (2018 $2.7 million growth). For the year, the revenue increase was due to organic growth of $8.0 million, or 2.6%, (2018 $18.1 million, or 6.1%) in addition to $8.0 million, or 2.5% on the translation impact of Richards US as the rate depreciated 1.8¢ to U.S./Cdn. $0.75 (2018 $3.4 million).

($ thousands)	**Qtr. 1**		**Qtr. 2**		**Qtr. 3**		**Qtr. 4**		**Calendar Year**		
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2017**
Revenue……………………	**81,899**	74,587	**85,451**	80,273	**87,273**	81,413	**79,525**	81,785	**334,148**	318,058	296,580
Cost of sales…………………	**65,705**	59,260	**68,447**	63,981	**69,700**	65,031	**63,221**	65,299	**267,073**	253,571	238,519
Lease payments…………….	**1,439**	1,470	**1,408**	1,490	**1,594**	1,461	**1,665**	1,465	**6,106**	5,886	5,413
Gross profit…………………	**14,755**	13,857	**15,596**	14,802	**15,979**	14,921	**14,639**	15,021	**60,969**	58,601	52,648
	18.0%	*18.6%*	*18.3%*	*18.4%*	*18.3%*	*18.3%*	*18.4%*	*18.4%*	*18.2%*	*18.4%*	*17.8%*
Administrative expenses……	**3,024**	2,990	**3,170**	3,056	**3,343**	3,074	**3,464**	3,331	**13,001**	12,451	12,203
Foreign currency loss (gain)..	**(42)**	35	**(20)**	52	**(20)**	(29)	**(10)**	133	**(92)**	191	(115)
Adjusted EBITDA[1] ……….	**11,773**	10,832	**12,446**	11,694	**12,656**	11,876	**11,185**	11,557	**48,060**	45,959	40,560
	14.4%	*14.5%*	*14.6%*	*14.6%*	*14.5%*	*14.6%*	*14.1%*	*14.1%*	*14.4%*	*14.4%*	*13.7%*
Lease payments…………….	**(1,439)**	—	**(1,408)**	—	**(1,594)**	—	**(1,665)**	—	**(6,106)**	—	—
Amortization………………	**2,316**	782	**2,458**	795	**2,484**	823	**2,509**	900	**9,767**	3,300	3,312
Exceptional items………….	**250**	—	**31**	—	**—**	—	**—**	—	**281**	—	—
Financial expenses…………	**772**	545	**871**	586	**874**	595	**751**	597	**3,268**	2,323	2,306
Exchangeable shares………..	**2,547**	869	**4,379**	4,986	**(915)**	2,129	**1,668**	(3,732)	**7,679**	4,252	6,357
Share of income - Vision……	**9**	14	**17**	(6)	**9**	(16)	**34**	7	**69**	(1)	(5)
Income tax expense………..	**2,758**	2,517	**3,108**	2,763	**2,919**	2,876	**2,583**	3,809	**11,368**	11,965	11,867
Net Income ………………	**4,560**	6,105	**2,990**	2,570	**8,879**	5,469	**5,305**	9,976	**21,734**	24,120	16,640

Cost of sales (before amortization) decreased $2.1 million for the fourth quarter or 3.2% (2018 up $7.5 million, or 12.6%) and increased by $13.5 million for the year, or 5.3% (2018 $15.5 million, or 6.4%) from the same periods in 2018, respectively. During the fourth quarter gross profit margins were flat (2018 up 0.2%) from the same period in 2018. For the year, gross profit margins were down 0.2% (2018 up 0.6%) due to timing of charging the Chinese tariff. The volatility in the price of resins continues to not have a material impact on margins as a result of management's practice of immediately passing through increases and decreases to customers.

Lease payments are required to adjust EBITDA[1] for bank covenant purposes and are higher against the same period in 2018 due to the move into one larger facility and the renewal of another.

Administrative expenses (before amortization) increased $0.1 million for the fourth quarter (2018 $0.2 million) and $0.5 million for the year (2018 $0.2 million), over the same periods in 2018, respectively mainly due to inflation and the translation impact of expenses of Richards US.

The foreign currency loss (gain) resulted from exchange rate changes applied to our U.S. denominated working capital position within our Canadian operations. The net liability position in the fourth quarter led to a gain with the strengthening of the Canadian dollar to 77¢ at year end (2018 weakened to 73¢).

