

Q3 QUARTERLY REPORT

Richards Packaging Income Fund

Quarter ended September 30, 2022

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Richards Packaging Income Fund

REPORT TO UNITHOLDERS

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 after July reflects significant growth in pharmacy supplies at hospitals and aesthetics as pent-up demand during 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%⁴ 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.

Third quarter revenue was down 3%, on a 33% reduction in cosmetics offset by strong healthcare growth at 10%. Adjusted EBITDA¹ was down \$3.1 million, at 13% of revenue, mainly due to lower volumes from the oversupply in the pumps and sprayers market. Earnings were lower due to a less favorable product mix, higher sales, marketing, and distribution expenditures and the lack of fixed cost absorption. Net income increased \$7.7 million, or 39¢ per Unit, without the need for a contingent consideration adjustment for the Clarion acquisition and a mark-to-market gain on exchangeable shares.

October revenue is expected to be down approximately 5% due to an oversupply of pumps and sprayers in the cosmetics marketplace partially offset by 2% due to the Canadian dollar weakening by 7¢ to U.S./Cdn. 73¢.

Free cash flow² of \$5 million generated in the third quarter was mainly utilized to repay revolving debt. The leverage at 1.1x as of September 30th was similar to the second quarter.

Monthly distributions of 11¢ per Unit represented an annualized yield of 3.0% on the September 30th closing price of \$44.25 per Unit. The third quarter payout ratio³ was 42%.

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, L4T 2M7

October 27, 2022

Richards Packaging Income Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

October 27, 2022

This management's discussion and analysis ("MD&A") of Richards Packaging Income Fund for the third quarter should be read in conjunction with the attached condensed interim financial statements dated September 30, 2022, the second and first quarter reports dated July 27, and May 5, 2022, and the 2021 Annual Report and 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. Revenue from the distribution of over 8,000 different types of packaging components and healthcare products is sourced from over 900 suppliers and 4 dedicated manufacturing facilities. Manufacturing represented 5% of revenues (2021 5%).

Financial Highlights

This MD&A covers the three and nine months ended September 30, 2022, generally referred to as the "third quarter" and the "nine months", respectively. The following table sets out selected financial information:

(\$ thousands)	Nine months		<i>Financial highlights for the nine months:</i>
	2022	2021	
Income Statement Data:			
Revenue.....	338,755	335,053	<ul style="list-style-type: none">• Revenue was up 1.1% as 1.4% organic growth was offset by 0.3% from currency translation with a U.S./Cdn. 1.9¢ decrease to 78¢ on 12% less Richards US revenue,• Adjusted EBITDA¹ decreased \$3.2 mil., at 14.7% of revenue, on \$4.5 mil. less product mix benefits, \$1.1 mil. lower fixed cost absorption and a \$1.3 mil. lower currency translation,• Financial expenses were \$0.7 mil. higher on increased debt levels at a 2% higher interest rate,• Income tax was down \$0.9 mil. on lower taxable income,• Net income increased \$16.6 mil., or \$1.38 per Unit, mainly due to lower contingent consideration for the Clarion acquisition. Adjusted EBITDA net of taxes and financial expenses were partially offset by a higher mark-to-market gain on exchangeable shares due to a \$17.51 reduction in the unit price (2021 \$14.20),
Net income.....	36,280	19,687	
Diluted per Unit ^{a)}	\$2.54	\$1.16	
Financial Position Data:			
Assets.....	359,124	347,836	
Long-term financial liabilities....	104,113	58,876	
Leverage ^{b)}	1.1	0.2	
Cash Flow Statement Data:			
Distributions.....	19,182	11,564	
Diluted per Unit.....	\$1.68	\$0.99	
Payout ratio ³	58%	33%	
Unit purchases.....	—	3,040	
Debt borrowings (repayments)..	49,000	(1,000)	

