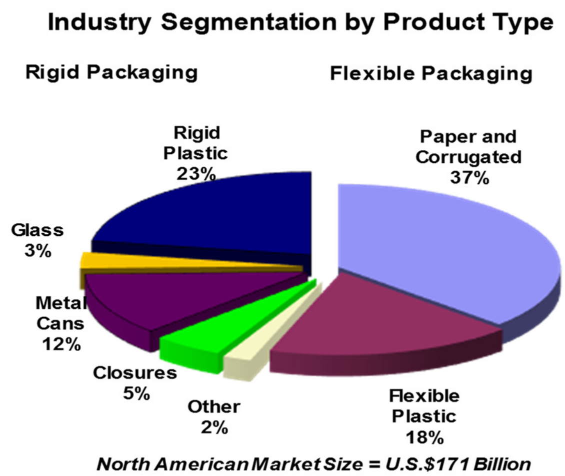
MANAGEMENT'S DISCUSSION AND ANALYSIS

March 6, 2019

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, 2018, the annual statements for the year ended December 31, 2017, the quarterly reports for the periods ended March 31, June 30 and September 30, 2018 and the Annual Information Form dated March 6, 2019. Results are reported in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards on a consistent basis with the annual financial statements.

North American Packaging Industry

Packaging is pervasive, as almost all products are delivered in some form of packaging. The properties of packaging fulfils not only the practical, transportability, protection functions and shelf life, but also serves to differentiate products and communicate branding messages such as quality, safety and consumer satisfaction. The latest ergonomically complex packaging components' design reflects significant investment in market research and product development. To meet the needs of this changing marketplace, the packaging industry has segmented into different product types outlined in the adjacent chart. North American markets overperformed in 2018 up 12% on European acquisitions.



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 2018, there were over 248 acquisitions in the global packaging industry, down from the 307 acquisitions in 2017 at a median multiple of 10.5 times Adjusted EBITDA[1] (2017 8.9x). During 2018, the top 20 companies continued to spend on capital at the cautious rate of 5% of revenue. At the same time, excess capacity is continually being addressed with divestitures by conglomerates. Financing structures in place at most packaging companies are similar to that of an income trust, with significant use of debt priced anywhere from 3% to 6% and free cash flow[2] at 4%, which ensures that a disciplined approach to passing cost increases through will remain in place. Clear evidence is that for the top 20 companies, their Adjusted EBITDA as defined within the packaging industry as a percent of sales has remained at a healthy 15% overall for 2018.

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 Inc. and its subsidiaries ("Richards Packaging") are the largest packaging distributor in Canada and the third largest in North America. Other distributors consist mainly of local or regional family-owned companies who specialize to meet the unique needs of their customers.

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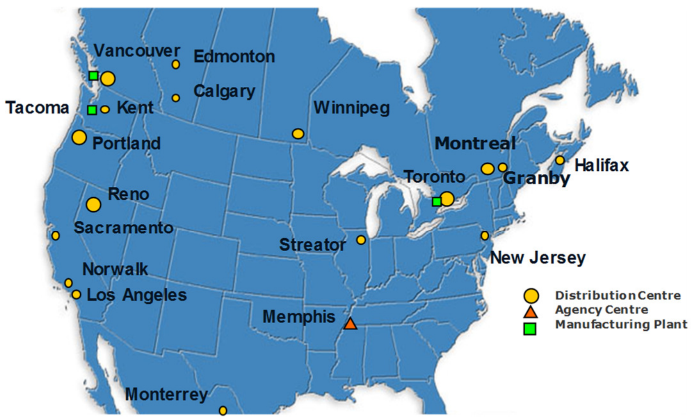
March 6, 2019

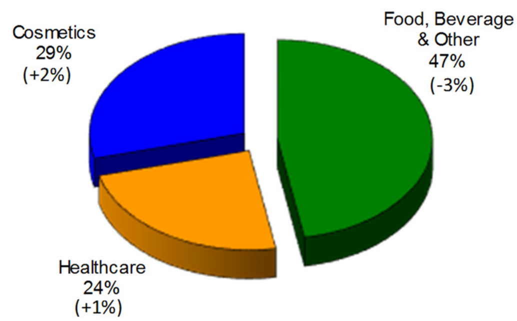
Description of the Business

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 of which 2% has subsequently been converted to units.