Adjusted EBITDA[1] decreased $0.4 million for the fourth quarter (2018 increased $1.2 million) and increased $2.1 million for the year (2018 $5.4 million), over the same periods in 2018, respectively. For the year, the U.S./Cdn. dollar translation impact resulted in an increase to Adjusted EBITDA of $1.5 million (2018 $0.9 million) due to higher earnings at Richards US while rates averaged U.S./Cdn.$0.75 for 2019 (2018 $0.77). As a percent of sales, Adjusted EBITDA was flat for the fourth quarter and for the year (2018 up 0.7%).

Amortization (excluding $6.2 million for leases) of $0.8 million for the fourth quarter and $3.5 million for the year includes $0.4 million for the quarter and $1.8 million for the year for intangible assets, which represents a charge for customer relationships. Remaining amortization amounts consisted of plant and equipment depreciation of $0.4 million for the fourth quarter and $2.0 million for the year, which is approximately our annual capital spending requirement.

Exceptional items include professional fees associated with our reorganization.

Financial expenses increased $0.2 million for the fourth quarter and $0.9 million for the year from the same periods in 2018 due to interest on leases with the adoption of IFRS 16.

Exchangeable shares include the mark-to-market loss and the dividends paid on the exchangeable shares. The mark-to-market loss increase for the year reflects a Unit price increase during the year of $10.59 to $45.59 per Unit, or $3.7 million (2018 decrease $2.1 million). The dividends on the exchangeable shares which decreased $0.2 million due to the conversion of exchangeable shares to Units in the third quarter of 2019. Unit prices increased by $2.81 and $5.10 for the first and second quarters, decreased by $2.41 for the third quarter and increased by $5.09 for the fourth quarter.

For the year, taxes decreased $0.6 million as current taxes decreased $0.2 million on the lower foreign exchange capital gain triggered by the intercompany refinancing during the fourth quarter of 2018 offset by lower deferred tax income of $0.8 million. Deferred tax was lower due to $0.3 million of leases and $0.5 million of customer relationships.

Net income for the fourth quarter was down $4.7 million and for the year $2.4 million, which represented $0.45 and $0.24 per Unit on a diluted basis, respectively. The 2019 time-weighted averages were 11,021,566 Units and 671,447 exchangeable shares outstanding for 2019.

Distributable Cash Flow

The distributable cash flow[2] definition for banking purposes excludes changes in working capital and capital expenditures for expansion of the business, as they are necessary to drive organic growth and are expected to be financed by a $5.0 million revolving facility currently undrawn (2018 $nil drawn).

Distributable cash flow[2] for the fourth quarter was up $0.9 million in comparison to the same period in 2018 as lower Adjusted EBITDA[1] of $0.4 million and higher maintenance capital $0.1 million was offset by lower current income tax of $1.2 million and interest of $0.2 million. For the year, distributable cash flow increased $2.6 million with higher Adjusted EBITDA of $2.1 million and lower taxes of $0.2 million.

The monthly distribution of 11¢ per Unit represents an annual yield of 2.9% on a $45.59 price per Unit at December 31, 2019 and a payout ratio[3] of 49% (2018 53%). Based upon the year, $2.5 million, or 17%, of the distributions will represent capital dividends and 83% return of capital to Unitholders while the exchangeable shareholders' dividends will be fully taxable.

