Richards Packaging Income Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

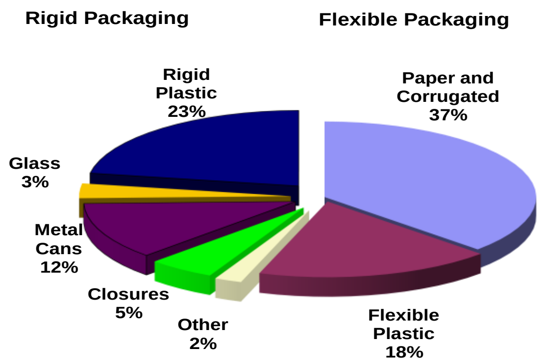
March 5, 2021

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, 2020, the annual statements for the year ended December 31, 2019, the quarterly reports for the periods ended March 31, June 30 and September 30, 2020 and the Annual Information Form dated March 5, 2021. Results are reported in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards on a consistent basis with the 2019 annual financial statements.

North American Packaging Industry

Packaging is pervasive, as almost all products are delivered in some form of packaging. The properties of packaging fulfil 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.

Industry Segmentation by Product Type



North American Market Size = U.S.$176 Billion

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 2020, there were over 235 acquisitions in the North America, up from the 143 acquisitions in 2019 at a median multiple of 10 times Adjusted EBITDA[1] (2019 10x). During 2020, the top 13 companies continued to spend on capital at the cautious rate of 6% 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 13 companies, their Adjusted EBITDA as defined within the packaging industry as a percent of sales has remained at a healthy 16% overall for 2020.

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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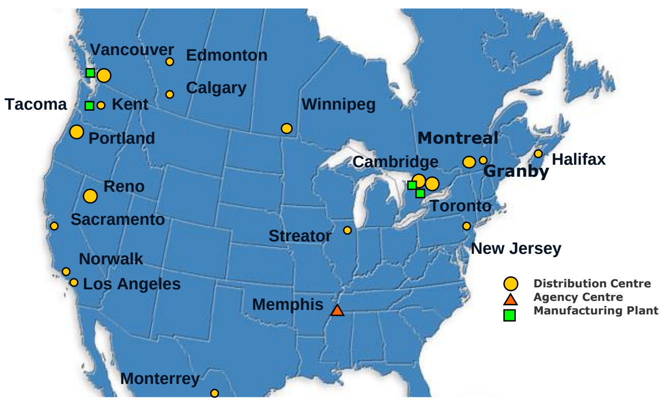
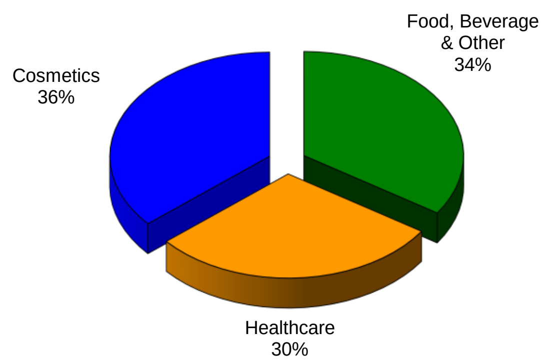
Description of the Business

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 by management.

Richards Packaging Locations



Revenue Categories



Richards Packaging serves a wide customer base that is comprised of approximately 17,000 regional food, beverage, cosmetics, healthcare, and other enterprises. The primary source of revenue is from the distribution of over 8,000 different types of packaging containers and healthcare supplies and products sourced from over 900 suppliers and its four dedicated manufacturing facilities. Sales from these manufacturing facilities represent 5% of the total revenues (2019 7%). On May 31, 2020 Clarion Medical Technologies Inc. ("Clarion"), a leading Canadian distributor of medical, aesthetic, vision care and surgical equipment and consumables was acquired.