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

b) Term debt/Adjusted EBITDA¹

Richards Packaging Income Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

October 27, 2022

- Assets increased by \$11.3 mil. mainly to invest in current assets while long-term financial liabilities increased by \$45.2 mil., mainly due to borrowing for the Clarion acquisition,
- Working capital⁵ increased \$23.8 mil. mainly due to a \$17.6 mil. reduction in accounts payables,
- Free cash flow² of \$21.7 mil. and opening cash on hand of \$8.4 mil. was utilized to repay \$4.0 mil. term debt, pay a special distribution of \$7.9 mil. and fund working capital,
- Leverage ratio at 1.1x was similar to the first half,
- Distributable cash flow² down \$2.6 mil., or \$0.16 per Unit, resulted in a 34% regular payout ratio³,
- Regular monthly distributions of 11¢ per Unit paid represented a 3.0% annualized return on the Sept. 30th closing price of \$44.25 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 third quarter:

Revenue was down \$3.1 mil., due mainly to an oversupply in the pump & sprayer market caused by excess purchasing by our competitors and a \$0.6 mil. currency translation loss, as the U.S./Cdn. rate decreased 2.8¢ to 76.6¢ (2021 4.3¢ increase) on 16.8% lower Richards US sales.

Cosmetics packaging decreased \$7.7 mil., excluding the impact of translation, mainly due to an oversupply in the pumps and sprayer market.

Healthcare increased \$4.5 mil. mainly due to hospital pharmacy supplies and aesthetics lines.

Food, beverage and other packaging increased by \$0.7 mil. in line with GDP growth.

Cost of sales (before amortization) decreased by \$0.3 mil. and gross profit margins were down 2.0%, half due to higher marketing and distribution costs at lower volumes and a less favourable product mix.

Revenue growth	Qtr.3	
	(% change over p/y)	
	2022	2021
Cosmetics.....	-33.4%	-29.9%
Healthcare.....	10.5%	0.4%
Food, beverage & other.....	2.1%	1.0%
Exchange translation.....	-0.5%	-5.5%
Weighted average growth	-2.8%	-12.8%

Revenue trend	Qtr.3	
	(\$ thousands)	
	2022	2021
Prior year	112,150	128,591
Organic growth.....	3,717	4,242
Coronavirus.....	—	(13,596)
Oversupply of pumps & sprayers..	(6,232)	—
Foreign exchange.....	(596)	(7,087)
Current year	109,039	112,150

Resin price volatility did not have a material impact on margins due to management's practice of passing through increases and decreases to customers.

Foreign currency loss resulted from an exchange rate drop of U.S./Cdn. 4.6¢ applied to our U.S. dollar denominated working capital position in Richards Canada and Clarion. Lease payments increased \$0.1 mil. and administrative expenses (before amortization) by \$0.1 mil. mainly due to inflation.

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

Richards Packaging Income Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

October 27, 2022

(\$ thousands)	Qtr. 3		Nine months	
	2022	2021	2022	2021
Revenue	109,039	112,150	338,755	335,053
Cost of sales ^{a)}	88,567	88,855	271,325	265,674
Gross profit	20,472	23,295	67,430	69,379
	18.8%	20.8%	19.9%	20.7%
Administrative expenses.....	5,470	5,392	16,392	15,799
Foreign currency loss.....	510	263	1,097	475
Adjusted EBITDA¹	14,492	17,640	49,941	53,105
	13.3%	15.7%	14.7%	15.8%
Lease payments.....	(2,225)	(2,087)	(6,442)	(6,001)
Amortization.....	3,141	3,134	9,325	9,234
Contingent consideration.....	—	6,500	1,631	19,700
Financial expenses.....	1,924	1,426	4,938	4,201
Exchangeable shares.....	(3,158)	800	(7,329)	(6,117)
Share of income - Vision.....	(23)	(25)	(55)	(60)
Income tax expense.....	3,178	3,965	11,593	12,461
Net Income	11,655	3,927	36,280	19,687

a) includes lease payments

Adjusted EBITDA¹ decreased \$3.1 mil., or 2.4% of revenue, on less fixed cost absorption and product mix benefits at lower revenue levels. The organic drop is half increased marketing costs at Clarion with the remainder higher distribution costs. The drop in the currency translation gain reflects the dollar depreciating 2.8¢ on 17% less Richards US revenue.