Richards Packaging Locations



Revenue Categories



( ) represents change over 2017

Richards Packaging serves a wide customer base that is comprised of approximately 14,200 regional cosmetics, healthcare, food, beverage and other companies. The primary source of revenue is from the distribution of over 5,800 different types of packaging containers and related components sourced from over 850 suppliers and its three dedicated manufacturing facilities. Sales from these manufacturing facilities represent 9% of the total revenues (2017 10%). In addition to providing its customers with a wide range of packaging solutions, Richards Packaging provides design and development services and comprehensive logistics management through 17 sales offices and one agency location.

The cornerstones of Richards Packaging's strategy include:

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

(% change)	Qtr.1	Qtr.2	Qtr.3	Qtr.4	2018
Revenue disaggregation					
Cosmetics............................	5.0%	7.1%	12.1%	18.7%	12.7%
Heathcare............................	1.8%	13.8%	10.0%	14.0%	9.9%
Food, beverage & other............	5.5%	0.3%	2.1%	1.9%	1.5%
Exchange translation................	(1.5%)	(1.4%)	3.9%	3.7%	1.1%
Weighted average growth...........	2.3%	3.3%	10.7%	12.9%	7.2%

Cosmetics continues to experience the largest increases at $3.5 million for the fourth quarter and $7.9 million for the year from the same periods in 2017, excluding the impact of translation. Existing large customers grew by $2.5 million or 13.0% and $3.9 million or 8.0% and new customers were up $0.6 million or 3.0% and $2.2 million or 2.8% for the fourth quarter and year, respectively. Management believes this was due to large customer purchasing activity ahead of announced China tariffs by the US[4]. The remaining increases of $0.4 million or 2.6% for the fourth quarter and $1.8 million or 1.9% for the year, respectively represents normal activity across the Cosmetics customer base.

Healthcare increased $2.6 million for the fourth quarter and $6.9 million for the year from the same periods in 2017 due to a supplier acquiring its competitor at the end of the first quarter of 2018 bringing incremental sales of $1.0 million or 5.6% and $2.9 million or 4.0%, respectively. The remaining increase of 8.4% for the fourth quarter includes 2.3% from the sale of capital goods and the remaining increases represent normal activity across the Healthcare customer base. Backlog created a shift in sales from the first quarter resulting in an additional 3.5% growth in the second quarter.

Food, beverage and other increased by $0.6 million for the fourth quarter and $3.3 million for the year from the same periods in 2017 excluding the impact of translation and were in line with GDP growth. Early shipments in the first quarter led to a 2% lower growth rate in the second quarter.

During 2018, management continued to strategically reposition Richards Packaging in the marketplace to optimize the concentration of large customers and focus on customers with the highest value for the unique product offering and services we provide. The concentration of our top 60 customers increased in 2018 by $12 million (2017 $10 million) while growth in small customers was $9 million (2017 minimal).

Changes in Financial Markets

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

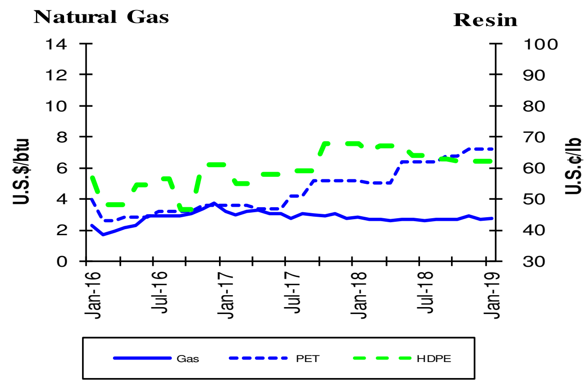
Interest Rates and Foreign Exchange

Interest rates increased during the year by 0.7% resulting in short term BA's at 2.1% by year end (2017 1.4%). The US Federal Reserve and The Bank of Canada are currently on pause given recent economic uncertainty. Exchange rates averaged U.S./Cdn. $0.77 leading to a positive impact on both revenue and Adjusted EBITDA[1] of $3.4 million and $0.9 million, respectively in the year as US denominated volumes grew. Volatility continued with the downward slide in oil prices in the back half of 2018 and the exchange rates dropping to U.S./Cdn. $0.73 by year end.