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 largest distributor of medical, aesthetic, vision care supplies and surgical equipment,
- Being the leading supplier of sterile IV, chemo and oral drug packaging and dispensing systems, and
- Being one of the largest distributors of European and Asian glass for the specialty food and beverage markets

Revenue growth

(% change)	Qtr.1	Qtr.2	Qtr.3	Qtr.4	2020
Cosmetics……………………….	86.0%	82.5%	67.7%	61.1%	**74.1%**
Heathcare……………………...	15.4%	25.1%	13.1%	30.5%	**21.1%**
Clarion………………………...		7.7%	22.8%	27.7%	**14.5%**
Food, beverage & other………….	5.9%	11.1%	1.6%	11.5%	**7.5%**
Exchange translation……………..	8.1%	10.8%	5.6%	3.5%	**7.0%**
Weighted average growth………..	33.0%	48.6%	47.3%	56.9%	**46.4%**

Cosmetics packaging increased $57 mil., excluding the impact of translation, with $53 mil. due to volume related to the coronavirus. The remaining 5% increase represents normal activity.

Healthcare increased $17 mil., excluding Clarion, with $12 mil. due to volume related to the coronavirus. The remaining increase of 6% represents normal activity across the customer base. Clarion revenues were $7 mil. higher than the 2019 monthly average.

Food, beverage and other packaging increased by $10 mil., excluding the impact of translation, with $4 mil. due to volume related to the coronavirus.

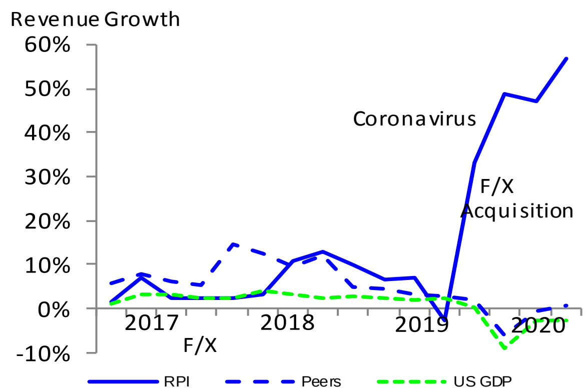
Revenue trend *($ thousands)*	**Qtr. 1**	**Qtr. 2**	**Qtr. 3**	**Qtr. 4**	**Total**
2019	81,899	85,451	87,273	79,525	334,148
Organic growth………	2,400	4,384	3,825	3,951	14,560
	2.9%	*5.1%*	*4.4%*	*5.0%*	*4.4%*
Coronavirus……………	17,963	21,390	12,685	16,500	68,538
Clarion………………………		6,608	19,911	22,006	48,525
Foreign exchange…….	6,629	9,186	4,897	2,752	23,464
2020	**108,891**	**127,019**	**128,591**	**124,734**	**489,235**
	33.0%	*48.7%*	*47.3%*	*56.8%*	*46.4%*

Changes in Financial Markets

Global economic markets, the impact of coronavirus restrictions imposed by governments and the impending end to the current economic cycle reflect pressure on GDP, 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 also impacted currency valuations and GDP growth.

Gross Domestic Product

In Canada, GDP contracted 0.3% in the first quarter, 12.5% in the second quarter, 5.2% in the third and 4.0% for the fourth quarter. The United States GDP grew 0.3% in the first quarter but then contracted 9.0%, 2.8% and 2.5% in each of the following quarters. Our US and Canadian operations outpaced this pattern on healthcare related sales associated with coronavirus and the Clarion acquisition. For 2019, we outperformed GDP during the first three quarters but underperformed in the fourth quarter unlike our peers with limited exposure to Canada.



