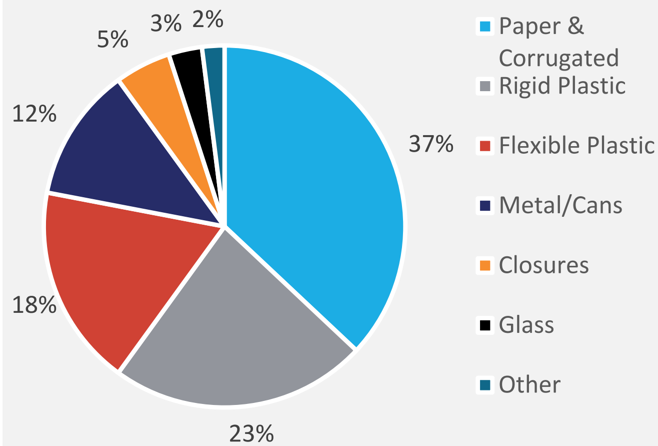
MANAGEMENT DISCUSSION & ANALYSIS

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, 2022, the annual statements for the year ended December 31, 2021, the quarterly reports for the periods ended March 31, June 30 and September 30, 2022 and the Annual Information Form dated March 7, 2023. Results are reported in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards on a consistent basis with the 2021 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. $194B

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 2022, there were over 252 acquisitions globally, down from the 281 acquisitions in 2021 at a median multiple of 8 times Adjusted EBITDA[1] (2021 11x). During 2022, the top 13 companies continued to spend on capital at the cautious rate of 8% of revenue (2021 7%). 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 3%, 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 15% overall for 2022 (2021 16%).

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., Richards Packaging Holdings 3 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.

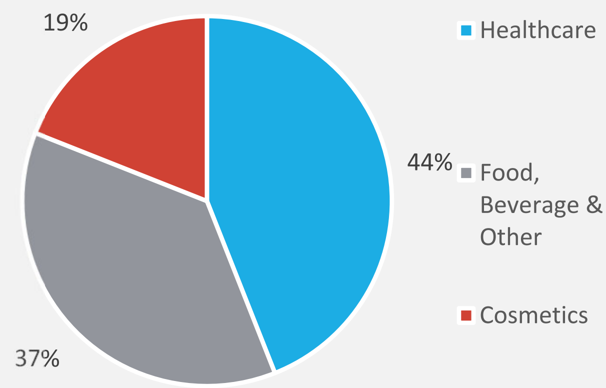
MANAGEMENT DISCUSSION & ANALYSIS

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 three dedicated manufacturing facilities. Sales from these manufacturing facilities represent 6% of the total revenues (2021 6%). On December 31, 2022, Richards Canada sold the Rexplas manufacturing facility to a strategic supplier for $0.2 mil. who will continue to produce bottles for our needs.

The cornerstones of Richards Packaging's strategy include being:

- a leading supplier of cosmetic and nutraceutical packaging solutions,
- the largest distributor of surplus packaging,
- the largest distributor of medical, aesthetic, vision care supplies and surgical equipment,
- the leading supplier of sterile IV, chemo and oral drug packaging and dispensing systems, and
- 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	2022
Cosmetics........................	-22.1%	-16.9%	-33.4%	-34.1%	**-26.4%**
Heathcare........................	8.9%	17.2%	10.5%	2.8%	**9.6%**
Food, beverage & other........	9.3%	5.2%	2.1%	-8.6%	**2.0%**
Exchange translation...........	-1.1%	0.7%	-5.0%	0.2%	**-0.2%**
Weighted average growth	0.1%	5.9%	-2.8%	-7.1%	**-1.0%**

Cosmetics packaging decreased $24 mil., excluding the impact of translation, mainly due to an oversupply in the pumps and sprayer market and the unwinding of the corona virus impact.

Healthcare increased $17 mil. mainly due to hospital pharmacy supplies, vision and aesthetic lines. Capital sales slowed in the fourth quarter to reflect the higher interest rates.

Food, beverage & other packaging increased by $3 mil., excluding the impact of translation, in line with GDP growth. Purchasing by our largest customers slowed during the fourth quarter on recession fears.