($ millions)	**2016**	**2017**	**2018**
INTEREST RATES	*0.9%*	*1.4%*	***2.1%***
Impact on Interest	(0.1)	(0.1)	(0.2)
F/X - U.S./Cdn.$	*0.75*	***0.77***	***0.77***
Impact on:			
Revenue	6.3	**(0.4)**	**3.4**
Adjusted EBITDA	0.8	**(0.3)**	**0.9**

Energy Prices

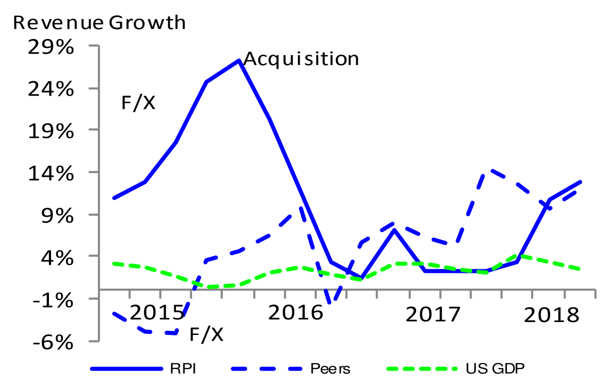
Energy prices are a major factor for the industry affecting glass furnace economics, resin costs and freight costs. In 2018, HDPE and PET resin prices began to diverge from natural gas, their main feedstock, on supply disruptions with prices stabilizing towards the end of the year.



PET – Polyethylene terephthalate; HDPE – High Density Polyethylene

Gross Domestic Product

In Canada, GDP grew 1.2% in the first quarter, 2.4% in the second quarter, 2.0% in the third and only 0.4% for the fourth quarter. The United States GDP grew 2.2%, 4.2%, 3.4% and 2.6% in each of the respective quarters. Our US operations outpaced the United States' pattern, however our Canadian operations underperformed in Canada as most of the GDP growth was due to reflating oil prices and a runaway real estate market. For 2018 the industry outperformed GDP on acquisitions while we achieved superior results organically in Cosmetics and Healthcare.



Financial Highlights

The MD&A covers the three months ending March 31, June 30, September 30 and December 31, 2018 and 2017 (generally referred to in this MD&A as the "first, second, third or fourth quarter") and the 12 months ended December 31, 2018 and 2017 (generally referred to in this MD&A as the "year").

Richards Packaging Income Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 6, 2019

The 2018 year results

- Revenue up 7.2% due to 6.1% organic growth in addition to 1.1% from U.S./Cdn. currency translation,
- Adjusted EBITDA[1] up $5.4 mil. or 13.3%; foreign currency translation contributed $0.9 mil.,
- Current income taxes down $1.1 mil. mainly due to savings of $1.2 million associated with a lower foreign exchange gain on intercompany refinancing and $1.9 mil. due to savings from US tax reform offset by the $1.5 mil. impact of higher taxable income,
- Net income up $7.5 mil. due primarily to higher Adjusted EBITDA and $2.1 mil. in lower mark-to-market losses on exchangeable shares,
- Assets increase of $21.2 mil. due to an increase of $11.9 mil. in inventory, $5.2 mil. in receivables, $1.8 mil. in prepaids and $2.3 mil. in intangibles assets and goodwill,
- Cash balance of $6.2 mil. was accumulated to settle income tax payable, annual bonuses and working capital,
- Term debt repayments of $6.0 mil., leverage down 0.2x,
- Monthly distributions of 11¢ per Unit to yield a 3.8% return (@$35.00/Unit Dec 31st), and
- Distributable cash flow[2] increased by 50¢ to $2.52 per Unit yielding a payout ratio[3] of 53%, free cash flow[2] increased $5.1 mil. or 44¢ to $1.19 per Unit.

($ thousands)	**Calendar Year**		
	2018	**2017**	**2016**
Income Statement Data:			
Revenue....................	**318,058**	296,580	286,960
Net income................	**24,120**	16,640	7,904
Diluted per Unit c)	*$2.21*	*$1.53*	*$0.73*
Financial Position Data:			
Assets......................	**212,973**	191,784	205,481
Term debt..................	**27,441**	33,440	41,854
Leverage b)	*0.6*	*0.8*	*1.1*
Cash Flow Statement Data:			
Distributions a)	**15,564**	14,986	12,536
Diluted per Unit	*$1.33*	*$1.28*	*$1.07*
Payout ratio 3	*53%*	*63%*	*53%*
Debt repayments..........	**6,000**	8,500	5,000

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

The 2017 year results

- Revenue up 3.4% due to 3.5% organic growth offset by 0.1% from a 1.6¢ appreciation in U.S./Cdn.,
- Net income up $8.7 mil. due primarily to the absence of $8.4 mil. contingent consideration for the Healthmark acquisition and $2.8 mil. of higher Adjusted EBITDA[1] offset by $2.2 mil. in taxes due to the intercompany refinancing,
- Assets decrease of $13.7 mil. mainly due to decreases in receivables ($3.6 mil.), cash ($6.4 mil.) intangible assets and goodwill ($5.3 mil.) offset by an increase in inventory ($1.0 mil.),
- Term debt repayments of $8.5 mil., leverage down 0.3x and
- Monthly distributions increased 1.65¢ per Unit in March 2017 to yield a 4.2% return (@$31.17/Unit Dec 31st).