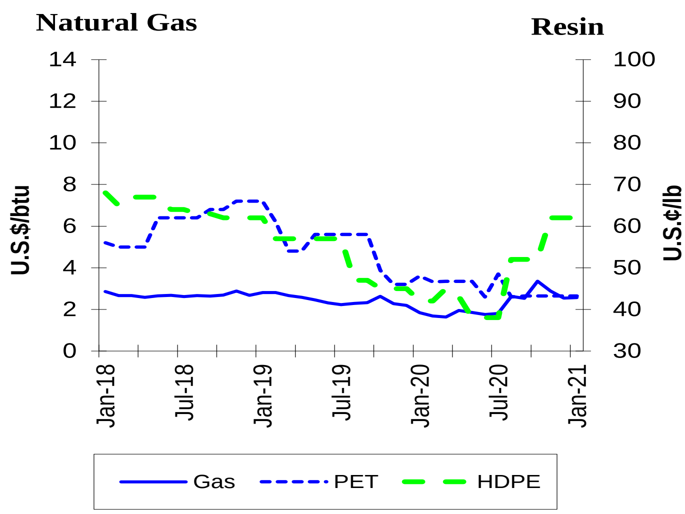
Interest Rates and Foreign Exchange

The US Federal Reserve and The Bank of Canada both implemented 50 bps interest rate reductions given recent economic uncertainty. Exchange rates averaged U.S./Cdn. $0.74 leading to a positive impact on both revenue and Adjusted EBITDA[1] in the year as US denominated volumes grew. Erratic oil prices and exchange rates were between $0-$60 per barrel and U.S./Cdn. $0.72-$0.77 for the year.

($ millions)	**2018**	**2019**	**2020**
INTEREST RATES	***2.1%***	***2.1%***	***1.5%***
Impact on Interest	(0.2)	—	(0.2)
F/X - U.S./Cdn.$	***0.77***	***0.75***	***0.74***
Impact on:			
Revenue	**3.4**	**8.0**	**23.5**
Adjusted EBITDA	**0.9**	**1.5**	**9.9**

Energy Prices

Energy prices are a major factor for the industry affecting glass furnace economics, resin costs and freight costs. In 2020, HDPE resin prices diverged in the back half as demand skyrocketed for cleaners and sanitizer resulting in prices increasing towards the end of the year while PET resin prices converged with natural gas, their main feedstock and remained flat.



PET – Polyethylene terephthalate; HDPE – High Density Polyethylene

Financial Highlights

The MD&A covers the three months ending March 31, June 30, September 30 and December 31, 2020 and 2019 (generally referred to in this MD&A as the "first, second, third or fourth quarter") and the 12 months ended December 31, 2020 and 2019 (generally referred to in this MD&A as the "year").

The 2020 year results

- Revenue up 31.9%, excluding Clarion, due to 24.9% organic growth in addition to 7.0% from U.S./Cdn. currency translation,
- Adjusted EBITDA[1] up $50.2 mil. at 20.1% of sales; foreign currency translation contributed $9.9 mil.,
- Current income taxes increased $12.0 mil. mainly reflecting higher taxable earnings offset by RDTOH $1.8 mil. and donations of $0.6 mil.,
- Net income rose $28.4 mil. due primarily to the above factors and $7.8 mil. in higher mark-to-market losses on exchangeable shares reflecting a Unit price appreciation of $31.26,
- Assets increased by $105.0 mil. and long-term financial liabilities by $13.6 mil. mainly due to the Clarion acquisition ($83.8 mil.) and higher working capital to support the revenue increases,
- Non-cash working capital was up by $6.5 mil. mainly due to increases in receivables ($11.2 mil.), inventory ($14.8 mil.) and prepaids ($4.7 mil.), offset by an increase in payables ($24.2 mil.)
- Cash balance of $7.7 mil. was accumulated to cover $4.6 mil. annual bonuses and working capital needs,
- Free cash flow[2] of $52.9 mil. was mainly used to repay $26.0 mil. of term debt and provide $16.9 mil. for the Clarion acquisition and $3.0 mil. to extinguish Clarion debt lowering the leverage ratio to 0.2x,
- Distributable cash flow[2] increased by $3.11 per Unit yielding a payout ratio[3] of 23%, and
- Monthly distributions of 11¢ per Unit to yield a 1.7% return (@$76.85/Unit Dec 31st).

