

# **Q2 QUARTERLY REPORT**

## **Richards Packaging Income Fund**

Quarter ended June 30, 2022

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## ***Richards Packaging Income Fund***

### **REPORT TO UNITHOLDERS**

*June 30, 2022*

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Richards Packaging has been providing packaging solutions to small-and medium-sized North American businesses since 1912. Over this period Richards Packaging has developed into the leading packaging distributor in Canada, and the third largest in North America, with one of the most diverse product and service offerings available to product marketers and healthcare providers.

The upside revenue surprise in May and June reflects significant growth in aesthetics as clinics reopened and pent-up demand ahead of the summer vacation season took hold. However, the future looks less rosy as we face two headwinds. Firstly, the purchasing by our competitors in the pump and sprayer market has created an oversupply that will depress our sales by 6%<sup>4</sup> for the next few quarters and secondly, higher interest rates and a recession will undermine our healthcare equipment sales that represent 9% of our total revenues.

Second quarter revenue was up 6%, on strong healthcare growth at 17%, food and beverage at 5% and 1% due to a currency translation with the dollar at U.S./Cdn. 78¢ partially offset by a 16% reduction in cosmetics due to the unwind of the coronavirus impact. Adjusted EBITDA<sup>1</sup> was up \$0.6 million, at 16% of revenue, mainly due to higher volumes being slightly offset by foreign currency losses. Net income increased \$10 million, or \$1.19 per Unit, without the need for a contingent consideration adjustment for the Clarion acquisition.

July revenue is expected to be down approximately 10% due to an oversupply of pumps and sprayers in the cosmetics marketplace partially offset by the Canadian dollar weakening by 2¢ to U.S./Cdn. 78¢.

Free cash flow<sup>2</sup> of \$9 million generated in the second quarter was mainly utilized to invest in the higher inventory needed to support our revenue growth. The leverage at 1.0x was similar to the first quarter.

Monthly distributions of 11¢ per Unit represented an annualized yield of 2.6% on the June 30<sup>th</sup> closing price of \$51.40 per Unit. The second quarter payout ratio<sup>3</sup> was 29%.

We appreciate the support of our customers, suppliers, employees and investors and will continue to execute on our commitments with the highest degree of quality, care and integrity.

*“Gerry Glynn”*  
Director & Trustee  
Richards Packaging Income Fund  
6095 Ordan Drive  
Mississauga, Ontario, L5T 2M7

July 27, 2022

## Richards Packaging Income Fund

### MANAGEMENT'S DISCUSSION AND ANALYSIS

July 27, 2022

This management's discussion and analysis ("MD&A") of Richards Packaging Income Fund for the second quarter should be read in conjunction with the attached condensed interim financial statements dated June 30, 2022, the first quarter report dated May 5, 2022, the 2021 Annual Report and the Annual Information Form dated March 8, 2022, respectively. Results are reported in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards ("IFRS") on a consistent basis with the 2021 annual financial statements.

#### Description of the Business

Richards Packaging serves a customer base of approximately 18,000 regional food, beverage, cosmetic, healthcare and other enterprises. The primary source of revenue is from the distribution of over 8,000 different types of packaging components and healthcare products which are sourced from over 900 suppliers and four dedicated manufacturing facilities. Manufacturing represents 6% of revenues (2021 5%).

#### Financial Highlights

This MD&A covers the three and six months ended June 30, 2022, generally referred to in this MD&A as the "second quarter" and the "first half", respectively. The following table sets out selected financial information:

(\$ thousands)	First half	
	2022	2021
<b>Income Statement Data:</b>		
Revenue.....	229,716	222,903
Net income.....	24,625	15,760
Diluted per Unit.....	\$1.79	75.7¢
<b>Financial Position Data:</b>		
Assets.....	361,539	348,746
Long-term financial liabilities....	108,645	60,890
Leverage <sup>a)</sup> .....	1.0	0.3
<b>Cash Flow Statement Data:</b>		
Distributions.....	15,417	7,715
Diluted per Unit.....	\$1.35	66.0¢
Payout ratio <sup>3</sup> .....	64%	33%
Unit purchases.....	—	1,633
Debt borrowing.....	53,000	452