Adjusted EBITDA ¹ trend (\$ thousands)	Qtr. 3	
	2022	2021
Prior year	17,640	25,651
(% of revenue)	15.7%	19.9%
Organic growth.....	(628)	368
Product mix.....	(865)	(4,114)
Fixed cost.....	(1,143)	(1,486)
Foreign exchange.....	(512)	(2,779)
Current year	14,492	17,640
(% of revenue)	13.3%	15.7%

Financial expenses were \$0.5 mil. higher mainly due to the debt associated with Clarion at a 2.4% higher interest rate as lease interest and bank fees were flat at \$1.2 mil.

Exchangeable shares mark-to-market gain reflects a price decrease of \$7.15 to \$44.25 per Unit (2021 \$1.40 per Unit increase). Exchangeable share distributions were flat at \$0.2 mil.

Income tax expense decreased \$0.8 mil. on lower taxable income. Net income was up \$7.7 mil., which represented a 39.3¢ per Unit increase.

Distributable Cash Flow²

Distributable cash flow² for the third quarter and nine months were \$2.9 mil. and \$2.6 mil. lower, respectively, as Adjusted EBITDA¹ decreases and higher interest were partially offset by associated income taxes and lower maintenance capital.

Working capital⁵ increased for the third quarter mainly due to \$11.5 mil. lower payables and \$2.0 mil. higher receivables, which reflects higher capital sales in September, partially offset by \$3.4 mil. lower inventory. During the nine months, working capital increased on higher receivables (\$4.8 mil.) and inventory (\$3.4 mil.) and lower payables (\$17.6 mil) offset by lower prepaids (\$2.0 mil.).

Richards Packaging Income Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

October 27, 2022

(\$ thousands)	Qtr. 3		Nine months		
	2022	2021	2022	2021	
Cash provided by					
operating activities.....	3,857	15,780	21,290	30,523	Current income tax decreases reflect lower taxable income in the third quarter as the benefits of refundable dividend tax were offset by withholding tax in the prior year.
Leases.....	(2,225)	(2,087)	(6,442)	(5,873)	
Working capital ⁵	10,263	(509)	23,799	15,322	Free cash flow ² generated in the third quarter was mainly used to repay \$4 mil. of the term debt.
Income tax payments.....	2,597	4,456	11,294	13,133	
Adjusted EBITDA¹	14,492	17,640	49,941	53,105	
Interest ^{a)}	1,702	912	3,832	2,732	
Current income tax.....	3,412	4,188	12,212	13,180	Monthly distributions paid of 11¢ per Unit represent an annual yield of 3% on a \$44.25 price per Unit at September 30 th .
Maintenance capital.....	308	541	893	1,624	
Distributable cash flow²	9,070	11,999	33,004	35,569	
Diluted per Unit.....	\$0.79	\$1.03	\$2.89	\$3.05	
Regular distributions	3,765	3,848	11,304	11,564	The distributable cash flow ² 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 financed by the remaining \$12.0 mil. revolving facility or free cash flow ² .
Diluted per Unit.....	33.0¢	33.0¢	99.0¢	99.0¢	
Payout ratio ³	42%	32%	34%	33%	
Free cash flow²	5,305	8,151	21,700	24,005	
Special distributions			7,878		
Diluted per Unit.....			69.0¢		
Payout ratio ³			58%		
Units outstanding (average)					
Diluted basis 000's.....	11,418	11,658	11,418	11,676	

a) excludes interest on leases and bank refinancing fees

Liquidity and Financing

Cash flows from operating activities

Cash flow from operating activities was down \$11.9 mil. for the third quarter primarily due to lower accounts payables of \$11.5 mil and lower profit from operations, net of the contingent consideration revaluation of \$6.5 mil. The tax payments were lower to reflect the third quarter provision. Working capital increased by \$10.3 mil. on lower payables (\$11.5 mil) and higher receivables (\$2.0 mil) and prepaids (\$0.1 mil.) offset by lower inventory (\$3.4 mil.). For the nine months, working capital increased \$23.8 mil. mainly due to lower payables (\$17.6 mil.) higher receivables (\$4.8 mil.) and inventory (\$3.4 mil.) offset by lower prepaids (\$2.0 mil.).