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($ thousands)	Calendar Year 2020	2019	2018
Income Statement Data:			
Revenue	**489,235**	334,148	318,058
Net income	**50,143**	21,734	24,120
Diluted per Unit [a)]	*$4.47*	*$1.97*	*$2.21*
Financial Position Data:			
Assets	**352,885**	248,014	212,973
Long-term finacial liabilities	**65,995**	52,347	27,441
Leverage [b)]	*0.2*	*0.3*	*0.6*
Cash Flow Statement Data:			
Distributions	**15,435**	15,533	15,564
Diluted per Unit	*$1.32*	*$1.33*	*$1.33*
Payout ratio [3]	*23%*	*49%*	*53%*
Debt repayments (borrowing)	**-9,000**	12,500	6,000

a) anti-dilutive result reverts back to basic income per Unit

b) Term debt/Adjusted EBITDA [1]

The 2019 year results

- Revenue up 5.1% due to organic growth of 2.6% and 2.5% U.S./Cdn. currency translation,
- Net income down $2.4 mil. primarily due to $3.7 mil. higher mark-to-market losses on exchangeable shares,
- Assets increased by $42.4 mil. and long-term liabilities by $37.4 mil. to reflect the new accounting policy for leases,
- Term debt repayments resulted in leverage down 0.3x,
- Monthly distributions of 11¢ per Unit yield a 2.9% return (@$45.59/Unit Dec. 31st),
- Distributable cash flow[2] increases by 21¢ to $2.73 per Unit, and
- Free cash flow[2] increased 21¢ to $1.40 per Unit.

Review of Operations

Operations were 56% in the United States ("Richards US") and 44% in Canada ("Richards Canada"). Approximately forty five percent of sales are concentrated in Los Angeles, Reno and Portland and 34% in Toronto, Montreal, Winnipeg and Vancouver.

Revenue increased by $45.2 million, or 56.8% for the fourth quarter (2019 down $2.3 million, or 2.8%), and increased by $155.1 million, or 46.4% for the year, (2019 $16.1 million, or 5.1%), from the same periods in 2019, respectively.

During the fourth quarter, revenue increased on organic growth of $42.5 million, or 53.4%, (2019 $2.4 million shrinkage, or 2.9%) significantly above industry norms reflecting added healthcare sales related to the coronavirus and the Clarion acquisition with limited translation impact of Richards US as the Canadian dollar was up U.S./Can. 0.9¢ (2019 flat). For the year, the revenue increase was due to organic growth of $83.1 million, or 25.1%, (2019 $8.0 million, or 2.6%) in addition to $48.5 million from Clarion and $23.5 million, or 7.0% on the translation impact of Richards US as the rate depreciated 1.1¢ to U.S./Cdn. 74¢ (2019 $8.0 million).