a) Term debt / Adjusted EBITDA<sup>1</sup>

#### Financial highlights for the first half:

- Revenue was up 3.1% due to 5.1% Healthcare and 2.2% food and beverage growth offset by the unwinding of the coronavirus impact (4.6%) and from flat currency translation with a U.S./Cdn. 79.0¢ on 9.1% less Richards US revenue,
- Adjusted EBITDA<sup>1</sup> was flat at 15.4% of revenue on higher revenues partially offset by \$1.5 mil. less product mix benefits and a drop of \$0.2 mil. currency translation gain,
- Financial expenses were \$0.2 mil. higher on increased debt levels and income tax was down \$0.1 mil. due to lower deferred tax,
- Net income increased \$8.9 mil., or \$1.03 per Unit, due to \$11.6 mil. lower contingent consideration for the Clarion acquisition partially offset by \$2.7 mil. higher mark-to-market gain on exchangeable shares due to a \$10.94 reduction in the unit price (2021 \$7.29),

- Assets increased by \$12.8 mil. mainly in current assets and long-term financial liabilities increased by \$47.8 mil., due to borrowing for the Clarion acquisition,

## Richards Packaging Income Fund

### MANAGEMENT'S DISCUSSION AND ANALYSIS

July 27, 2022

- Working capital<sup>5</sup> increased \$13.5 mil. mainly due to \$6.0 mil. lower accounts payable and to \$6.8 mil. higher inventory in line with sales growth,
- Free cash flow<sup>2</sup> of \$16.4 mil. and opening cash on hand of \$8.4 was used to pay a special distribution of \$7.9 mil. to Unitholders and to fund working capital,
- Leverage ratio at 1.0x was the same as the first quarter,
- Distributable cash flow<sup>2</sup> increased \$0.4 mil., or 8¢ per Unit, resulted in a 31% regular payout ratio<sup>3</sup>, and
- Regular monthly distributions of 11¢ per Unit paid represented a 2.6% annualized return on the June 30<sup>th</sup> closing price of \$51.40 per Unit. In addition, a special dividend of 69¢ per Unit was paid during the first quarter. These distributions have been characterized as taxable dividends.

#### **Financial highlights for the second quarter:**

Revenue was up \$6.7 mil., due to 6.9% healthcare, 1.6% food and beverage growth and a \$0.8 mil. gain from currency translation as the U.S./Cdn. rate decreased 1.9¢ to 78.3¢ on \$3.3 mil. lower Richards US sales (2021 9.3¢). offset by cosmetics with the unwinding of the coronavirus impact by \$3.6 mil.

Cosmetics packaging decreased \$3.8 mil., excluding the impact of translation, mainly due to lower volumes related to the coronavirus.

Healthcare increased \$7.8 mil. mainly due to increased volume related to aesthetics lines.

Food and beverage packaging increased by \$1.9 mil., excluding the impact of translation, reflecting strong demand in Canada.

Cost of sales (before amortization) increased by \$5.2 mil., or 5.8%. Gross profit was up on higher revenue and margins were flat. Resin price volatility did not have a material impact on margins due to management's practice of passing through increases and decreases to customers.

Lease payments increased \$0.2 mil. and administrative expenses (before amortization) by \$0.4 mil. mainly due to inflation. Foreign currency loss (gain) resulted from exchange rate changes applied to our U.S. dollar denominated working capital position in Richards Canada and our U.S. and Euro dollar positions in Clarion with the Euro weakening 4¢.

Revenue disaggregation (% change)	Qtr.2	
	2022	2021
Cosmetics.....	-16.9%	-41.3%
Healthcare.....	17.2%	44.6%
Food, beverage & other.....	5.2%	0.9%
Exchange translation.....	0.7%	-9.9%
<b>Weighted average growth</b>	<b>5.9%</b>	<b>-11.0%</b>

Revenue trend (\$ thousands)	Qtr.2	
	2022	2021
<b>Prior year</b>	113,030	127,019
Organic growth.....	9,453	16,231
Coronavirus.....	(3,581)	(17,700)
Foreign exchange.....	833	(12,520)
<b>Current year</b>	<b>119,735</b>	<b>113,030</b>