Actual distributions paid during the third quarter were \$3.8 mil., with \$1.3 mil. declared for September which was paid October 14th.

Normal Course Issuer Bid

Due to the lack of Unitholder capital the normal course issuer bid has not been renewed therefore no units were purchased during the nine months (2021 47,400).

Richards Packaging Income Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

October 27, 2022

Current income taxes

Current income tax expense decreased \$0.8 mil. and \$1.0 mil. for the third quarter and the nine months reflecting the lower taxable income, respectively. Current income tax payments of \$11.3 mil. for the nine months included \$0.9 mil. for 2021.

Capital expenditures

Maintenance capital expenditures for the nine months of \$0.9 mil. (2021 1.6 mil.) were comprised of \$0.4 mil. mould refurbishments for replacement packaging and leasehold improvements, with the remaining \$0.5 mil. for computer software.

Financing activities and instruments

Credit facilities include a \$19.0 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 nil). 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%. During the third quarter \$4.0 mil. was repaid on the revolving loan (2021 \$1.5 mil.).

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 EBITDA¹. As at September 30, 2022, our leverage ratio was 1.1 times (2021 0.2 times).

Outlook Sensitivities⁴

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. The fourth quarter surplus distributable cash is expected to be deployed to pay down revolving debt.

October revenue was down approximately \$2 mil. due to an oversupply in the cosmetics marketplace offset by the exchange translation impact at U.S./Cdn. 73¢, which has weakened 7¢. The current sensitivity for every 1¢ movement in exchange rates to revenue is \$0.5 million and to Adjusted EBITDA¹ is \$0.1 million.

At the current price of \$46/Unit, the mark-to-market loss on exchangeable units would be \$0.8 mil. in the fourth 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 an additional \$1.0 mil. set aside for IT system upgrades mainly reflected in the prepaids. Interest expense is expected to climb \$0.2 mil. from the third quarter with a 1.25% increase in rates.

Richards Packaging Income Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

October 27, 2022

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 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 nine months 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 September 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 nine months 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 nine months 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

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 percent of revenue 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

October 27, 2022

- 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 this measure 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 flow². 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;">Notice to Unitholders</p>

<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 nine months ended September 30

[Consolidated]

<i>Cdn\$ thousands</i>	Notes	Three months		Nine months	
		2022	2021	2022	2021
Revenue	3	109,039	112,150	338,755	335,053
Cost of sales		89,950	90,117	275,185	269,262
Gross profit		19,089	22,033	63,570	65,791
Administrative expenses		5,513	5,440	16,512	15,919
Contingent consideration revaluation	2	—	6,500	1,631	19,700
Profit from operations		13,576	10,093	45,427	30,172
Financial expenses		1,924	1,426	4,938	4,201
Exchangeable shares					
Mark-to-market loss (gain)	5	(3,311)	648	(8,107)	(6,575)
Distributions		153	152	778	458
Share of income - Vision		(23)	(25)	(55)	(60)
Income tax expense (income)	4				
Current taxes		3,412	4,188	12,212	13,180
Deferred taxes		(234)	(223)	(619)	(719)
		3,178	3,965	11,593	12,461
Net income for the period		11,655	3,927	36,280	19,687
Basic income per Unit	5	\$1.06	35.1¢	\$3.31	\$1.16
Diluted income per Unit	5	74.4¢	35.1¢	\$2.54	\$1.16
Other comprehensive income					
<i>(subsequently recyclable to Net income)</i>					
Richards US -					
Currency translation adjustment		6,865	2,813	8,690	210
Comprehensive income for the period		18,520	6,740	44,970	19,897

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 September 30 and December 31

[Consolidated]