($ thousands)	Qtr. 1		Qtr. 2		Qtr. 3		Qtr. 4		Calendar Year		
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2018**
Revenue	**108,891**	81,899	**127,019**	85,451	**128,591**	87,273	**124,734**	79,525	**489,235**	334,148	318,058
Cost of sales	**84,047**	65,705	**92,627**	68,447	**94,221**	69,700	**92,538**	63,221	**363,433**	267,073	253,571
Lease payments	**1,895**	1,439	**2,198**	1,408	**2,136**	1,594	**2,107**	1,665	**8,336**	6,106	5,886
Gross profit	**22,949**	14,755	**32,194**	15,596	**32,234**	15,979	**30,089**	14,639	**117,466**	60,969	58,601
	21.1%	*18.0%*	*25.3%*	*18.3%*	*25.1%*	*18.3%*	*24.1%*	*18.4%*	*24.0%*	*18.2%*	*18.4%*
Administrative expenses	**3,482**	3,024	**4,701**	3,170	**6,417**	3,343	**4,689**	3,464	**19,289**	13,001	12,451
Foreign currency loss (gain)	**174**	(42)	**148**	(20)	**166**	(20)	**(569)**	(10)	**(81)**	(92)	191
Adjusted EBITDA[1]	**19,293**	11,773	**27,345**	12,446	**25,651**	12,656	**25,969**	11,185	**98,258**	48,060	45,959
	17.7%	*14.4%*	*21.5%*	*14.6%*	*19.9%*	*14.5%*	*20.8%*	*14.1%*	*20.1%*	*14.4%*	*14.4%*
Lease payments	**(1,895)**	(1,439)	**(2,198)**	(1,408)	**(2,136)**	(1,594)	**(2,107)**	(1,665)	**(8,336)**	(6,106)	—
Amortization	**2,563**	2,316	**2,901**	2,458	**3,069**	2,484	**3,692**	2,509	**12,225**	9,767	3,300
Exceptional items	**—**	250	**1,118**	31	**—**	—	**—**	—	**1,118**	281	—
Financial expenses	**1,055**	772	**1,189**	871	**1,384**	874	**1,498**	751	**5,126**	3,268	2,323
Exchangeable shares	**(2,968)**	2,547	**10,682**	4,379	**10,528**	(915)	**(3,157)**	1,668	**15,085**	7,679	4,252
Share of income - Vision	**(5)**	9	**(88)**	17	**14**	9	**(25)**	34	**(104)**	69	(1)
Income tax expense	**5,577**	2,758	**7,797**	3,108	**6,290**	2,919	**3,337**	2,583	**23,001**	11,368	11,965
Net Income	**14,966**	4,560	**5,944**	2,990	**6,502**	8,879	**22,731**	5,305	**50,143**	21,734	24,120

Cost of sales (before amortization) increased $29.3 million for the fourth quarter or 46.4% (2019 down $2.1 million, or 3.2%) and increased by $96.4 million for the year, or 36.1% (2019 $13.5 million, or 5.3%) from the same periods in 2019, respectively. During the fourth quarter gross profit margins were up 5.7% (2019 flat) from the same period in 2019. For the year, gross profit margins were up 5.8% (2019 down 0.2%) due to product mix and fixed cost advantages related to the higher revenues. 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 2019 due to the Clarion acquisition, a move into one larger facility and the renewal of another. Richards Packaging had entered into a sublease for property, however on March 31, 2020 management recorded a write down of $2,690 in Cost of Sales for a sublease because the tenant's operation has been significantly impacted by the coronavirus. Subsequent to year end, management assigned the head lease for the same property and therefore recognized the right of use asset in Leases at December 31, 2020.

Administrative expenses (before amortization) increased $1.2 million for the fourth quarter (2019 $0.1 million) and $6.3 million for the year (2019 $0.5 million), over the same periods in 2019, respectively mainly due to $3.9 million associated with Clarion, $1.5 million higher bonuses, 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 79¢ at year end (2019 strengthened to 77¢).

Adjusted EBITDA[1] increased $14.8 million for the fourth quarter (2019 decreased $0.4 million) and $50.2 million for the year (2019 $2.1 million), over the same periods in 2019, respectively. The improvement during the fourth quarter reflected cosmetics and healthcare increases of 45%, the higher volume, net of Clarion, not attracting added fixed costs and the U.S./Cdn. dollar translation impact of $1.8 million (2019 $1.5 million) due to higher earnings at Richards US while rates averaged U.S./Cdn. 77¢ (2019 $0.75). Contributing to the improvements for the year were the increase in product mix for cosmetics and healthcare by 13% to 52% of the total revenue, the higher volume, net of Clarion, not attracting added fixed costs and the U.S./Cdn. 1.1¢ weaker Canadian dollar as Richards US increased 42%. As a percent of sales, Adjusted EBITDA was up 6.7% for the fourth quarter and 5.7% for the year (2019 flat). The lease write down in Q1 was reversed in Q4 with a net loss of $0.4 mil. due to the assignment of the lease to the landlord.