($ thousands)	Qtr. 1		Qtr. 2		Qtr. 3		Qtr. 4		Calendar Year		
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2017
Cash provided by operating activities……..	**4,428**	3,109	**8,522**	6,219	**11,740**	5,374	**15,276**	10,154	**39,966**	24,856	31,172
Lease payments…………….	**(1,439)**	—	**(1,408)**	—	**(1,594)**	—	**(1,665)**	—	**(6,106)**	**—**	**—**
Exceptional items…………...	**250**	—	**31**	—	**—**	—	**—**	—	**281**	**—**	**—**
Dividends - Vision………….	**—**	—	**—**	—	**—**	—	**(20)**	(20)	**(20)**	(20)	**—**
Changes in non-cash working capital……………	**5,759**	3,795	**239**	1,152	**611**	3,532	**(5,304)**	(1,534)	**1,305**	6,945	(2,067)
Income tax payments……….	**2,775**	3,928	**5,061**	4,323	**1,899**	2,970	**2,899**	2,957	**12,634**	14,178	11,455
Adjusted EBITDA[1] ………	**11,773**	10,832	**12,445**	11,694	**12,656**	11,876	**11,186**	11,557	**48,060**	45,959	40,560
Interest [a] ……………………	**570**	545	**571**	545	**559**	561	**523**	672	**2,223**	2,323	2,306
Dividends - Vision………….	**—**	—	**—**	—	**—**	—	**(20)**	(20)	**(20)**	(20)	**—**
Current income tax…………	**2,905**	2,654	**3,383**	2,921	**3,188**	2,852	**2,643**	3,854	**12,119**	12,281	13,373
Maintenance capital……….	**501**	292	**338**	406	**343**	756	**579**	496	**1,761**	1,950	1,140
Distributable cash flow[2] ..	**7,797**	7,341	**8,153**	7,822	**8,566**	7,707	**7,461**	6,555	**31,977**	29,425	23,741
Diluted per Unit…………	*66.5¢*	*62.8¢*	*68.0¢*	*66.9¢*	*73.4¢*	*65.9¢*	*63.8¢*	*56.1¢*	*$2.73*	*$2.52*	*$2.03*
Distributions…………….	**3,895**	3,887	**3,896**	3,892	**3,882**	3,893	**3,860**	3,892	**15,533**	15,564	14,986
Diluted per Unit……….	*33.4¢*	*33.3¢*	*33.3¢*	*33.3¢*	*33.2¢*	*33.3¢*	*33.0¢*	*33.3¢*	*$1.33*	*$1.33*	*$1.28*
Payout ratio[3]……………	*50%*	*53%*	*49%*	*50%*	*45%*	*51%*	*52%*	*59%*	*49%*	*53%*	*63%*
Free cash flow[2] ………….	**3,902**	3,454	**4,257**	3,930	**4,684**	3,814	**3,601**	2,663	**16,444**	13,861	8,755
Units outstanding *(average)* *Diluted basis 000's* ………	**11,693**	11,693	**11,693**	11,693	**11,693**	11,693	**11,693**	11,693	**11,693**	11,693	11,693

a) financial expenses less bank refinancing fees less lease obligation interest

Liquidity and Financing

Cash flows from operating activities

Cash flows from operating activities were up for the fourth quarter by $5.1 million and for the year up by $15.1 million over the same period in 2018. During the fourth quarter the $0.4 million decrease in profit from operations was fully offset by lower changes in non-cash working capital of $3.8 million and $1.7 million of lease payments. The changes in non-cash working capital was mainly due to a reduction in accounts receivable of $2.6 million and inventory of $1.1 million. For the year the increase was due to lease payments of $6.1 million, a $2.1 million increase in profit from operations, changes in non-cash working capital of $5.6 million and lower tax payments of $1.5 million. The changes in non-cash working capital include decreases in accounts receivable ($5.3 million), in inventory ($9.0 million) and prepaid expenses ($2.1 million) offset by lower accounts payable ($10.8 million). The distributions exceeded cash flow from operations during the first quarter of 2018 due to the $2.2 million taxes paid on the intercompany refinancing, with that cash set aside at the end of the 2017 year.

Free Cash Flow Deployment

The financial structure of the Fund allows for maximum distributions of cash flow from operations to the Unitholders and exchangeable shareholders as outlined above in the distributable cash discussion. Actual distributions paid during the year were $15.5 million with an additional $1.3 million declared for December, which was paid January 14th. The rapid sales growth in 2018 necessitated the investment in working capital.

($ millions)	**2017**	**2018**	**2019**
Free Cash Flow	8.8	13.9	**16.4**
Cash	1.9	0.9	**2.6**
Non-cash working capital	(2.1)	6.9	**1.3**
Expansion Capex	0.5	0.1	—
Debt Repayment	8.5	6.0	**12.5**

Normal Course Issuer Bid

On March 14, 2019, the Fund initiated a normal course issuer bid to purchase up to 500,000 Units prior to March 13, 2020. No Units were purchased during the bid period. On March 14, 2020, the Fund will reinstate a normal course issuer bid to purchase up to 500,000 Units prior to March 13, 2021.