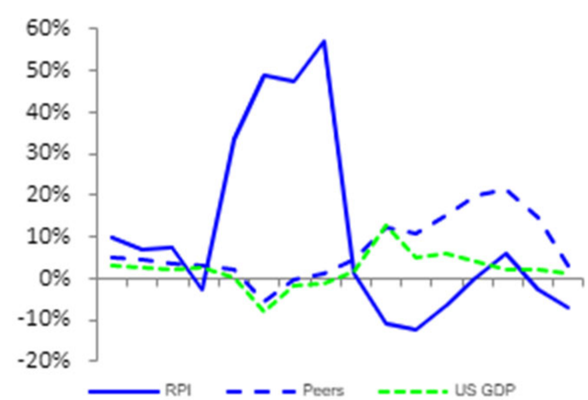
Revenue trend *($ thousands)*	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Total
2021	109,873	113,030	112,150	116,385	451,438
Organic growth………………..............	8,028	9,453	3,717	-1,310	19,888
	7.3%	*8.4%*	*3.3%*	*-1.1%*	*4.4%*
Coronavirus….................................	-6,668	-3,581	—	—	-10,249
Oversupply of pumps & sprayers....	—	—	-6,232	-7,109	-13,341
Foreign exchange….........................	-1,252	833	-596	175	-840
2022	**109,981**	**119,735**	**109,039**	**108,141**	**446,896**

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 shifted to government deficit spending and protectionism also impacted currency valuations and GDP growth.

Gross Domestic Product

In Canada, 2022 GDP grew quarterly at rates of 3.2%, 4.7%, 3.8% and 2.1%. The United States GDP grew 3.7%, 1.8%, 1.9% and 1.0% in each of the four quarters. We outperformed GDP and our peers in 2020 on the back of coronavirus revenues and the Clarion acquisition but have lagged behind in 2021 and 2022 mainly due to the oversupply in the pumps and sprayer markets.



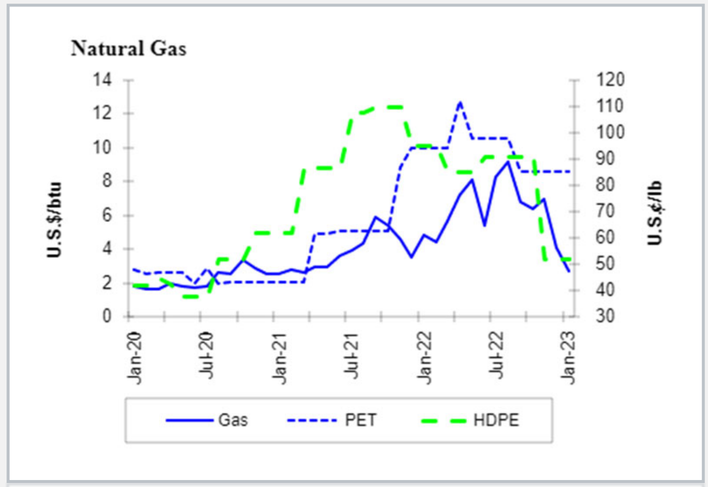
Interest Rates and Foreign Exchange

The US Federal Reserve and The Bank of Canada both have introduced interest rate increases, following significant accommodation, given recent inflationary pressures. Exchange rates averaged U.S./Cdn. $0.77 however a decrease in US denominated volumes has lead to a negative impact on both revenue and Adjusted EBITDA[1] in the year. Oil prices, after peaking at over $110 mid-year in 2022 fell back to opening year levels and exchange rates were between U.S./Cdn. $0.74-$0.79 for the year.

($ millions)	2019	2020	2021	2022
INTEREST RATES	*2.1%*	*1.5%*	*1.2%*	*3.4%*
Impact on Interest	—	(0.2)	(0.1)	1.5
F/X - U.S./Cdn.$	*0.75*	*0.74*	*0.80*	*0.77*
Impact on:				
Revenue	8.0	23.5	(31.5)	(0.8)
Adjusted EBITDA	1.5	9.9	(11.3)	(1.5)

Energy Prices

Energy prices are a major factor for the industry affecting glass furnace economics, resin costs and freight costs. In 2022, HDPE and PET resin prices came off their 2021 highs on demand shortages with some relief towards the end of the year as natural gas, their main feedstock also rose, then retreated on demand pressures.



FINANCIAL HIGHLIGHTS

The MD&A covers the three months ended March 31, June 30, September 30 and December 31, 2022 and 2021 (generally referred to in this MD&A as the "first, second, third or fourth quarter") and the 12 months ended December 31, 2022 and 2021 (generally referred to in this MD&A as the "year").