Adjusted EBITDA trend

($ thousands)	**Qtr. 1**	**Qtr. 2**	**Qtr. 3**	**Qtr. 4**	**Total**
2019	11,773	12,446	12,656	11,185	48,060
	14.4%	*14.6%*	*14.5%*	*14.1%*	*14.4%*
Organic growth……….	2,932	4,728	5,282	5,971	18,913
Product mix………………	3,457	3,445	4,114	2,975	13,991
	3.2%	*2.7%*	*3.2%*	*2.4%*	*2.9%*
Fixed cost………………..	1,833	2,914	1,486	1,841	8,074
	9.0%	*9.0%*	*9.0%*	*9.0%*	*9.0%*
Lease A/R write down.	(2,690)			2,242	(448)
Foreign exchange……..	1,988	3,812	2,113	1,755	9,668
	1.8%	*3.0%*	*1.6%*	*1.4%*	*2.0%*
2020	**19,293**	**27,345**	**25,651**	**25,969**	**98,258**
	17.7%	*21.5%*	*19.9%*	*20.8%*	*20.1%*

Amortization (excluding leases) of $3.7 million for the fourth quarter and $12.7 million for the year includes $0.8 million for the quarter and $2.4 million for the year for intangible assets, which represents a charge for customer relationships. Remaining amortization amounts consisted of plant and equipment depreciation of $0.8 million for the fourth quarter and $1.5 million for the year, which is approximately our annual capital spending requirement.

Exceptional items represent professional fees associated with our acquisition of Clarion in 2020 and our internal reorganization in 2019.

Financial expenses increased $0.7 million for the fourth quarter and $1.9 million for the year from the same periods in 2019 mainly due to credit card fees and no sublease income in 2020.

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 $31.26 to $76.85 per Unit, or $7.8 million (2019 increase $3.7 million). The dividends on the exchangeable shares which decreased $0.3 million due to the conversion of exchangeable shares to Units in the third quarter of 2019. Unit prices increased by $22.74 and $20.16 for the second and third quarters and decreased by $6.74 for the third quarter and $4.90 for the fourth quarter.

For the year, taxes increased $11.6 million as increases of $14.1 million in current taxes were offset by a $1.5 million recovery of refundable dividend tax, a $0.6 million credit on donations and $0.4 million of deferred tax recovery.

Net income for the fourth quarter was up $17.4 million and for the year $28.4 million, which represented $1.55 and $2.49 per Unit on a diluted basis, respectively. The 2020 time-weighted averages were 11,230,007 Units and 463,006 exchangeable shares outstanding.

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 our $65.0 million revolving facility currently undrawn (2019 $nil drawn) or free cash flow.

Distributable cash flow[2] for the fourth quarter was up $12.9 million in comparison to the same period in 2019 as increased Adjusted EBITDA[1] of $14.8 million was offset by higher interest of $0.5 million, current income tax of $1.1 million and maintenance capital $0.4 million. For the year, distributable cash flow increased $36.3 million with higher Adjusted EBITDA of $50.2 million being offset by higher interest of $0.5 million, current income tax of $12.0 million and maintenance capital $0.9 million.