Current income taxes

The current income tax expense for the year was $12.1 million (2018 $12.3 million) and includes $1.1 million of taxes in connection with the gain on the refinancing of intercompany debt (2018 $1.1 million). The associated refundable dividend tax of $0.7 million was not recorded as it will only be realized on payment of future dividends. Future withholding taxes will be negligible as Management intends to repatriate funds from Richards US by way of repayment of intercompany financing.

Capital expenditures

Capital expenditures for the year were $1.8 million (2018 $2.1 million), all on account of maintenance capital (2018 $2.0 million) and were mainly comprised of the refurbishment of moulds and computer and warehouse equipment.

Financing activities and instruments

Free cash flow for the year was mainly deployed to pay down debt. Lower leverage continues to keep bank margining down and provide financing flexibility for our ongoing acquisition program. Remaining free cash flow is more permanent in nature due to our distribution policy and is used to fund working capital for organic growth.

Credit facilities include a $15.0 million term loan (2018 $27.5 million) with maturity on September 30, 2021 and up to $5.0 million in revolving debt to fund working capital expansion. The term loan facility bears interest at BA's plus a premium of 1.15% to 1.80% or at the prime rate plus a premium of 0.15% to 0.80%. Term debt of $12.5 million was repaid in the year (2018 $6.0 million) with free cash flow[2].

On September 30, 2018, the term and revolving credit facilities were extended to September 30, 2021 on the same terms and conditions at a cost of $0.1 million in associated fees. On December 31, 2018, due to changes in US tax laws, Richards Canada refinanced the US denominated intercompany notes with maturity on December 31, 2021.

The credit facilities are subject to a number of covenants including the leverage ratio which was to maintain debt less than 2.75 times the trailing twelve months Adjusted EBITDA[1]. As at December 31, 2019, our leverage ratio was 0.3x (2018 0.6x). Combined with cash flow from operations, management believes that adequate financing will be available for the foreseeable future[4].

Commitments and contractual obligations

The exchangeable shares are redeemable and are retractable by the shareholders at any time and will be paid in Units on a one-for-one basis. Although the obligation to previous shareholder is on demand, the timing of the payment remains uncertain. Lease obligations exclude renewal options.

($ millions)	**Total**	**< 1 yr.**	**< 3 yrs.**	**< 5 yrs.**	**Beyond**
Bank debt	15.0		15.0		
Exchangeable shares	20.9	20.9			
Previous shareholder	1.0	1.0			
Annual bonus plans	1.6	1.6			
Lease obligations	35.6	8.0	13.1	10.7	3.8
	74.1	31.5	28.1	10.7	3.8

Outlook Sensitivities[4]

Management believes that financial performance is on track to meet ongoing requirements for working capital, capital expenditures and to sustain monthly distributions to Unitholders at current level through 2020.

First quarter revenue to date is growing at double digits on coronavirus related demand but the exchange translation impact at U.S./Cdn. $0.75 will likely be flat over the same period in 2019. The sensitivity for every 1¢ movement in exchange rates to revenue is $0.5 million and to Adjusted EBITDA[1] is $0.05 million.

Maintenance capital will continue to be funded by cash flow from operations and is expected to be $2.0 million in 2020 half of which is to fund system upgrades. Expansion capital is expected to be in the order of $1 million cumulatively over the next few years to support the launch of new marketing programs by our customers. These expenditures will be funded by free cash flow[2].

Distributable cash flow from Richards Packaging US and the current tax profile of Richards Canada are expected to allow for a 95% return of capital to Unitholders in 2020 with the remainder representing taxable dividends. Distributable cash flow[2] sensitivity to foreign currency fluctuations is $0.03 million for every U.S./Cdn. 1¢ movement. For 2020, surplus distributable cash is expected to be deployed to pay down debt, purchase Units opportunistically under the normal course issuer bid and/or fund acquisitions.

Risks and Uncertainties

Business risks

Investment in Units involves risks inherent in the ordinary course of business including: changes in China tariff rates, the impact of pandemics including the coronavirus, sustainability of customer and supplier relationships, financial stability of customers, lack of written customer and supplier agreements, competition from other packaging companies, the extent and duration of an economic downturn, inventory obsolescence, trade risks, resin price and exchange rate fluctuations, interest rate volatility, income taxes and reliance on key personnel. For a detailed description of these and other risks and uncertainties facing investors in the Fund please refer to the 2019 Annual Information Form dated March 6, 2020.

