

Q2 QUARTERLY REPORT

Richards Packaging Income Fund

Quarter ended June 30, 2021

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Richards Packaging Income Fund

REPORT TO UNITHOLDERS

June 30, 2021

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.

Financial performance in the second quarter was similar to the first quarter with the exception that inventory rose an additional \$15 million as Richards and our customers try to find a new normal in a supply disrupted world while compensating for shipment uncertainty. Half of this investment should unwind by year end. The other significant changes relate to the Clarion acquisition with the payment of \$8 million of the holdback and the accrual of \$13 million for a potential future payout.

Second quarter revenue was down 11%, with 14% due to the unwind of 83% of the coronavirus impact and 10% due to a currency translation loss as the dollar strengthened to U.S./Cdn. 81¢, partially offset by 12% revenue growth from Clarion. Adjusted EBITDA¹ was down \$9 million, at 16% of revenue, mainly due to lower volumes and the foreign currency impact of a weaker dollar in addition to a 36% drop in Richards US revenue. Earnings were lower due to a less favorable product mix and the lack of fixed cost savings on higher comparable volumes without any price increases. Net income decreased \$4 million, or 70¢ per Unit, due to the recognition of \$13 million contingent consideration for the Clarion acquisition and lower Adjusted EBITDA net of taxes being partially offset by a mark-to-market gain on a \$8.31 reduction in the Unit price.

July revenue was down approximately \$13 mil. due to the unwinding of 80% of the revenue associated with the coronavirus and the Canadian dollar strengthening by 5¢ to U.S./Cdn. 79¢.

Free cash flow² of \$8 million generated in the second quarter was utilized to purchase \$2 million of units, repay \$1 million of term debt and to release \$8 million of the Clarion acquisition holdback. The leverage at 0.3x as at June 30th is up 0.1x from the previous year end.

Monthly distributions of 11¢ per Unit represented an annualized yield of 2.2% on the June 30th closing price of \$61.25 per Unit. The second quarter payout ratio³ was 31%.

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

July 29, 2021

Richards Packaging Income Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

July 29, 2021

This management's discussion and analysis ("MD&A") of Richards Packaging Income Fund for the second quarter should be read in conjunction with the attached condensed interim financial statements dated June 30, 2021, the first quarter report dated May 4, 2021, the 2020 Annual Report and the 2020 Annual Information Form dated March 5, 2021 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 2020 annual financial statements.

Description of the Business

Richards Packaging serves a customer base of approximately 17,000 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 represents 5% of revenues (2020 6%) and employees who had gone on strike April 26th at one of the manufacturing facilities have ratified a two-year contract.

Financial Highlights

This MD&A covers the three and six months ended June 30, 2021, generally referred to in this MD&A as the "second quarter" and the "first half", respectively. The following table sets out selected financial information:

(\$ thousands)	Qtr. 2		First half		
	2021	2020	2021	2020	
Income Statement Data:					
Revenue.....	113,030	127,019	222,903	235,910	<ul style="list-style-type: none"> Revenue was down 5.5% due 12.2% to the unwinding of the coronavirus impact and 8.6% from currency translation with a U.S./Cdn. 7.3¢ increase to 80.2¢, partially offset by an 14.6% increase from Clarion, Adjusted EBITDA¹ decreased \$11.2 mil., at 15.9% of revenue, on less fixed costs and product mix benefits at lower revenue levels, a drop of \$6.1 mil. currency translation gain and a \$2.2 mil. increase in administrative expenses reflecting the addition of Clarion, Income taxes down \$4.9 mil. on lower taxable income, Net income decreased \$5.2 mil., or \$1.10 per Unit, due to \$13.2 mil. contingent consideration for the Clarion acquisition and lower Adjusted EBITDA partially offset by a higher mark-to-market gain on exchangeable shares due to a \$15.60 reduction in the unit price (2020 \$16.0 increase),
Net income.....	1,663	5,944	15,760	20,910	
Diluted per Unit ^{a)}	-17.4¢	52.9¢	75.7¢	\$1.86	
Financial Position Data:					
Assets.....	348,746	328,980			
Long-term financial liabilities.....	59,438	71,563			
Leverage ^{b)}	0.3	0.4			
Cash Flow Statement Data:					
Distributions.....	3,856	3,859	7,715	7,718	
Diluted per Unit.....	33.0¢	33.0¢	66.0¢	66.0¢	
Payout ratio ³	31%	21%	33%	25%	
Unit purchases.....	1,633	—	1,633	—	
Debt repayments (borrowing).....	(452)	(22,000)	(452)	(20,000)	