<i>Cdn\$ thousands</i>	Notes	Sept. 30		Dec. 31	
		2022	2021	2021	2020
ASSETS					
Current Assets					
Cash		(1,232)	3,399	8,420	7,720
Accounts receivable		56,670	48,847	50,259	49,802
Inventory		108,715	98,035	100,724	88,251
Prepaid expenses and deposits		11,286	10,269	12,784	10,942
		<u>175,439</u>	160,550	<u>172,187</u>	156,715
Long-term Assets					
Leases		35,969	39,769	38,056	46,553
Plant and equipment		5,009	6,462	5,993	6,618
Investment - Vision		742	726	688	667
Intangible assets		28,274	29,647	29,489	31,678
Goodwill		113,691	110,682	110,485	110,654
		<u>183,685</u>	187,286	<u>184,711</u>	196,170
		<u>359,124</u>	347,836	<u>356,898</u>	352,885
LIABILITIES & EQUITY					
Current Liabilities					
Accounts payable and accruals		66,644	64,686	82,312	71,690
Income tax payable		1,815	(391)	897	(438)
Distributions payable		1,256	1,281	1,256	1,286
Due to previous shareholders	2	1,080	20,939	48,934	10,366
Exchangeable shares	5	20,315	28,834	28,422	35,409
		<u>91,110</u>	115,349	<u>161,821</u>	118,313
Long-term Liabilities					
Revolving and term debt		71,785	22,656	22,688	23,559
Lease obligations		32,328	36,220	34,505	42,436
Deferred income taxes	4	6,502	7,283	7,051	8,006
		<u>110,615</u>	66,159	<u>64,244</u>	74,001
Equity					
Unitholders' capital	5	—	2,237	—	5,276
Retained earnings		137,759	152,660	119,883	144,074
Accumulated other comprehensive income		19,640	11,431	10,950	11,221
		<u>157,399</u>	166,328	<u>130,833</u>	160,571
		<u>359,124</u>	347,836	<u>356,898</u>	352,885

See accompanying notes

Richards Packaging Income Fund

STATEMENTS OF CHANGES IN EQUITY

Unaudited

For the nine months ended September 30

[Consolidated]

<i>Cdn\$ thousands</i>		Unitholde capital	Retained earnings	AOCI^{a)}	Equity
December 31, 2020		5,276	144,074	11,221	160,571
Comprehensive income			19,687	210	19,897
Purchased for cancellation, net	5	(3,039)			(3,039)
Distributions paid to Unitholders			(11,101)		(11,101)
September 30, 2021		2,237	152,660	11,431	166,328
December 31, 2021		—	119,883	10,950	130,833
Comprehensive income			36,280	8,690	44,970
Distributions paid to Unitholders			(18,404)		(18,404)
September 30, 2022		—	137,759	19,640	157,399

a) AOCI - Accumulated other comprehensive income 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 nine months ended September 30

[Consolidated]

<i>Cdn\$ thousands</i>	Notes	Three months		Nine months	
		2022	2021	2022	2021
OPERATING ACTIVITIES					
Profit from operations		13,576	10,093	45,427	30,172
Add items not involving cash					
Plant, equipment & lease depreciation		2,458	2,458	7,287	7,210
Lease write down		—	—	—	(128)
Intangible assets amortization		683	676	2,038	2,024
Contingent consideration revaluation	2	—	6,500	1,631	19,700
Income tax payments		(2,597)	(4,456)	(11,294)	(13,133)
Changes in working capital	6	(10,263)	509	(23,799)	(15,322)
Cash provided by operating activities		3,857	15,780	21,290	30,523
INVESTING ACTIVITIES					
Due to previous shareholders	2	—	(1,128)	(49,533)	(9,127)
Additions to plant and equipment		(70)	(541)	(394)	(1,624)
Additions to computer software		(238)	—	(499)	—
Cash used in investing activities		(308)	(1,669)	(50,426)	(10,751)
FINANCING ACTIVITIES					
Repayment of revolving & term debt		(4,000)	(1,452)	(4,000)	(2,452)
Proceeds from revolving debt		—	—	53,000	1,452
Lease payments		(2,225)	(2,087)	(6,442)	(6,001)
Financial expenses paid (excluding leases)		(1,529)	(927)	(3,832)	(2,732)
Purchase of Units for cancellation	5	—	(1,407)	—	(3,040)
Distributions paid to Exchangeable Shareholders		(153)	(152)	(778)	(458)
Distributions paid to Unitholders		(3,615)	(3,697)	(18,404)	(11,106)
Cash used in/provided by financing activities		(11,522)	(9,722)	19,544	(24,337)
NET CASH FLOW		(7,973)	4,389	(9,592)	(4,565)
Cash, beginning of period		6,565	(1,033)	8,420	7,720
Foreign exchange effect		176	43	(60)	244
Cash, end of period		(1,232)	3,399	(1,232)	3,399