## Richards Packaging Income Fund

### MANAGEMENT'S DISCUSSION AND ANALYSIS

July 27, 2022

(\$ thousands)	Qtr. 2		First half	
	2022	2021	2022	2021
Revenue.....	119,735	113,030	229,716	222,903
Cost of sales <sup>a)</sup> .....	94,726	89,555	182,758	176,819
Gross profit	25,009	23,475	46,958	46,084
	20.9%	20.8%	20.4%	20.7%
Administrative expenses.....	5,489	5,133	10,922	10,407
Foreign currency loss (gain).....	528	(11)	587	212
<b>Adjusted EBITDA<sup>1</sup></b>	<b>18,992</b>	<b>18,353</b>	<b>35,449</b>	<b>35,465</b>
	15.9%	16.2%	15.4%	15.9%
Lease payments.....	(2,094)	(1,901)	(4,217)	(3,914)
Amortization.....	3,102	3,096	6,184	6,100
Contingent consideration.....	—	13,200	1,631	13,200
Financial expenses.....	1,687	1,365	3,014	2,775
Exchangeable shares.....	422	(3,695)	(4,171)	(6,917)
Share of income - Vision.....	(30)	(16)	(32)	(35)
Income tax expense.....	4,445	4,641	8,415	8,496
<b>Net Income</b>	<b>11,460</b>	<b>1,663</b>	<b>24,625</b>	<b>15,760</b>

a) includes lease payments

as lease interest and bank fees were flat at \$1.2 mil.

Exchangeable shares mark-to-market loss reflects a price increase of \$0.58 to \$51.40 per Unit (2021 decrease of \$8.31 per Unit). Exchangeable share distributions were flat at \$0.2 mil.

Income tax expense decreased \$0.2 mil. on a lower foreign rate differential. Net income was up \$9.8 mil., which represented a \$1.03 per Unit increase.

#### Distributable Cash Flow<sup>2</sup>

Distributable cash flow<sup>2</sup> for the second quarter and first half was \$0.6 mil. and \$0.4 mil. higher, respectively, as Adjusted EBITDA<sup>1</sup> increases were partially offset by interest and income tax.

Working capital<sup>5</sup> increased for the second quarter mainly due to higher inventory (\$7.3 mil.) and receivables (\$1.2 mil.) offset by lower prepaids (\$2.1 mil.), and higher payables (\$1.6 mil.). During the

Adjusted EBITDA<sup>1</sup> increased \$0.6 mil., or 3.5%, on higher volume offset by less product mix benefits and a drop of 1.5¢ (2021 9.3¢) in the currency translation partially muted by the Richards US volume decrease of 6.6%.

Amortization was comprised of \$1.9 mil. for lease depreciation, \$0.7 mil. for intangible assets, a charge for customer relationships, and depreciation for capital assets of \$0.5 mil.

Financial expenses were \$0.3 mil. higher mainly due to the debt associated with Clarion

Adjusted EBITDA <sup>1</sup> trend (\$ thousands)	Qtr. 2	
	2022	2021
<b>Prior year</b>	<b>18,353</b>	27,345
(% of revenue)	16.2%	21.5%
Organic growth.....	2,363	369
Product mix.....	(1,492)	(2,592)
Fixed cost.....	—	(2,449)
Foreign exchange.....	(233)	(4,320)
<b>Current year</b>	<b>18,992</b>	18,353
(% of revenue)	15.9%	16.2%

## Richards Packaging Income Fund

### MANAGEMENT'S DISCUSSION AND ANALYSIS

July 27, 2022

(\$ thousands)	Qtr. 2		First half		
	2022	2021	2022	2021	
<b>Cash provided by</b>					
<b>operating activities</b> .....	11,130	15,945	17,433	14,743	first half, working capital increased on higher inventory (\$6.8 mil.) and receivables (\$2.8 mil.) and lower payables (\$6.0 mil.) offset by lower prepaids (\$2.1 mil.).
Leases.....	(2,094)	(1,901)	(4,217)	(3,786)	
Working capital <sup>5</sup> .....	4,724	(1,634)	13,536	15,831	
Income taxes payments.....	5,232	5,943	8,697	8,677	Current income tax decreases reflect a lower foreign rate differential.
<b>Adjusted EBITDA<sup>1</sup></b>	<b>18,992</b>	<b>18,353</b>	<b>35,449</b>	<b>35,465</b>	
Interest <sup>6</sup> .....	1,217	887	2,130	1,820	Free cash flow <sup>2</sup> generated in the second quarter was used to fund working capital and build cash balances.
Current income tax.....	4,624	4,893	8,800	8,992	
Maintenance capital.....	275	309	585	1,083	
<b>Distributable cash flow<sup>2</sup></b>	<b>12,876</b>	<b>12,264</b>	<b>23,934</b>	<b>23,570</b>	Monthly distributions paid of 11¢ per Unit were \$0.1 mil. lower due to the units purchased for cancellation in 2021.
Diluted per Unit.....	\$1.13	\$1.05	\$2.10	\$2.02	
<b>Regular distributions</b>	<b>3,768</b>	<b>3,856</b>	<b>7,539</b>	<b>7,715</b>	The distributable cash flow <sup>2</sup> definition excludes changes in non-cash working capital and capital expenditures for the expansion of the business, as they are necessary to drive organic growth and are expected to be funded by the remaining \$12 mil. revolving facility or free cash flow <sup>2</sup> .
Diluted per Unit.....	33.0¢	33.0¢	66.0¢	66.0¢	
Regular Payout ratio <sup>3</sup> .....	29%	31%	31%	33%	
<b>Free cash flow<sup>2</sup></b>	<b>9,108</b>	<b>8,408</b>	<b>16,395</b>	<b>15,855</b>	
<b>Special distribution</b>			<b>7,878</b>		
Diluted per Unit.....			69.0¢		
Total Payout ratio <sup>3</sup> .....			64%		
<b>Units outstanding (average)</b>					
Diluted basis 000's.....	11,418	11,676	11,418	11,684	