Review of Operations

Operations were 55% in the United States ("Richards Packaging US") and 45% in Canada. Approximately forty percent of sales are concentrated in Los Angeles, Reno and Portland and 40% in Toronto, Montreal, Winnipeg and Vancouver.

Revenue increased by $9.4 million, or 12.9% for the fourth quarter (2017 $1.7 million, or 2.4%), and by $21.5 million, or 7.2% for the year, (2017 $9.6 million, or 3.4%), from the same periods in 2017, respectively. During the fourth quarter, revenue increased on organic growth of $6.7 million, or 9.2%, (2017 $2.5 million, or 3.5%) slightly ahead of industry norms with an additional $2.7 million, or 3.7% on the translation impact of Richards Packaging US, with the Canadian dollar depreciating 2.9¢ to U.S./Cdn. $0.76 (2017 -$0.8 million). For the year, the revenue increase was due to organic growth of $18.1 million, or 6.1%, (2017 $10.0 million, or 3.5%) in addition to $3.4 million, or 1.1% on the translation impact of Richards Packaging US while the rate held at U.S./Cdn. $0.77 (2017 -$0.4 million).

($ thousands)	**Qtr. 1**		**Qtr. 2**		**Qtr. 3**		**Qtr. 4**		**Calendar Year**		
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2016**
Revenue	**74,587**	72,902	**80,273**	77,701	**81,413**	73,546	**81,785**	72,431	**318,058**	296,580	286,960
Cost of sales	**60,730**	60,232	**65,471**	63,952	**66,492**	60,480	**66,764**	59,268	**259,457**	243,932	237,463
Gross profit	**13,857**	12,670	**14,802**	13,749	**14,921**	13,066	**15,021**	13,163	**58,601**	52,648	49,497
	18.6%	*17.4%*	*18.4%*	*17.7%*	*18.3%*	*17.8%*	*18.4%*	*18.2%*	*18.4%*	*17.8%*	*17.2%*
Administrative expenses	**2,990**	2,893	**3,056**	3,098	**3,074**	3,054	**3,331**	3,158	**12,451**	12,203	11,602
Foreign currency loss (gain)	**35**	43	**52**	95	**(29)**	92	**133**	(345)	**191**	(115)	134
Adjusted EBITDA[1]	**10,832**	9,734	**11,694**	10,556	**11,876**	9,920	**11,557**	10,350	**45,959**	40,560	37,761
	14.5%	*13.4%*	*14.6%*	*13.6%*	*14.6%*	*13.5%*	*14.1%*	*14.3%*	*14.4%*	*13.7%*	*13.2%*
Amortization	**782**	942	**795**	949	**823**	943	**900**	478	**3,300**	3,312	3,931
Financial expenses	**545**	501	**586**	558	**595**	661	**597**	586	**2,323**	2,306	2,548
Exceptional gains	—	—	—	—	—	—	—	—	—	—	(1,014)
Contingent consideration	—	83	—	—	—	—	—	—	—	83	8,439
Exchangeable shares	**869**	1,375	**4,986**	3,438	**2,129**	(894)	**(3,732)**	2,438	**4,252**	6,357	5,875
Share of income - Vision	**14**	(5)	**(6)**	(35)	**(16)**	1	**7**	34	**(1)**	(5)	(78)
Income tax expense	**2,517**	2,554	**2,763**	2,675	**2,876**	4,019	**3,809**	2,619	**11,965**	11,867	10,156
Net Income	**6,105**	4,284	**2,570**	2,971	**5,469**	5,190	**9,976**	4,195	**24,120**	16,640	7,904

Cost of products sold (before amortization) increased $7.5 million for the fourth quarter or 12.6% (2017 $0.6 million, or 1.0%) and increased by $15.5 million for the year, or 6.4% (2017 $6.5 million, or 2.7%) from the same periods in 2017, respectively. During the fourth quarter gross profit margins were up slightly by 0.2% (2017 1.1%) from the same period in 2017, primarily due to the increased volumes and more favourable product mix. For the year, gross profit margins were up 0.6% (2017 0.6%) also on more favourable product mix. 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.

Administrative expenses (before amortization) increased $0.2 million for the fourth quarter (2017 $0.3 million) and for the year (2017 $0.6 million), over the same periods in 2017, respectively mainly due to inflation and the translation impact of expenses of Richards Packaging US.