2022 results

- Revenue was down 1.0% due mainly to the 2.3% unwinding of the coronavirus impact, and the 3.0% lower sales of pumps and sprayers due to an oversupplied market being offset by growth in healthcare (3.7%) and food & beverage (0.6%),
- Adjusted EBITDA[1] decreased $6.8 mil., at 14.4% of revenue, on less fixed costs and product mix benefits associated with lower revenue levels and a reversal of $1.5 mil. currency translation gain,
- Current income taxes decreased $3.9 mil. mainly reflecting lower taxable earnings partially offset by tax recovery on unit redemptions in excess of paid up capital,
- Net income increased $43.1 mil., or $3.66 per Unit, due to $46.1 mil. lower contingent consideration for the Clarion acquisition and a mark-to-market gain on exchangeable shares ($1.5 mil.) due to a $18.36 reduction in the unit price (2021 $15.09 increase), partially offset by lower Adjusted EBITDA net of taxes ($2.9 mil.) and higher financial expenses ($1,5 mil.).,
- Assets decreased by $7.0 mil. mainly due to lower leases of $5.3 mil. Long-term financial liabilities increased by $37.2 mil. mainly reflecting the debt associated with the final payments for the Clarion acquisition,
- Working capital[5] was up by $15.4 mil. mainly on lower accounts payable as inventory to combat logistic disruptions was partially unwound during the fourth quarter,
- Cash balance of $5.4 mil. was accumulated to cover $4.5 mil. annual bonuses and working capital needs,
- Free cash flow[2] of $27.5 mil. was mainly used to pay a $7.9 mil. special distribution, repay $7.5 mil. in debt and invest in working capital, raising the leverage ratio by 0.6 to 0.9x,
- Distributable cash flow[2] down 28¢ to $3.73 per Unit yielding a payout ratio[3] of 35%, and
- Monthly regular distributions of 11¢ yield a 3.0% return (@$43.40/Unit Dec 31st). A special distribution of 38¢ per Unit will be paid in March 2023 yielding a 3.9% return.

2021 results:

- Revenue down 7.7%, due to 11.5% unwinding of the coronavirus impact and 6.4% translation loss with the U.S./Cdn. strengthening by 6¢ to 80¢, partially offset by 9% growth from Clarion,
- Net income decreased $48.1 mil., or $4.84 per Unit, mainly due to $47.7 mil. contingent consideration for the Clarion acquisition,
- Assets increased by $4.1 mil. and long-term financial liabilities decreased by $8.8 mil. mainly due to higher inventory and lower lease obligations,
- Free cash flow[2] of $31.2 mil. was used to purchase Units ($16.8 mil.) and release $9.1 mil. of the Clarion holdback,
- Distributable cash flow[2] decreases by $1.83 per Unit yielding a payout ratio[3] of 33%, and
- Monthly distributions of 11¢ and a special distribution of 69¢ per Unit yield a 3.3% return (@$61.76/Unit Dec. 31st).

($ thousands)	Calendar Year		
	2022	**2021**	**2020**
Income Statement Data:			
Revenue………………………....	**446,896**	451,438	489,235
Net income………………….....	**45,172**	2,068	50,143
Diluted per Unit[a)] …………….	*$3.29*	*-$0.37*	*$4.47*
Financial Position Data:			
Assets…………………………......	**349,891**	356,898	352,885
Long-term finacial liabilities……	**94,381**	57,193	65,995
Leverage[b)] ………………….	*0.9*	*0.3*	*0.2*
Cash Flow Statement Data:			
Distributions……………............	**22,951**	15,380	15,435
Diluted per Unit ……….......	*$1.32*	*$1.32*	*$1.32*
Payout ratio[3] ……………….	*35%*	*33%*	*23%*
Unit purchases………………..	—	16,796	—
Debt proceeds (repayments)….	**42,000**	**1,000**	**(9,000)**

a) anti-dilutive result reverts back to basic income per Unit
b) Revolving and Term debt/Adjusted EBITDA[1]

REVIEW OF OPERATIONS

Operations were 38% in the United States ("Richards US") and 62% in Canada ("Richards Canada"). Approximately 37% of sales are concentrated in Los Angeles, Sacramento, Memphis, Reno and Portland and 48% in Toronto, Montreal, Winnipeg and Vancouver.