## Liquidity and Financing

### Cash flows from operating activities

Cash flow from operating activities was down \$4.8 mil. for the second quarter primarily due to increases in working capital offset by a higher profit from operations net of contingent consideration revaluation. During the second quarter, working capital increased by \$4.7 mil. mainly on higher inventory. For the first half, working capital increased \$13.5 mil. mainly due to higher inventory and lower payables.

Actual distributions paid during the second quarter were \$3.8 mil., with \$1.3 mil. declared for June which was paid July 14<sup>th</sup>.

### Normal Course Issuer Bid

Due to the lack of Unitholder capital the normal course issuer bid has not renewed therefore no units were purchased during the first half (2021 25,000).

## ***Richards Packaging Income Fund***

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

*July 27, 2022*

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#### ***Current income taxes***

Current income tax expense decreases of \$0.3 mil. (2021 \$3.0 mil.) and \$0.2 mil. (2021 \$5.0 mil. increase) for the second quarter and the first half reflects the statutory tax rates for those periods and a lower foreign rate differential. Current income tax payments of \$8.7 mil. for the first half included \$0.9 mil. for 2021.

#### ***Capital expenditures***

Maintenance capital expenditures for the first half were \$0.6 mil. (2021 \$1.1 mil.) mainly comprised of \$0.3 mil. mould refurbishments for replacement packaging and leasehold improvements and \$0.3 mil. for computer software.

#### ***Financing activities and instruments***

Credit facilities include a \$23.0 mil. term loan (2021 \$23.0 mil.) and up to \$65 million in revolving debt with maturity on May 31, 2024. The revolving credit is available to fund acquisitions and working capital expansion of which \$53.0 mil. is drawn (2021 \$1.5 mil.). The term loan facility bears interest at BA's plus a premium of 0.95% to 1.70% or a prime rate plus a premium of 0% to 0.7%. The \$53 million was drawn at the end of the first quarter mainly to fund the \$49.5 mil. payment due to previous shareholders in connection with the Clarion acquisition.

The credit facilities are subject to several covenants including the leverage ratio which was to maintain debt less than 2.75 times the trailing twelve months Adjusted EBITDA<sup>1</sup>. As at June 30, 2022, our leverage ratio was 1.0 times (2021 0.3 times).

#### **Outlook Sensitivities<sup>4</sup>**

Management believes that the performance of Richards Packaging is on track to meet ongoing requirements for working capital, capital expenditures and to sustain monthly distributions to unitholders at the current level through 2022.

July revenue was down approximately \$4 mil. due to an oversupply in the cosmetics marketplace offset by the Canadian dollar weakening by 2¢ to U.S./Cdn. 78¢. The current sensitivity for every 1¢ movement in exchange rates to revenue is \$0.6 mil. and to Adjusted EBITDA<sup>1</sup> is \$0.07 mil. At the current price of \$49/Unit, the mark-to-market gain on exchangeable units would be \$1.1 mil. in the third quarter. The sensitivity for every \$1 movement in unit price is \$0.46 mil. Maintenance capital will continue to be funded by cash flow from operations at \$0.4 mil. per quarter with the additional \$1.5 mil. set aside for an IT system upgrade mainly reflected in the prepaids. Interest expense is expected to climb \$0.1 mil. from the second quarter with a 1.00% increase in interest rates. Distributable cash flow sensitivity to foreign currency fluctuations is \$0.05 mil. for every U.S./Cdn. 1¢ movement. The third quarter surplus distributable cash is expected to be deployed to pay down revolving debt.