The monthly distribution of 11¢ per Unit represents an annual yield of 1.7% on a $76.85 price per Unit at December 31, 2020 and a payout ratio[3] of 23% (2019 49%). Based upon the year 25%, of the distributions will represent taxable dividends and 75% 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**		
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2018**
Cash provided by											
operating activities........	**27,984**	4,428	**19,878**	8,522	**4,749**	11,740	**21,732**	15,276	**74,343**	39,966	24,856
Leases.............................	**(4,585)**	(1,439)	**(2,198)**	(1,408)	**(2,136)**	(1,594)	**63**	(1,665)	**(8,856)**	(6,106)	—
Exceptional items.................	**—**	250	**1,118**	31	**—**	—	**—**	—	**1,118**	281	—
Dividends - Vision............	**—**	—	**—**	—	**—**	—	**(75)**	(20)	**(75)**	(20)	(20)
Changes in non-cash											
working capital...............	**(5,939)**	5,759	**3,848**	239	**7,322**	611	**1,307**	(5,304)	**6,538**	1,305	6,945
Income tax payments..........	**1,833**	2,775	**4,699**	5,061	**15,716**	1,899	**2,942**	2,899	**25,190**	12,634	14,178
Adjusted EBITDA[1]	**19,293**	11,773	**27,345**	12,445	**25,651**	12,656	**25,969**	11,186	**98,258**	48,060	45,959
Interest [a] *(excluding leases)* ..	**604**	570	**682**	571	**905**	559	**1,003**	523	**3,194**	2,223	2,323
Dividends - Vision............	**—**	—	**—**	—	**—**	—	**(75)**	(20)	**(75)**	(20)	(20)
Current income tax............	**6,083**	2,905	**7,861**	3,383	**6,497**	3,188	**3,716**	2,643	**24,157**	12,119	12,281
Maintenance capital..........	**407**	501	**290**	338	**975**	343	**989**	579	**2,661**	1,761	1,950
Distributable cash flow[2] ..	**12,199**	7,797	**18,512**	8,153	**17,274**	8,566	**20,336**	7,461	**68,321**	31,977	29,425
Diluted per Unit	*$1.04*	*66.5¢*	*$1.58*	*68.0¢*	*$1.48*	*73.4¢*	*173.9¢*	*63.8¢*	*$5.84*	*$2.73*	*$2.52*
Distributions................	**3,859**	3,895	**3,859**	3,896	**3,858**	3,882	**3,859**	3,860	**15,435**	15,533	15,564
Diluted per Unit	*33.0¢*	*33.4¢*	*33.0¢*	*33.3¢*	*33.0¢*	*33.2¢*	*33.0¢*	*33.0¢*	*$1.32*	*$1.33*	*$1.33*
Payout ratio[3]	*32%*	*50%*	*21%*	*49%*	*22%*	*45%*	*19%*	*52%*	*23%*	*49%*	*53%*
Free cash flow[2]	**8,340**	3,902	**14,653**	4,257	**13,416**	4,684	**16,477**	3,601	**52,886**	16,444	13,861
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 interest on leases and bank refinancing fees

Liquidity and Financing

Cash flows from operating activities

Cash flows from operating activities were up for the fourth quarter by $5.6 million and for the year up by $33.5 million over the same period in 2019. During the fourth quarter the $14.0 million increase in profit from operations was partially offset by higher changes in non-cash working capital of $6.6 million. The changes in non-cash working capital was mainly due to a reduction in accounts receivable of $4.0 million and inventory of $11.0 million partially offset by increased payables of $8.5 million. For the year the increase was due to a $49.1 million increase in profit from operations partially offset by higher changes in non-cash working capital of $5.2 million and tax payments of $13.4 million. The changes in non-cash working capital include increases in accounts receivable ($12.7 million), in inventory ($14.9 million) and prepaid expenses ($5.2 million) partially offset by higher accounts payable ($27.6 million).

Free Cash Flow Deployment

Distributions paid during the year were $15.4 million with an additional $1.3 million declared for December, which was paid January 14th. The rapid sales growth in 2019 necessitated the investment in working capital. The Clarion acquisition included $35.0 million borrowing and repayment of $3.0 million of their debt outstanding. Debt repayment from free cash flow in 2020 was $26.0 million.

($ millions)	**2018**	**2019**	**2020**
Free Cash Flow	13.9	16.4	**52.9**
Cash	0.9	2.6	**0.4**
Non-cash working capital	6.9	1.3	**6.6**
Clarion acquisition	—	—	**51.9**
Expansion capex	0.1	—	**—**
Debt repayment (borrowing)	6.0	12.5	**(6.0)**

Normal Course Issuer Bid

On March 14, 2020, the Fund initiated a normal course issuer bid to purchase up to 500,000 Units prior to March 13, 2021. No Units were purchased during the bid period. On March 14, 2021, the Fund will reinstate a normal course issuer bid to purchase up to 500,000 Units prior to March 13, 2022.