Revenue decreased by $8.2 million, or 7.1%, for the fourth quarter (2021 $8.4 million), and by $4.5 million, or 1.0%, for the year (2021 $37.8 million), from the same periods in 2021, respectively. During the fourth quarter, revenue decreased on organic contraction of $8.2 million, or 7.2%, (2021 $4.1 million) mainly reflecting the oversupply in the pumps and sprayer market along with the translation impact of Richards US as the Canadian dollar weakened U.S./Can. 5.9¢ (2021 strengthened U.S./Can. 2.8¢). For the year, revenue decreased on organic contraction of $3.7 mil., or 0.8%, (2021 $6.3 million) along with the translation impact of Richards US $0.8 mil. as the rate depreciated 2.8¢ to U.S./Cdn. 77.1¢ (2021 $31.5 million).

Cost of sales (before amortization) decreased $4.1 million for the fourth quarter, or 4.4%, (2021 $1.8 million) and increased by $1.6 million for the year, or 0.4%, (2021 down $13.3 million) from the same periods in 2021, respectively. During the fourth quarter gross profit margins were down 2.3% (2021 3.9%) from the same period in 2021. For the year, gross profit margins were down 1.2% (2021 3.4%) due to product mix and fixed cost advantages lost on the lower 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.

($ thousands)	Qtr. 1		Qtr. 2		Qtr. 3		Qtr. 4		Calendar Year		
	2022	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2020**
Revenue	**109,981**	109,873	**119,735**	113,030	**109,039**	112,150	**108,141**	116,385	**446,896**	451,438	489,235
Cost of sales[a]	**88,032**	87,264	**94,726**	89,555	**88,567**	88,855	**88,763**	92,827	**360,088**	358,501	371,769
Gross profit	**21,949**	22,609	**25,009**	23,475	**20,472**	23,295	**19,378**	23,558	**86,808**	92,937	117,466
	20.0%	*20.6%*	*20.9%*	*20.8%*	*18.8%*	*20.8%*	*17.9%*	*20.2%*	*19.4%*	*20.6%*	*24.0%*
Administrative expenses	**5,433**	5,274	**5,489**	5,133	**5,470**	5,392	**4,871**	5,359	**21,263**	21,158	19,289
Foreign currency loss (gain)	**59**	223	**528**	(11)	**510**	263	**11**	66	**1,108**	541	(81)
Adjusted EBITDA[1]	**16,457**	17,112	**18,992**	18,353	**14,492**	17,640	**14,496**	18,133	**64,437**	71,238	98,258
	15.0%	*15.6%*	*15.9%*	*16.2%*	*13.3%*	*15.7%*	*13.4%*	*15.6%*	*14.4%*	*15.8%*	*20.1%*
Lease payments	**(2,123)**	(2,013)	**(2,094)**	(1,901)	**(2,225)**	(2,087)	**(2,251)**	(2,100)	**(8,693)**	(8,101)	(8,336)
Amortization	**3,082**	3,004	**3,102**	3,096	**3,141**	3,134	**3,062**	3,186	**12,387**	12,420	12,225
Contingent consideration	**1,631**	—	**—**	13,200	**—**	6,500	**—**	28,000	**1,631**	47,700	—
Exceptional items	**—**	—	**—**	—	**—**	—	**385**	—	**385**	—	1,118
Financial expenses	**1,327**	1,410	**1,687**	1,365	**1,924**	1,426	**2,130**	1,402	**7,068**	5,603	5,126
Exchangeable shares	**(4,593)**	(3,222)	**422**	(3,695)	**(3,158)**	800	**(241)**	(259)	**(7,570)**	(6,376)	15,085
Share of income - Vision	**(2)**	(19)	**(30)**	(16)	**(23)**	(25)	**(71)**	(52)	**(126)**	(112)	(104)
Income tax expense	**3,970**	3,855	**4,445**	4,641	**3,178**	3,965	**2,590**	5,575	**14,183**	18,036	23,001
Net Income	**13,165**	14,097	**11,460**	1,663	**11,655**	3,927	**8,892**	(17,619)	**45,172**	2,068	50,143

a) includes lease payments

Lease payments are required to adjust EBITDA[1] for bank covenant purposes and are higher against the same period in 2021 due to additions in Reno.

Administrative expenses (before amortization) decreased $0.5 million for the fourth quarter (2021 $0.7 million) and were flat for the year (2021 up $1.9 million), over the same periods in 2021, respectively mainly due to lower bonuses.