## ***Richards Packaging Income Fund***

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

*July 27, 2022*

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#### **Risks and Uncertainties**

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, logistics disruptions, sustainability of customer and supplier relationships, financial stability of customers, lack of written customer and supplier distribution agreements, competition from other packaging companies, the extent and duration of an economic downturn, inventory obsolescence, trade risks, 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 2021 Annual Information Form dated March 8, 2022. To management's knowledge, no significant changes to these risks and uncertainties have occurred in the first half of 2022.

#### **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 June 30, 2022 and revenue and expenses for the period then ended. There have not been any significant changes in the critical accounting estimates of the Fund in the first half of 2022, relative to December 31, 2021. For more information on critical accounting estimates, see the Management's Discussion and Analysis, the audited consolidated financial statements and the notes to the consolidated financial statements included in the Fund's 2021 Annual Report.

#### **Disclosure Controls and Internal Controls over Financial Reporting**

There have been no changes in the Fund's internal controls over financial reporting during the first half 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](http://www.richardspackaging.com), SEDAR at [www.sedar.com](http://www.sedar.com) or TSX at [www.tmx.com](http://www.tmx.com)

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*1 Management defines Adjusted EBITDA as net income before amortization, contingent consideration, financial expenses, distributions and unrealized gains/losses on exchangeable shares, share of income - Vision and income tax expense less lease payments. The reconciliation of Adjusted EBITDA to net income can be found on page 4. 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.*

## ***Richards Packaging Income Fund***

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

July 27, 2022

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- 2 *Management defines distributable cash flow, in accordance with Richards Packaging's credit agreement, as Adjusted EBITDA less non-lease interest, cash income tax expense, maintenance capital expenditures plus dividends from equity investments. The reconciliation to cash flow from operations can be found on page 5. 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 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<sup>2</sup>. The purpose of 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 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 considering 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. Readers should not place undue reliance on forward-looking information as several factors could cause actual events, results and prospects to differ materially from those expressed in or implied by the forward-looking information. The risks and uncertainties are more fully described on page 7. While management believes 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.*
- 5 *Management defines working capital to be current assets (less cash and revolving debt) less current liabilities (less income tax payable, due to previous shareholders and exchangeable shares). The objective of utilizing this definition is to improve the understanding of activities within the cash flow statement. Working capital does not have a standardized meaning prescribed by IFRS. The method of calculating working capital may not be comparable to similar measures presented by other companies.*

<p style="text-align: center;"><b>Notice to Unitholders</b></p>
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<p style="text-align: center;">The attached consolidated financial statements have not been reviewed by the Fund's external auditors</p>
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**Richards Packaging Income Fund**

**STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME**

*Unaudited*

*For the three and six months ended June 30*

*[Consolidated]*

<i>Cdn\$ thousands</i>	<b>Notes</b>	<b>Three months</b>		<b>Six months</b>	
		<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<b>Revenue</b>	3	<b>119,735</b>	113,030	<b>229,716</b>	222,903
Cost of sales		<b>96,224</b>	90,701	<b>185,235</b>	179,145
Gross profit		<b>23,511</b>	22,329	<b>44,481</b>	43,758
Administrative expenses		<b>5,527</b>	5,171	<b>10,999</b>	10,479
Contingent consideration revaluation	2	—	13,200	<b>1,631</b>	13,200
<b>Profit from operations</b>		<b>17,984</b>	3,958	<b>31,851</b>	20,079
Financial expenses		<b>1,687</b>	1,365	<b>3,014</b>	2,775
Exchangeable shares	5				
Mark-to-market loss (gain)		<b>269</b>	(3,848)	<b>(4,796)</b>	(7,223)
Distributions		<b>153</b>	153	<b>625</b>	306
Share of income - Vision		<b>(30)</b>	(16)	<b>(32)</b>	(35)
Income tax expense (income)	4				
Current taxes		<b>4,624</b>	4,893	<b>8,800</b>	8,992
Deferred taxes		<b>(179)</b>	(252)	<b>(385)</b>	(496)
		<b>4,445</b>	4,641	<b>8,415</b>	8,496
<b>Net income for the period</b>		<b>11,460</b>	1,663	<b>24,625</b>	15,760
Basic income per Unit	5	<b>\$1.05</b>	15.2¢	<b>\$2.25</b>	\$1.40
Diluted income per Unit	5	<b>\$1.04</b>	-17.4¢	<b>\$1.79</b>	75.7¢
<b>Other comprehensive income (loss)</b>					
<i>(subsequently recyclable to Net income)</i>					
Richards US -					
Currency translation adjustment		<b>3,163</b>	(1,386)	<b>1,825</b>	(2,603)
<b>Comprehensive income for the period</b>		<b>14,623</b>	277	<b>26,450</b>	13,157