Liquidity Risk

The ability to make scheduled payments of interest or to refinance will depend on leverage and future cash flow, which is subject to operational performance, prevailing economic conditions, exchange rate fluctuations, interest rate levels, and financial, competitive and other factors, many of which are beyond Richards Packaging's control. These factors might inhibit refinancing the debt at all, or on favourable terms. In addition, the credit facilities contain restrictive covenants that limit the discretion of management with respect to certain business matters and require Richards Packaging to meet certain financial ratios and financial condition tests. Failure to comply with obligations in the credit facilities could result in an event of default which, if not cured or waived, could permit acceleration of the relevant indebtedness. If the borrowings under the credit facilities were to be accelerated, there can be no assurance that assets on hand would be sufficient to repay in full that indebtedness. Richards Packaging's approach is to ensure sufficient liquidity to meet its liabilities when due. Cash levels are monitored daily to ensure sufficient continuity of funding.

Transactions with Related Parties

Three facilities were leased in 2019 from Tim McKernan, a resident of Nevada, USA and officer of Richards Packaging. Richards Packaging utilizes all of the production capability of Vision Plastics Inc., of which 50% is owned by Johanna Simmons a resident of British Columbia, Canada and 50% by Richards Canada. All related party transactions are at rates that would be charged by arms-length parties.

Outstanding Share Data

At March 6, 2020, the Fund had 11,230,007 Units and Holdings had 463,006 exchangeable shares outstanding, respectively. See note 17 of the attached consolidated financial statements for further discussion on the terms of the Units and exchangeable shares.

Critical Accounting Estimates

Preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions which affect the amounts reported and disclosure of contingent amounts for assets and liabilities as at December 31, 2019 and revenue and expenses for the year then ended. Critical accounting estimates used in preparation of the consolidated financial statements are outlined below.

Allowance for doubtful accounts

An allowance for doubtful accounts is reviewed using an expected credit loss model. The simplified approach is used to assess expected lifetime credit losses on trade receivables and is supplemented with an account-by-account analysis with a focus on the creditworthiness, aging and historical collection experience. Based on this review, management believes the allowance as at December 31, 2019 is sufficient to cover risks inherent in outstanding receivables.

Inventory obsolescence

Management monitors future demand for its inventory on a product-by-product basis, inventory aging and prevailing demand in local markets to record an allowance for obsolescence. This analysis resulted in a $1.0 million recognition of expense through inventory write down for the year (2018 $1.4 million). Based upon this review, management believes the obsolescence provision is adequate to cover risks inherent in inventory on hand as at December 31, 2019.

Intangible assets

Intangible assets have been recognized in connection with various acquisitions valued at $7.4 million as of December 31, 2019 pertaining to the future customer relationships. The basis of valuation assumed that the margin percent would remain constant and the duration of these relationships would be impacted by a retention rate of approximately 90% per year. The customer relationship intangible and associated $2.0 million future income tax liability as at December 31, 2019 will be amortized to income over 10 to 15 years from the date of acquisition. In addition, trademark intangible assets of $4.1 million and an associated $1.2 million future income tax liability have been recorded. Although previously recognized customer relationship intangible assets affect net income, they do not impact distributable cash flow[2].

Goodwill

Goodwill represents the excess purchase price of acquired businesses over the estimated fair value of the net assets acquired. Goodwill is not amortized but is reviewed for impairment annually or more frequently if impairment indicators arise. The Unit price was $45.59 as at December 31, 2019 (2018 $35.00), which is in line with the fair value of the Fund. To determine fair value, management relies upon a valuation method based on a discounted cash flow model that assumes revenue growth of 3% and inflation of 2% per annum respectively. Overall the carrying value of goodwill continues to be supported by the fair value of the Fund.