The foreign currency loss (gain) resulted from exchange rate changes applied to our U.S. denominated working capital position within our Canadian operations. The weakening of the Canadian dollar spot rate by 2.4¢ in the second quarter and 4.6¢ in the third quarter led to the losses.

Adjusted EBITDA[1] decreased $3.6 million for the fourth quarter (2021 $7.8 million) and $6.8 million for the year (2021 $27.0 million), over the same periods in 2021, respectively. The decrease during the fourth quarter reflected the lower volume and the U.S./Cdn. dollar translation on to lower earnings at Richards US while rates averaged U.S./Cdn. 74¢ (2021 U.S./Can. 79¢). For the year, the decrease was due to lower volumes and the 2.8¢ weaker Canadian dollar. As a percent of sales, Adjusted EBITDA was down 2.2% for the fourth quarter and 1.4% for the year (2021 4.3%).

Amortization of $3.1 million for the fourth quarter and $12.4 million for the year includes $0.6 million for the quarter and $2.7 million for the year for intangible assets, which represents a charge for customer relationships. The remaining amortization amounts for the fourth quarter consisted of plant and equipment depreciation of $0.5 million for the fourth quarter and $2.0 million for the year, which is approximately half our capital spending requirement and lease amortization of $2.0 million of the fourth quarter and $7.7 million for the year.

Exceptional items represent professional fees associated with a failed acquisition.

Financial expenses were up $0.7 million for the fourth quarter and $1.5 million for the year from the same periods in 2021 mainly due to higher interest rates.

For the year, taxes decreased $3.9 million as decreases of $8.0 million income subject to taxes were mainly offset by no unit redemptions in excess of paid up capital.

Net income for the fourth quarter was up $26.5 million and for the year $43.1 million, which represented $2.36 and $3.66 per Unit on a diluted basis, respectively. The 2022 time-weighted averages were 10,955,007 Units and 463,006 exchangeable shares outstanding.

Adjusted EBITDA[1] trend *($ thousands)*	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Total
2021	17,112	18,353	17,640	18,133	71,238
(% of revenue)	*15.6%*	*16.2%*	*15.7%*	*15.6%*	*15.8%*
Organic growth	2,007	2,363	(628)	(327)	3,415
Product mix	(2,105)	(1,492)	(865)	(1,783)	(6,245)
Fixed cost	—	—	(1,143)	(1,304)	(2,447)
Foreign exchange	(557)	(232)	(512)	(223)	(1,524)
2022	**16,457**	**18,992**	**14,492**	**14,496**	**64,437**
(% of revenue)	*15.0%*	*15.9%*	*13.3%*	*13.4%*	*14.4%*

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 $53.0 million drawn (2021 $nil drawn) or free cash flow.

Distributable cash flow[2] for the fourth quarter was down $1.6 million in comparison to the same period in 2021 due to decreased Adjusted EBITDA[1] of $3.6 million and $1.1 million higher interest partially offset by lower current income tax of $2.9 million. For the year, distributable cash flow decreased $4.1 million with lower Adjusted EBITDA of $6.8 million and $2.0 million higher interest being partially offset by lower current income tax of $3.9 million and $0.8 million lower maintenance capital.

The monthly distribution of 11¢ per Unit represents an annual yield of 3.0% on a $43.40 price per Unit at December 31, 2022 and a payout ratio[3] of 35% (2021 33%). Unitholder distributions and the exchangeable shareholders' dividends will be 76% eligible and 24% non-eligible dividends for tax purposes.