See accompanying notes

Richards Packaging Income Fund

NOTES TO INTERIM FINANCIAL STATEMENTS

Unaudited

September 30, 2022

[Cdn\$ thousands]

1. BASIS OF PRESENTATION

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

	Three months		Nine months	
	2022	2021	2022	2021
Revenue by geography				
Canada	66,849	61,453	204,438	182,955
US	42,190	50,697	134,317	152,098
	109,039	112,150	338,755	335,053
Revenue by end market				
Cosmetics	19,679	28,694	66,649	86,540
Healthcare ^{a)}	47,172	42,704	144,884	128,854
Food, beverage & other	42,188	40,752	127,221	119,659
	109,039	112,150	338,754	335,053

a) *Healthcare includes \$2,733 [2021 \$2,654] and \$8,658 [2021 \$8,206] of revenue recognized over time from the sale of maintenance and warranty service plans and \$8,749 [2021 \$8,511] and \$28,324 [2021 \$25,946] from the sale of capital goods for three and nine months, respectively.*

Richards Packaging Income Fund

NOTES TO INTERIM FINANCIAL STATEMENTS

Unaudited

September 30, 2022

[Cdn\$ thousands]

4. INCOME TAXES

	Three months		Nine months	
	2022	2021	2022	2021
Profit from operations	13,576	10,093	45,427	30,172
Financial expenses	(1,924)	(1,426)	(4,938)	(4,201)
Contingent consideration revaluation	—	6,500	1,631	19,700
Income subject to income taxes	11,652	15,167	42,120	45,671
Statutory tax rate	26.3%	26.5%	26.3%	26.5%
Income tax expense at statutory tax rate	3,064	4,013	11,079	12,115
Deferred income taxes	234	223	619	719
Current period adjustments				
Refundable dividend tax	—	(471)	—	(493)
Foreign rate differential	121	77	476	491
Withholding tax	—	380	—	380
Other items	(7)	(34)	38	(32)
Current income taxes	3,412	4,188	12,212	13,180

5. UNITS AND EXCHANGEABLE SHARES

<i>Number outstanding</i>	Units basic	Weighted average	Exchangeable Shares	Units diluted	Weighted average
December 31, 2020	11,230,007	11,230,007	463,006	11,693,013	11,693,013
Units purchased	(47,400)	(35,168)		(47,400)	(35,168)
September 30, 2021	11,182,607	11,194,839	463,006	11,645,613	11,657,845
Nine months ended		11,212,501	463,006		11,675,507
December 31, 2021	10,955,007	11,165,774	463,006	11,418,013	11,628,780
September 30, 2022	10,955,007	10,955,007	463,006	11,418,013	11,418,013
Nine months ended		10,955,007	463,006		11,418,013

Exchangeable shares mark-to-market loss (gain) reflects a \$7.15 per Unit decrease [2021 \$1.40 per Unit increase] and a \$17.51 per Unit decrease [2021 \$14.20 per Unit] during the three and nine months ended September 30, respectively.

Richards Packaging Income Fund

NOTES TO INTERIM FINANCIAL STATEMENTS

Unaudited

September 30, 2022

[Cdn\$ thousands]

6. ADDITIONAL CASH FLOW INFORMATION

The net change in working capital⁵ consists of the following:

	Three months		Nine months	
	2022	2021	2022	2021
Accounts receivable	(2,026)	1,342	(4,848)	976
Inventory	3,397	6,011	(3,389)	(9,822)
Prepaid expenses and deposits	(95)	(146)	2,012	641
Accounts payable and accruals	(11,539)	(6,698)	(17,574)	(7,117)
	(10,263)	509	(23,799)	(15,322)

Total foreign exchange translation excluded from the above values was \$4,075 loss [2021 \$1,629 loss] and \$5,179 loss [2021 \$21 gain], for the three and nine months respectively.