The foreign currency loss resulted from exchange rate changes applied to our U.S. denominated working capital position within our Canadian operations. The net liability position, which increased in the fourth quarter led to a loss with the weakening of the Canadian dollar to 73¢ at year end (2017 increase to 80¢).

Adjusted EBITDA[1] increased $1.2 million for the fourth quarter (2017 $1.0 million) and $5.4 million for the year (2017 $2.8 million), over the same periods in 2017, respectively. For the year, the U.S./Cdn. dollar translation impact resulted in an increase to Adjusted EBITDA of $0.9 million (2017 -$0.3 million) due to higher earnings at Richards US while rates averaged U.S./Cdn.$77 for both years. As a percent of sales, Adjusted EBITDA was down 0.2% for the fourth quarter and was up 0.7% for the year (2017 0.5%).

Amortization of $0.9 million for the fourth quarter and $3.3 million for the year was mainly comprised of $0.4 million for the quarter and $1.8 million for the year for intangible assets, which represents a charge for customer relationships. Patents were fully amortized by the third quarter of 2017. The remaining amortization amounts consisted of plant and equipment depreciation of $0.5 million for the fourth quarter and $1.5 million for the year, which is approximately equal to the annual capital expenditure spending requirement.

Financial expenses were flat for the fourth quarter and for the year from the same periods in 2017, with lower term debt outstanding offsetting the 0.7% increase in interest rates.

Exchangeable shares include the mark-to-market loss and the dividends paid on the exchangeable shares. The mark-to-market loss for the year reflects a unit price increase during the year of $3.83 to $35.00 per Unit ($4.3 million) in addition to the monthly dividend on the exchangeable shares ($0.1 million) which was increased in March 2017 by 1.65¢ per Unit to 11¢ per Unit. Unit prices increased by $0.72, $5.90 and $2.26 for the first, second and third quarters respectively and decreased by $5.05 for the fourth quarter.

For the year, taxes increased $0.1 million as current taxes decreased $1.1 million on the lower foreign exchange capital gain triggered by the intercompany refinancing during the fourth quarter (2017 third quarter $2.2 million) offset by lower deferred tax income of $1.2 million as 2018 doesn't include the impact of the rate decrease from US tax reform announced in late 2017. Deferred tax was lower due to $0.5 million of customer relationships, $0.4 million of patents and trademarks and $0.2 million of plant and equipment.

Net income for the fourth quarter was up $5.8 million and for the year was up $7.5 million, which represented $0.14 and $0.68 per Unit on a diluted basis, respectively. A time-weighted average total of 10,893,365 Units and 799,648 exchangeable shares, exchangeable into Units on a one-for-one basis, were outstanding in 2018.

Distributable Cash Flow

The distributable cash flow[2] definition excludes changes in working capital and capital expenditures for expansion of the business, as they are necessary to drive organic growth and are expected to be financed by a $5.0 million revolving facility currently undrawn (2017 $nil drawn).

Distributable cash flow[2] for the fourth quarter was up $0.7 million in comparison to the same period in 2017 as higher Adjusted EBITDA[1] of $1.2 million was offset by higher current income tax of $0.3 million and maintenance capital of $0.2 million. For the year, distributable cash flow increased $5.7 million with higher Adjusted EBITDA of $5.4 million and lower taxes of $1.1 million were offset by $0.8 million of higher maintenance capital.

The monthly distribution of 11¢ per Unit represents an annual yield of 3.8% on a $35.00 price per Unit at December 31, 2018 and a payout ratio[3] of 53% (2017 63%). Based upon the year, $6.0 million, or 42%, of the distributions will represent capital dividends and 58% return of capital to Unitholders while the exchangeable shareholders' dividends will be fully taxable.