($ thousands)	Qtr. 1 2022	Qtr. 1 2021	Qtr. 2 2022	Qtr. 2 2021	Qtr. 3 2022	Qtr. 3 2021	Qtr. 4 2022	Qtr. 4 2021	Calendar Year 2022	Calendar Year 2021	Calendar Year 2020
Cash provided by operating activities.........	**6,303**	(1,202)	**11,130**	15,945	**3,857**	15,780	**21,862**	26,347	**43,152**	56,870	74,343
Leases..............................	**(2,123)**	(1,885)	**(2,094)**	(1,901)	**(2,225)**	(2,087)	**(1,866)**	(1,962)	**(8,308)**	(7,835)	(8,856)
Exceptional items................	—	—	—	—	—	—	**385**	—	**385**	—	1,118
Dividends - Vision.............	—	—	—	—	—	—	**(90)**	(90)	**(90)**	(90)	(75)
Working capital[5]................	**8,812**	17,465	**4,724**	(1,634)	**10,263**	(509)	**(8,393)**	(10,679)	**15,406**	4,643	6,538
Income tax payments...........	**3,465**	2,734	**5,232**	5,943	**2,597**	4,456	**2,598**	4,517	**13,892**	17,650	25,190
Adjusted EBITDA[1]	**16,457**	17,112	**18,992**	18,353	**14,492**	17,640	**14,496**	18,133	**64,437**	71,238	98,258
Interest [a]	**913**	933	**1,217**	887	**1,487**	912	**1,700**	626	**5,317**	3,358	3,194
Dividends - Vision.............	—	—	—	—	—	—	**(90)**	(90)	**(90)**	(90)	(75)
Current income tax............	**4,176**	4,099	**4,624**	4,893	**3,412**	4,188	**2,867**	5,805	**15,079**	18,985	24,157
Maintenance capital............	**310**	774	**275**	309	**308**	541	**624**	738	**1,517**	2,362	2,661
Distributable cash flow[2]	**11,058**	11,306	**12,876**	12,264	**9,285**	11,999	**9,395**	11,054	**42,614**	46,623	68,321
Diluted per Unit	*$0.97*	*$0.97*	*$1.13*	*$1.05*	*$0.79*	*$1.03*	*$0.82*	*$0.96*	*$3.73*	*$4.01*	*$5.84*
Regular distributions.......	**3,771**	3,860	**3,768**	3,856	**3,765**	3,848	**3,769**	3,816	**15,073**	15,380	15,435
Diluted per Unit	*33.1¢*	*33.1¢*	*33.0¢*	*33.0¢*	*33.0¢*	*33.0¢*	*33.0¢*	*33.2¢*	*$1.32*	*$1.32*	*$1.32*
Payout ratio[3]	*34%*	*34%*	*31%*	*31%*	*42%*	*32%*	*40%*	*35%*	*35%*	*33%*	*23%*
Free cash flow[2]	**7,287**	7,446	**9,108**	8,408	**5,520**	8,151	**5,626**	7,238	**27,541**	31,243	52,886
Special distribution	**7,878**								**7,878**		
Diluted per Unit	*69.0¢*								*.69¢*		
Total Payout ratio[3]	*105%*								*54%*		
Units outstanding *(average)*											
Diluted basis 000's	**11,418**	11,693	**11,418**	11,676	**11,418**	11,658	**11,418**	11,490	**11,418**	11,629	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 down for the fourth quarter by $4.5 million and for the year by $13.7 million over the same period in 2021. During the fourth quarter, the increase in profit from operations of $24.3 million was fully offset by $8.5 million of debt repayment $0.8 million higher financial expense and the $13.8 million purchase of Units in 2021. The changes in working capital[5] were mainly due to a decrease in inventory of $10.3 million and prepaid expenses of $1.3 million and higher accounts payable of $2.4 million. For the year, the decrease in profit from operations, net of contingent consideration, of $6.6 million, the $10.8 million increase in working capital, the special distribution of $7.9 million and the higher financial expenses of $1.9 million were partially offset by the $16.8 million repurchase of Units not repeating in 2022, the lower tax payments of $3.8 million and the $2.6 million borrowing in excess of the payment for the contingent consideration on the Clarion Acquisition. The changes in working capital include increases in accounts receivable ($5.7 million) and decreases in inventory ($6.9 million) and prepaid expenses ($3.4 million) offset by lower accounts payable ($20.0 million).

Free cash flow deployment

Regular and special distributions paid during the year were $15.1 million and $7.9 million respectively. The rapid sales growth in 2020 and supply disruptions in 2021 necessitated the investment in working capital. The payment of the contingent consideration associated with the Clarion acquisition was financed by a $49.5 million draw on our revolving debt. Debt repayment from free cash flow in 2022 was $7.5 (2021 $1.0 million).

($ millions)	2020	2021	2022
Free Cash Flow	52.9	**31.2**	**27.6**
Cash	0.4	**-0.3**	**-3.2**
Working capital[5]	6.6	**4.6**	**15.4**
Clarion acquisition	51.9	**9.1**	**49.5**
Unit Buyback/Special	—	**16.8**	**7.9**
Debt repayment (proceeds)	-6.0	**1.0**	**-42.0**

Normal Course Issuer Bid

On March 14, 2021, the Fund initiated a normal course issuer bid to purchase up to 500,000 Units prior to March 13, 2022 of which 275,000 Units were purchased during the bid period at an average purchase price of $61.08 per unit.