*See accompanying notes*

“Susan Allen”  
Chair – Audit Committee

“Enzio Di Gennaro”  
CFO – Richards Packaging Inc.

**Richards Packaging Income Fund**

**STATEMENTS OF FINANCIAL POSITION**

*Unaudited*

*As at June 30 and December 31*

*[Consolidated]*

<i>Cdn\$ thousands</i>	<b>Notes</b>	<b>June 30</b>		<b>Dec. 31</b>	
		<b>2022</b>	<b>2021</b>	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash		6,565	(1,033)	8,420	7,720
Accounts receivable		53,411	49,660	50,259	49,802
Inventory		108,581	102,547	100,724	88,251
Prepaid expenses and deposits		10,873	10,047	12,784	10,942
		<b>179,430</b>	161,221	<b>172,187</b>	156,715
<b>Long-term Assets</b>					
Leases		36,461	40,538	38,056	46,553
Plant and equipment		5,333	6,495	5,993	6,618
Investment - Vision		719	701	688	667
Intangible assets		28,463	30,190	29,489	31,678
Goodwill		111,133	109,601	110,485	110,654
		<b>182,109</b>	187,525	<b>184,711</b>	196,170
		<b>361,539</b>	348,746	<b>356,898</b>	352,885
<b>LIABILITIES &amp; EQUITY</b>					
<b>Current Liabilities</b>					
Accounts payable and accruals		76,822	70,814	82,312	71,690
Income tax payable		1,000	(123)	897	(438)
Distributions payable		1,256	1,283	1,256	1,286
Due to previous shareholders	2	1,016	15,541	48,934	10,366
Exchangeable shares	5	23,626	28,186	28,422	35,409
		<b>103,720</b>	115,701	<b>161,821</b>	118,313
<b>Long-term Liabilities</b>					
Revolving and term debt	2	75,753	24,076	22,688	23,559
Lease obligations		32,892	36,814	34,505	42,436
Deferred income taxes	4	6,680	7,466	7,051	8,006
		<b>115,325</b>	68,356	<b>64,244</b>	74,001
<b>Equity</b>					
Unitholders' capital	5	—	3,643	—	5,276
Retained earnings		129,719	152,428	119,883	144,074
Accumulated other comprehensive income		12,775	8,618	10,950	11,221
		<b>142,494</b>	164,689	<b>130,833</b>	160,571
		<b>361,539</b>	348,746	<b>356,898</b>	352,885

*See accompanying notes*

**Richards Packaging Income Fund**

**STATEMENTS OF CHANGES IN EQUITY**

*Unaudited*

*For the three and six months ended June 30*

*[Consolidated]*

<i>Cdn\$ thousands</i>		<b>Unitholders'</b>	<b>Retained</b>		
	<b>Notes</b>	<b>capital</b>	<b>earnings</b>	<b>AOCI<sup>a)</sup></b>	<b>Equity</b>
<b>December 31, 2020</b>		5,276	144,074	11,221	160,571
Comprehensive income			15,760	(2,603)	13,157
Purchased for cancellation, net	5	(1,633)			(1,633)
Distributions paid to Unitholders			(7,406)		(7,406)
<b>June 30, 2021</b>		3,643	152,428	8,618	164,689
<b>December 31, 2021</b>		—	<b>119,883</b>	<b>10,950</b>	<b>130,833</b>
Comprehensive income (loss)			<b>24,625</b>	<b>1,825</b>	<b>26,450</b>
Distributions paid to Unitholders			<b>(14,789)</b>		<b>(14,789)</b>
<b>June 30, 2022</b>		—	<b>129,719</b>	<b>12,775</b>	<b>142,494</b>

a) AOCI - Accumulated other comprehensive income (loss) reflects the foreign currency translation of the net investment in Richards US.