Change in Accounting Policy

IFRS 16 *Leases* was adopted on January 1, 2019 on a modified retrospective basis requiring us to capitalize and depreciate the present value of leases on a straight-line basis over their expected terms, after adjusting for implied financial expenses calculated utilizing the effective interest rate method. The impact was to increase long-term assets by $39 million and long-term liabilities by $37 million on the statements of financial position. The impact to net income was an increase of $0.2 million for the year ending December 31, 2019. The statement of cash flow reflects $6.3 million of lease depreciation and $6.1 million in lease payments with the difference reflected in profit from operations and therefore there is no net cash flow impact.

Disclosure Controls and Internal Controls over Financial Reporting

The Fund maintains disclosure controls and procedures as well as internal controls over financial reporting. Richards Packaging's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the disclosure controls and procedures as well as the design and operating effectiveness of internal controls over financial reporting as of December 31, 2019 and have concluded that such controls and procedures are adequate and effective. Management determined that there were no material weaknesses in the internal controls over financial reporting as of December 31, 2019 and there have been no changes in the internal controls over financial reporting during the year then ended that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

Richards Packaging Income Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 6, 2020

Cautionary Statement

Additional information relating to the Fund is available on Richards Packaging's website at www.richardspackaging.com, SEDAR at www.sedar.com or TSX at www.tmx.com.

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1 *Management defines Adjusted EBITDA as net income before non-lease amortization, exceptional items, financial expenses, unrealized losses and distributions on exchangeable shares, share of income - Vision and income tax expense. The reconciliation of Adjusted EBITDA to net income can be found on page 10. Our lenders use this measure as a starting point in the determination of earnings available for distribution to Unitholders and exchangeable shareholders. In addition, Adjusted EBITDA and Adjusted EBITDA as a percentage of sales are intended to provide additional information on the operating performance. This earnings measure should not be construed as an alternative to net income or as an alternative to cash flows from operating, investing and financing activities as a measure of liquidity and cash flows. Adjusted EBITDA does not have a standardized meaning prescribed by IFRS and therefore the method of calculating Adjusted EBITDA may not be comparable to similar measures presented by other companies.*

2 *Management defines distributable cash flow, in accordance with Richards Packaging's credit agreement, as Adjusted EBITDA[1] less non-lease interest, cash income tax expense and maintenance capital expenditures plus dividends from equity investments. The reconciliation to cash from operations can be found on page 12. Free cash flow is distributable cash flow less distributions. The objective of presenting these measures is to calculate the amount which is available for distribution to Unitholders or exchangeable shareholders and to determine the amount available to fund increases in working capital or expansion capital. Investors are cautioned that distributable cash flow should not be construed as an alternative to cash flow from operating, investing and financing activities as a measure of the liquidity and cash flows. Distributable cash flow does not have a standardized meaning prescribed by IFRS and therefore the method of calculating distributable cash flow may not be comparable to similar measures presented by other companies.*

3 *Management defines payout ratio as distributions declared over distributable cash flow[2]. The objective of presenting this measure is to calculate the percentage of distributions compared to the amount available for distribution under our credit agreement. Payout ratio does not have a standardized meaning prescribed by IFRS. The method of calculating the payout ratio may not be comparable to similar measures presented by other companies.*

4 *The Report to Unitholders and this MD&A contains forward-looking information within the meaning of applicable securities laws. The forward-looking information reflects management's current beliefs and expectations regarding the future growth, results of operations, performance and business prospects and opportunities of the Fund and Richards Packaging. We use words such as "may", "expect", "believe", "estimate" and similar terminology to identify forward-looking information. It is based on assumptions, estimates and analysis made by us in light of our experience and our perception of trends, current conditions and expected developments, as well as other factors we believe to be reasonable and relevant in the circumstances. Forward-looking information involves significant known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from those predicted, expressed or implied by the forward-looking information. The risks and uncertainties include, among other things, changes in China tariff rates, changes in customer and supplier relationships, competition in the industry, trade risks in respect of foreign suppliers, fluctuations in foreign exchange and interest rates, liability claims, changes to applicable tax laws, as well as other risks and uncertainties, as more fully described herein under "Risks and Uncertainties" and in other reports and filings made by us with securities regulatory authorities and available at www.sedar.com. While management believes that the expectations expressed and the assumptions underlying same are reasonable, there can be no assurance that such expectations and assumptions will prove to be correct. In evaluating forward-looking information, readers should carefully consider the foregoing factors and various other factors which could cause actual results or events to differ materially from those indicated in the forward-looking information.*