Current income taxes

The current income tax expense for the year was $15.1 million (2021 $19.0 million) which includes a $1.5 million recovery for refundable dividend tax partially offset by $0.7 million of Unit redemption cost in excess of paid up capital and $0.8 million for withholding taxes.

Capital expenditures

The Clarion acquisition on May 31st, 2020 was for $49.9 mil. net of a $10.5 mil. holdback. During the 2022 year, $49.5 mil. contingent consideration was paid. During the 2021 year, $8.5 mil. of the holdback was paid (2021 – $8.5 million) and $0.6 million for lower income tax.

Capital expenditures for the year were $1.5 million (2021 $2.4 million), all on account of maintenance capital and were mainly comprised of leasehold improvements ($0.1 million), the refurbishment of moulds ($0.1 million) and manufacturing ($0.1 million), computer ($0.7 million) and warehouse equipment ($0.5 million).

Financing activities and instruments

Free cash flow for the year was mainly used to fund the special distribution, invest in working capital 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 to combat supply disruptions.

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 is being deferred and amortized over the term of the facilities. The term facility of $12,000 [2021 $23,000] bears interest at the bankers' acceptance borrowing rate plus a margin of 0.95% to 1.7%. The revolving credit facility of $65,000 [2021 $65,000], was $53,000 drawn [2021 undrawn] and is available for working capital and future acquisitions, 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.

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, 2022, our leverage ratio was 0.9x (2021 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

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 shareholders of $1.0 mil. is on demand. Lease obligations include $4.4 mil. of interest that will be recognized over the lease terms.

($ millions)	Total	< 1 yr.	< 3 yrs.	< 5 yrs.	Beyond
Bank debt	65.0		65.0		
Exchangeable shares	19.9	19.9			
Previous shareholder	1.1	1.1			
Annual bonus plans	4.5	4.5			
Lease obligations [a)]	40.8	8.2	13.5	11.5	7.6
	131.3	33.7	78.5	11.5	7.6

[a)] *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 2023.

First quarter revenue is expected to be flat as the drag from the oversupply in the pumps and sprayers market is offset by exchange translation impact at U.S./Cdn. $0.74 vs. $0.79 over the same period in 2022. The sensitivity for every 1¢ movement in exchange rates to revenue is $0.6 million and to Adjusted EBITDA[1] is $0.07 million.

At the current price of $38/Unit the mark-to-market gain on exchangeable units would be $3 million. The sensitivity for every $1 movement in unit price is $0.46 million.

Maintenance capital will continue to be funded by cash flow from operations and is expected to be $1.5 million in 2023. 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 eligible and non-eligible dividends to be paid to Unitholders in 2023. Distributable cash flow[2] sensitivity to foreign currency fluctuations is $0.05 million for every U.S./Cdn. 1¢ movement. For 2023, surplus distributable cash is expected to be deployed to pay down debt.

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, logistics disruptions, 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 2022 Annual Information Form dated March 7, 2023.

TRANSACTIONS WITH RELATED PARTIES

Three facilities were leased in 2022 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 7, 2023, the Fund had 10,955,007 Units and Holdings had 463,006 exchangeable shares outstanding, respectively. See note 16 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, 2022 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, historical collection experience and forward-looking information. Based on this review along with the collection of $2.4 million of over 90 days past due accounts subsequent to year end, management believes the expected credit losses as at December 31, 20222 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 $0.9 million recognition of expense through inventory write down for the year (2021 $5.8 million). Based upon this review, management believes the obsolescence provision is adequate to cover risks inherent in inventory on hand as at December 31, 2022.

Intangible Assets

Intangible assets have been recognized in connection with various acquisitions valued at $15.0 million as of December 31, 2022 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 $4.2 million future income tax liability as at December 31, 2022 will be amortized to income over 10 to 15 years from the dates of acquisition. In addition, trademark intangible assets of $11.6 million and an associated $3.0 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 $43.40 as at December 31, 2022 (2021$61.76), 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 3% 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 President and 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, 2022 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, 2022 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.

1. *Management defines Adjusted EBITDA as net income before amortization excluding leases, contingent consideration, 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 interest excluding leases, 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.*

5. *Management defines working capital to be current assets (less cash) 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.*