See accompanying notes

**Richards Packaging Income Fund**

**STATEMENTS OF CASH FLOWS**

*Unaudited*

*For the three and six months ended June 30*

*[Consolidated]*

<i>Cdn\$ thousands</i>	<b>Notes</b>	<b>Three months</b>		<b>Six months</b>	
		<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<b>OPERATING ACTIVITIES</b>					
Profit from operations		<b>17,984</b>	3,958	<b>31,851</b>	20,079
Add items not involving cash					
Plant, equipment & lease depreciation		<b>2,424</b>	2,341	<b>4,829</b>	4,752
Lease write down		—	—	—	(128)
Intangible assets amortization		<b>678</b>	755	<b>1,355</b>	1,348
Contingent consideration revaluation	2	—	13,200	<b>1,631</b>	13,200
Income taxes payments		<b>(5,232)</b>	(5,943)	<b>(8,697)</b>	(8,677)
Changes in working capital	6	<b>(4,724)</b>	1,634	<b>(13,536)</b>	(15,831)
<b>Cash provided by operating activities</b>		<b>11,130</b>	15,945	<b>17,433</b>	14,743
<b>INVESTING ACTIVITIES</b>					
Due to previous shareholders	2	—	(7,999)	<b>(49,533)</b>	(7,999)
Additions to plant and equipment		<b>(154)</b>	(309)	<b>(324)</b>	(1,083)
Additions to computer software		<b>(121)</b>	—	<b>(261)</b>	—
<b>Cash used in investing activities</b>		<b>(275)</b>	(8,308)	<b>(50,118)</b>	(9,082)
<b>FINANCING ACTIVITIES</b>					
Repayment of term debt		—	(1,000)	—	(1,000)
Proceeds from revolving and term debt		—	1,452	<b>53,000</b>	1,452
Lease payments		<b>(2,094)</b>	(1,901)	<b>(4,217)</b>	(3,914)
Financial expenses paid (excluding leases)		<b>(1,423)</b>	(904)	<b>(2,303)</b>	(1,805)
Purchase of Units for cancellation	5	—	(1,633)	—	(1,633)
Distributions paid to Exchangeable Shareholders		<b>(153)</b>	(153)	<b>(625)</b>	(306)
Distributions paid to Unitholders		<b>(3,615)</b>	(3,703)	<b>(14,789)</b>	(7,409)
<b>Cash used in financing activities</b>		<b>(7,285)</b>	(7,842)	<b>31,066</b>	(14,615)
<b>Net cash flow</b>		<b>3,570</b>	(205)	<b>(1,619)</b>	(8,954)
Cash, beginning of period		<b>3,291</b>	(938)	<b>8,420</b>	7,720
Foreign exchange effect		<b>(296)</b>	110	<b>(236)</b>	201
<b>Cash, end of period</b>		<b>6,565</b>	(1,033)	<b>6,565</b>	<b>(1,033)</b>

*See accompanying notes*

## ***Richards Packaging Income Fund***

### **NOTES TO INTERIM FINANCIAL STATEMENTS**

*Unaudited*

*June 30, 2022*

*[Cdn\$ thousands]*

#### **1. BASIS OF PRESENTATION AND CORONAVIRUS IMPACT**

These condensed interim financial statements of the Fund have been prepared in accordance with International Financial Reporting Standard [“IFRS”] IAS 34 *Interim Financial Reporting*. As such these statements do not contain all the explanatory notes, descriptions or accounting policies or other disclosures that can be found in the 2021 audited annual financial statements. The accounting policies used in the preparation of these condensed interim financial statements are consistent with the 2021 audited annual financial statements.

#### **2. ACQUISITION & DUE TO PREVIOUS SHAREHOLDERS**

On March 31, 2022 the final payment of \$49,533 for contingent consideration, based on a multiple of 2021 earnings after adjustments of \$1,631 included in the statement of net income, was paid to the Clarion former shareholders and funded by a draw on the revolving debt facility.