($ thousands)	Qtr. 1		Qtr. 2		Qtr. 3		Qtr. 4		Calendar Year		
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2016**
Cash provided by											
operating activities........	**3,109**	10,779	**6,219**	3,292	**5,374**	5,475	**10,154**	11,626	**24,856**	31,172	34,621
Dividends - Vision............	**—**	—	**—**	—	**—**	—	**(20)**	—	**(20)**	—	(50)
Exceptional gains..............	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	(1,014)
Changes in non-cash											
working capital..............	**3,795**	(3,310)	**1,152**	2,512	**3,532**	2,238	**(1,534)**	(3,507)	**6,945**	(2,067)	(6,270)
Income tax payments..........	**3,928**	2,265	**4,323**	4,752	**2,970**	2,207	**2,957**	2,231	**14,178**	11,455	10,474
Adjusted EBITDA[1]	**10,832**	9,734	**11,694**	10,556	**11,876**	9,920	**11,557**	10,350	**45,959**	40,560	37,761
Interest [a)]	**545**	501	**545**	534	**561**	661	**672**	610	**2,323**	2,306	2,548
Dividends - Vision............	**—**	—	**—**	—	**—**	—	**(20)**	—	**(20)**	—	(50)
Current income tax...........	**2,654**	2,739	**2,921**	2,923	**2,852**	4,149	**3,854**	3,562	**12,281**	13,373	10,971
Maintenance capital..........	**292**	272	**406**	278	**756**	302	**496**	288	**1,950**	1,140	643
Distributable cash flow[2] ..	**7,341**	6,222	**7,822**	6,821	**7,707**	4,808	**6,555**	5,890	**29,425**	23,741	23,649
Diluted per Unit	*62.8¢*	*53.2¢*	*66.9¢*	*58.3¢*	*65.9¢*	*41.1¢*	*56.1¢*	*50.4¢*	*$2.52*	*$2.03*	*$2.02*
Distributions................	**3,887**	3,311	**3,892**	3,897	**3,893**	3,886	**3,892**	3,892	**15,564**	14,986	12,536
Diluted per Unit	*33.3¢*	*28.4¢*	*33.3¢*	*33.3¢*	*33.3¢*	*33.2¢*	*33.3¢*	*33.3¢*	*$1.33*	*$1.28*	*$1.07*
Payout ratio [3]	*53%*	*53%*	*50%*	*57%*	*51%*	*81%*	*59%*	*66%*	*53%*	*63%*	*53%*
Free cash flow[2]	**3,454**	2,911	**3,930**	2,924	**3,814**	922	**2,663**	1,998	**13,861**	8,755	11,113
Units outstanding *(average)*											
Diluted basis 000's	**11,693**	11,693	**11,693**	11,693	**11,693**	11,693	**11,693**	11,693	**11,693**	11,693	11,693

a) financial expenses less bank refinancing fees

Liquidity and Financing

Cash flows from operating activities

Cash flows from operating activities were down for the fourth quarter by $1.5 million and for the year by $6.3 million over the same period in 2017. During the fourth quarter the $1.2 million increase in profit from operations was fully offset by lower changes in non-cash working capital of $2.0 million and higher income tax payments $0.7 million. The changes in non-cash working capital was mainly of $1.7 million accounts payable. For the year, cash flows from operating activities decreased $6.3 million over 2017 due to a $5.4 million increase in profit from operations offset by changes in non-cash working capital of $9.0 million and higher tax payments of $2.7 million. The changes in non-cash working capital include increases in accounts receivable ($6.4 million) in inventory ($5.9 million) and prepaid expenses ($1.0 million) offset by higher accounts payable ($4.3 million). The distributions exceeded cash flow from operations during the first quarter due to the $2.2 million taxes paid on the intercompany refinancing that cash had been set aside for at the end of the 2017 year. The same situation occurred during the second quarter of 2017 when $1.6 million of taxes were carried over from the first quarter with cash set aside at March 31st to cover the payment.

Free Cash Flow Deployment

The financial structure of the Fund allows for maximum distributions of cash flow from operations to the Unitholders and exchangeable shareholders as outlined above in the distributable cash discussion. Actual distributions paid during the year were $15.6 million with an additional $1.3 million declared for December, which was paid January 14th. The rapid sales growth in 2018 necessitated the investment in working capital.

($ millions)	**2016**	**2017**	**2018**
Free Cash Flow	11.1	8.8	**13.9**
Cash	0.8	1.9	**0.9**
Non-cash working capital	(6.3)	(2.1)	**6.9**
Healthmark acquisition	10.4	—	**—**
Expansion Capex	0.9	0.5	**0.1**
Unit Buyback	0.3	—	—
Debt Repayment	5.0	8.5	**6.0**

Normal Course Issuer Bid

On March 14, 2018, the Fund initiated a normal course issuer bid to purchase up to 500,000 Units prior to March 13, 2019. No units were purchased during the bid period. On March 14, 2019, the Fund will reinstate a normal course issuer bid to purchase up to 500,000 Units prior to March 13, 2020.

Current income taxes

The current income tax expense for the year was $12.3 million (2017 $13.4 million) and includes $1.1 million of taxes in connection with the gain on the refinancing of intercompany debt (2017 $2.2 million). The associated refundable dividend tax of $0.7 million was not recorded as it will only be realized on payment of future dividends. Future withholding taxes will be negligible as Management intends to repatriate funds from Richards US by way of repayment of intercompany financing.