Current income taxes

The current income tax expense for the year was $24.2 million (2019 $12.1 million) which includes $0.7 million for the non-deductible acquisition costs and is net of the $1.8 million refundable dividend tax recovery and the $0.6 million donation credit. Prior year taxes included $1.1 million of taxes in connection with the gain on the refinancing of intercompany debt. Other 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 increase as Management has fully repaid intercompany financing with Richards US.

Capital expenditures

The Clarion acquisition on May 31st was for $49.9 mil. net of a $10.5 mil. holdback. During the year $2.0 mil. of the holdback was paid for the closing working capital adjustment.

Capital expenditures for the year were $2.7 million (2019 $1.8 million), all on account of maintenance capital and were mainly comprised of leasehold improvements ($1.3 million), the refurbishment of moulds and computer and warehouse equipment.

Financing activities and instruments

Free cash flow for the year was mainly deployed to purchase Clarion and pay down debt. Lower leverage continues to keep bank margining down and provide financing flexibility for our ongoing acquisition program. Remaining free cash flow was also used to fund working capital for organic growth.

On May 31, 2020, the revolving and term debt credit facilities were expanded and extended to May 31, 2024 at a cost of $516 which will be deferred and amortized over the term of the facilities. The term facility of $24,000 [2019 – $15,000] bears interest at the bankers' acceptance borrowing rate plus a margin of 0.95% to 1.7%. The remaining revolving credit facility of $65,000 [2019 – $5,000], which is available for future acquisitions, was undrawn. The facility bears interest at the same rate as the term facility and any unused portion bears a standby fee of 20% of the margin. During the fourth quarter and the year, $10.0 million and $26.0 million were repaid respectively.

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, 2020, our leverage ratio was 0.2x (2019 0.3x). 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. The obligation to previous shareholder of $1.0 mil. is on demand and $9.4 mil. relates to the Clarion holdback.

($ millions)	**Total**	**< 1 yr.**	**< 3 yrs.**	**< 5 yrs.**	**Beyond**
Bank debt	24.0		24.0		
Exchangeable shares	35.4	35.4			
Previous shareholder	10.4	10.4			
Annual bonus plans	4.6	4.6			
Lease obligations [1]	56.6	8.3	17.1	13.5	17.7
	131.0	58.7	41.1	13.5	17.7

[1] *Lease obligations represents the gross payments including renewal options.*

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 2021.

First quarter revenue is expected to be down 6% - 8% on coronavirus related demand slowing and the exchange translation impact at U.S./Cdn. $0.79 will be down 4¢ over the same period in 2020. 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 $3.5 million in 2021 half of which $2.0 million 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 100% taxable eligible dividends to be paid to Unitholders in 2021. Distributable cash flow[2] sensitivity to foreign currency fluctuations is $0.03 million for every U.S./Cdn. 1¢ movement. For 2021, 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 2020 Annual Information Form dated March 5, 2021.

Transactions with Related Parties

Three facilities were leased in 2020 from Tim McKernan, a resident of Nevada, USA and officer of Richards Packaging. One facility was leased from Thomas McPherson, a resident of Cambridge, Canada. Richards Packaging utilizes all of the production capability of Vision Plastics Inc., of which 50% is owned by the spouse of the late Tom 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 5, 2021, 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, 2020 and revenue and expenses for the year then ended. Critical accounting estimates used in preparation of the consolidated financial statements are outlined below.

Expected Credit Losses

Expected credit losses are 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 expected credit losses as at December 31, 2020 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 $2.0 million recognition of expense through inventory write down for the year (2019 $1.0 million). Based upon this review, management believes the obsolescence provision is adequate to cover risks inherent in inventory on hand as at December 31, 2020.

Intangible assets

Intangible assets have been recognized in connection with various acquisitions valued at $20.2 million as of December 31, 2020 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 $5.6 million future income tax liability as at December 31, 2020 will be amortized to income over 10 to 15 years from the date of acquisition. In addition, trademark intangible assets of $11.4 million and an associated $2.9 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 $76.85 as at December 31, 2020 (2019 $45.59), which supports 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.

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 Operating Officer, acting in the capacity as 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, 2020 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, 2020 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.

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.*