#### **3. REVENUE & SEGMENTED INFORMATION**

	<b>Three months</b>		<b>Six months</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<b>Revenue by geography</b>				
Canada	<b>73,278</b>	63,312	<b>137,589</b>	121,502
US	<b>46,457</b>	49,718	<b>92,127</b>	101,401
	<b>119,735</b>	113,030	<b>229,716</b>	222,903
<b>Revenue by market</b>				
Cosmetics	<b>23,255</b>	27,115	<b>46,970</b>	57,846
Healthcare <sup>a)</sup>	<b>53,224</b>	45,352	<b>97,712</b>	86,150
Food, beverage & other	<b>43,255</b>	40,563	<b>85,033</b>	78,907
	<b>119,735</b>	113,030	<b>229,716</b>	222,903

a) *Healthcare includes \$2,981 [2021 \$3,184] and \$5,925 [2021 \$5,553] of revenue recognized over time from the sale of maintenance and warranty service plans and \$10,144 [2021 \$9,126] and \$19,575 [2021 \$17,435] from the sale of capital goods for the three and six months, respectively.*

**Richards Packaging Income Fund**

**NOTES TO INTERIM FINANCIAL STATEMENTS**

*Unaudited*

June 30, 2022

[Cdn\$ thousands]

**4. INCOME TAXES**

	<b>Three months</b>		<b>Six months</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Profit from operations	<b>17,984</b>	3,958	<b>31,851</b>	20,079
Financial expenses	<b>(1,687)</b>	(1,365)	<b>(3,014)</b>	(2,775)
Contingent consideration revaluation	—	13,200	<b>1,631</b>	13,200
<b>Income subject to income taxes</b>	<b>16,297</b>	15,793	<b>30,468</b>	30,504
Statutory tax rate	26.3%	26.6%	26.3%	26.6%
Income tax expense at statutory tax rate	<b>4,287</b>	4,195	<b>8,015</b>	8,102
<b>Deferred income tax</b>	<b>179</b>	252	<b>385</b>	496
Current period adjustments				
Refundable dividend tax	—	—	—	(22)
Foreign rate differential	<b>166</b>	416	<b>355</b>	414
Other items	<b>(8)</b>	30	<b>45</b>	2
<b>Current income taxes</b>	<b>4,624</b>	4,893	<b>8,800</b>	8,992

**5. UNITS AND EXCHANGEABLE SHARES**

<i>Number outstanding</i>	<b>Units basic</b>	<b>Weighted average</b>	<b>Exchangeable Shares</b>	<b>Units diluted</b>	<b>Weighted average</b>
December 31, 2020	11,230,007	11,230,007	463,006	11,693,013	11,693,013
Units purchased	(25,000)				(25,000)
June 30, 2021	11,205,007	11,213,043	463,006	11,668,013	11,676,049
Six months ended		11,221,478	463,006		11,684,484
<b>December 31, 2021</b>	<b>10,955,007</b>	<b>11,165,774</b>	<b>463,006</b>	<b>11,418,013</b>	<b>11,628,780</b>
<b>June 30, 2022</b>	<b>10,955,007</b>	<b>10,955,007</b>	<b>463,006</b>	<b>11,418,013</b>	<b>11,418,013</b>
Six months ended		<b>10,955,007</b>	<b>463,006</b>		<b>11,418,013</b>

Exchangeable shares mark-to-market loss (gain) reflects a \$0.58 per Unit increase [2021 \$8.31 per Unit] and a \$10.36 per Unit decrease [2021 \$15.60 per Unit increase] during the three and six months ended June 30, 2022 to \$51.40 per Unit, respectively.

***Richards Packaging Income Fund***

**NOTES TO INTERIM FINANCIAL STATEMENTS**

*Unaudited*

*June 30, 2022*

*[Cdn\$ thousands]*

**6. ADDITIONAL CASH FLOW INFORMATION**

The net change in working capital<sup>5</sup> consists of the following:

	<b>Three months</b>		<b>Six months</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Accounts receivable	<b>(1,150)</b>	(1,015)	<b>(2,822)</b>	(366)
Inventory	<b>(7,306)</b>	(15,634)	<b>(6,786)</b>	(15,833)
Prepaid expenses and deposits	<b>2,085</b>	2,013	<b>2,107</b>	787
Accounts payable and accruals	<b>1,647</b>	16,270	<b>(6,035)</b>	(419)
	<b>(4,724)</b>	1,634	<b>(13,536)</b>	(15,831)

Total foreign exchange translation excluded from the above values was \$1,953 loss [2021 \$866 gain] and \$1,104 loss [2021 \$1,650 gain], for the three and six months respectively.