Capital expenditures

Capital expenditures for the year were $2.1 million (2017 $1.6 million), of which $0.1 million (2017 $0.5 million) was on account of expansion capital primarily for the addition of moulds for new customer programs. Maintenance capital expenditures of $2.0 million (2017 $1.1 million) were mainly comprised of the refurbishment of moulds and $0.5 million for the installation of a high productivity warehousing solution.

Acquisition

At December 31, 2016, Richards Packaging had accrued contingent consideration of $10,439 payable to the previous shareholders in connection with the acquisition of Healthmark Services Ltd. and had $97 due from the previous shareholders. Final adjustments in 2017 resulted in additional consideration of $83 reflected in the Statement of income and on March 31, 2017, $10,425 was paid as a net settlement.

Financing activities and instruments

Free cash flow for the year was deployed to pay down debt and invest in expansion capital. The lower leverage continues to keep bank margining down and future debt reductions will provide financing flexibility for our ongoing acquisition program. The remaining free cash flow is more permanent in nature due to our distribution policy and is used to fund working capital for organic growth.

Credit facilities include a $27.5 million term loan (2017 $33.5 million) with maturity on September 30, 2021 and up to $5.0 million in revolving debt to fund working capital expansion. The term loan facility bears interest at BA's plus a premium of 1.15% to 1.80% or at the prime rate plus a premium of 0.15% to 0.80%. Term debt of $6.0 million was repaid in the year (2017 $8.5 million) with free cash flow[2].

On September 30, 2018, the term and revolving credit facilities were extended to September 30, 2021 on the same terms and conditions at a cost of $0.1 million in associated fees. On July 31, 2017, Richards Packaging Canada refinanced the US denominated intercompany notes with maturity on July 31, 2022. On December 31, 2018, due to changes in US tax laws, Richards Packaging Canada refinanced those notes with maturity on December 31, 2021.

The credit facilities are subject to a number of covenants including the leverage ratio which was to maintain debt less than 2.75 times the trailing twelve months Adjusted EBITDA[1]. As at December 31, 2018, our leverage ratio was 0.6x (2017 0.8x). Combined with cash flow from operations, management believes that adequate financing will be available for the foreseeable future[4].

Commitments and contractual obligations

In 2018, bank debt dropped by $6.0 million on repayments over 2017. Although the obligation to previous shareholder is on demand, the timing of the payment remains uncertain. The exchangeable shares are redeemable and are retractable by the shareholders at any time and will be paid in Units on a one-for-one basis.

($ millions)	**Total**	**< 1 yr.**	**< 3 yrs.**	**< 5 yrs.**	**Beyond**
Bank debt	27.5		27.5		
Exchangeable shares	27.9	27.9			
Previous shareholder	1.1	1.1			
Annual bonus plans	1.7	1.7			
Operating leases	24.3	7.0	9.7	5.5	2.1
	82.5	37.7	37.2	5.5	2.1

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 2019 until there is further clarity on the status of China tariffs.

For the first quarter of 2019, exchange translation at the current exchange rate of U.S./Cdn. $0.76 has weakened 3¢ over the same period in 2018. The sensitivity for every 1¢ movement in exchange rates to revenue is $0.5 million and to Adjusted EBITDA[1] is $0.05 million. Also, of the $12 million large customer revenue increase in 2018, $2 million has reversed in January and February of 2019 associated with the $4.0 million purchasing activity ahead of announced China tariffs by our US customers.

Maintenance capital will continue to be funded by cash flow from operations and is expected to be $2.0 million in 2019 half of which is to fund system upgrades. Expansion capital is expected to be in the order of $1 to $2 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 capital dividends of $2.5 million and return of capital to Unitholders in 2019. Distributable cash flow[2] sensitivity to foreign currency fluctuations is $0.03 million for every U.S./Cdn. 1¢ movement. For 2019, surplus distributable cash is expected to be deployed to pay down debt, purchase units opportunistically under the normal course issuer bid and/or fund acquisitions.

Risks and Uncertainties

Business risks

Investment in Units involves risks inherent in the ordinary course of business including: changes in China tariff rates, 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 2018 Annual Information Form dated March 6, 2019.

Liquidity Risk

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

Transactions with Related Parties

Three facilities were leased in 2018 from Tim McKernan, a resident of Nevada, USA and officer of Richards Packaging. Richards Packaging utilizes all of the production capability of Vision Plastics Inc., of which 50% is owned by Tom Simmons, the plant manager and resident of British Columbia, Canada and 50% by Richards Packaging. All related party transactions are at rates that would be charged by arms-length parties.

Outstanding Share Data

At March 6, 2019, the Fund had 10,893,365 Units and Holdings had 799,648 exchangeable shares outstanding, respectively. See note 17 of the attached consolidated financial statements for further discussion on the terms of the Units and exchangeable shares.

Critical Accounting Estimates

Preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions which affect the amounts reported and disclosure of contingent amounts for assets and liabilities as at

December 31, 2018 and revenue and expenses for the year then ended. Critical accounting estimates used in preparation of the consolidated financial statements are outlined below.

Allowance for doubtful accounts

An allowance for doubtful accounts is reviewed using an expected credit loss model. The simplified approach is used to assess the expected lifetime credit losses on trade receivables and is supplemented with an account-by-account analysis with a focus on the creditworthiness, aging and historical collection experience. Based on this review, management believes the allowance as at December 31, 2018 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. Management's analysis resulted in a $1.4 million recognition of expense through inventory write down for the year (2017 $2.1 million). Based upon this review, management believes the obsolescence provision is adequate to cover risks inherent in inventory on hand as at December 31, 2018.

Intangible assets

Intangible assets have been recognized in connection with various acquisitions valued at $9.3 million as of December 31, 2018 pertaining to the future customer relationships. The basis of valuation assumed that the margin percent would remain constant and the duration of these relationships would be impacted by a retention rate of approximately 90% per year. The customer relationship intangible and associated $2.6 million future income tax liability as at December 31, 2018 will be amortized to income over 10 to 15 years from the date of acquisition. In addition, trademark intangible assets of $4.3 million and an associated $1.2 million future income tax liability have been recorded. Although previously recognized customer relationship intangible assets affect net income, they do not impact distributable cash flow[2].

Goodwill

Goodwill represents the excess purchase price of acquired businesses over the estimated fair value of the net assets acquired. Goodwill is not amortized but is reviewed for impairment annually or more frequently if impairment indicators arise. The Unit price was $35.00 as at December 31, 2018 (2017 $31.17), which is in line with the fair value of the Fund. To determine fair value, management relies upon a valuation method based on a discounted cash flow model that assumes revenue growth of 1% and inflation of 2% per annum respectively. Overall the carrying value of goodwill continues to be supported by the fair value of the Fund.

Contingent consideration

Contingent consideration represented the additional purchase price payable to the sellers of Healthmark at $10.4 million based on earnings for 2016 and was paid on March 31, 2017.

New Accounting Pronouncements

The Fund adopted IFRS 9, *Financial Instruments* and IFRS 15, *Revenue from Contracts with Customers* for the annual period beginning on January 1, 2018 (Note 5) and will adopt IFRS 16, *Leases* for the annual period beginning on January 1, 2019 (Note 3). Financial instruments required the use of an expected credit loss model rather than an incurred loss analysis when evaluating the allowance for doubtful accounts receivable. The revenue standard requires us to evaluate the timing of revenue recognition for customers with contracts and custom moulds and provide added disclosure for revenue disaggregation. The leases standard requires us to capitalize and amortize the fair market value of most operating leases over the term of the leases. The likely future impact of the adoption of the leases standard is expected to increase long-term assets and long-term liabilities on the statements of financial position by approximately $33,000. representing $24,000 in operating leases (see *Commitments and contractual obligations),* $8,000 in payments if optional lease terms were renewed and $6,000 associated with subleases reduced by $5,000 of discounting to present value. We are still evaluating the impact on future statements of net income.

Disclosure Controls and Internal Controls over Financial Reporting

The Fund has established and maintains disclosure controls and procedures as well as internal controls over financial reporting. Richards Packaging's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the disclosure controls and procedures as well as the design and operating effectiveness of internal controls over financial reporting as of December 31, 2018 and have concluded that such controls and procedures are adequate and effective. Management determined that there were no material weaknesses in the Fund's internal controls over financial reporting as of December 31, 2018 and there have been no changes in the internal controls over financial reporting during the year ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

Cautionary Statement

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

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1 *Management defines Adjusted EBITDA as net income before amortization, contingent consideration revaluation, exceptional gains, 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 11. 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, cash income tax expense and maintenance capital expenditures plus dividends from equity investments. The reconciliation to cash from operations can be found on page 13. 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", "will", "should", "anticipate", "plan", "expect", "believe", "predict", "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. Readers should not place undue reliance on forward-looking information as a number of 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 include, among other things, changes in China tariff rates, changes in customer and supplier relationships, competition in the industry, inventory obsolescence, trade risks in respect of foreign suppliers, fluctuations in foreign exchange and interest rates, liability claims, reliance on key personnel, 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.*