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

b) Term debt /Adjusted EBITDA¹

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- Assets increased by \$19.8 mil. mainly to invest in inventory and long-term financial liabilities decreased by \$12.1 mil., due to debt payments,
- Non-cash working capital increased \$15.8 mil. mainly due to higher inventory,
- Free cash flow² of \$15.9 mil. was used to purchase \$1.6 mil. of units for cancellation, repay \$1.0 mil. of term debt, release \$8.0 mil. of the Clarion holdback and fund working capital,
- Leverage ratio at 0.3x was comparable to the ratio at December 31, 2020,
- Distributable cash flow² down \$7.1 mil., or 61¢ per Unit, resulted in a 33% payout ratio³, and
- Monthly distributions of 11¢ per Unit paid represented a 2.2% annualized return on the June 30th closing price of \$61.25 per Unit. These distributions have been characterized as taxable dividends.

Financial highlights for the second quarter:

Revenue was down \$14.0 mil., due to unwinding of the coronavirus impact by 82.7% and a loss from currency translation as the U.S./Cdn. rate increased 9.3¢ to 81.4¢. Clarion partially offset this decrease by contributing \$21.4 mil. to overall revenue.

Cosmetics packaging decreased \$15.8 mil., excluding the impact of translation, mainly due to lower volumes related to the coronavirus.

Healthcare decreased \$0.8 mil. mainly due to decreased volume related to the coronavirus.

Clarion monthly revenues at \$7.1 mil. was higher than the 2019 monthly average due to pent up demand as clinics purchased in June in anticipation of re-opening.

Food, beverage and other packaging increased by \$0.3 mil., excluding the impact of translation, reflecting a \$2.0 mil. lost customer due to increased pricing caused by the US tariff on China.

Cost of sales, before amortization, decreased by \$5.0 mil., or 5.4%. Gross profit margins were down 4.5% similar to first quarter levels. Resin price volatility did not have a material impact on margins due to management's practice of passing through increases and decreases to customers.

Lease payments decreased \$0.3 mil. and administrative expenses (before amortization) increased \$0.4 mil. mainly due to the addition of Clarion. Foreign currency loss (gain) resulted from exchange rate changes applied to our U.S. dollar denominated working capital position in Richards Canada and our U.S. and Euro dollar positions in Clarion.

Revenue growth (% change over p/y)	Qtr.2		First half	
	2021	2020	2021	2020
Cosmetics.....	-41.3%	82.5%	-34.7%	84.1%
Healthcare.....	-3.1%	25.1%	-3.6%	20.4%
Clarion.....	11.6%	7.7%	14.6%	3.9%
Food, beverage & other.....	0.9%	11.1%	-1.2%	8.5%
Exchange translation.....	-9.9%	10.8%	-8.6%	9.5%
Weighted average growth....	-11.0%	48.6%	-5.5%	41.0%

Revenue trend

(\$ thousands)	Qtr. 2		First half	
	2021	2020	2021	2020
Prior year	127,019	85,451	235,910	167,350
Organic growth.....	1,476	4,384	1,340	6,784
	1.2%	5.1%	0.6%	4.1%
Coronavirus.....	(17,700)	21,390	(28,700)	39,353
Clarion.....	14,755	6,608	34,537	6,608
Foreign exchange.....	(12,520)	9,186	(20,184)	15,815
Current year	113,030	127,019	222,903	235,910

Richards Packaging Income Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

July 29, 2021

(\$ thousands)	Qtr. 2		First half	
	2021	2020	2021	2020
Revenue	113,030	127,019	222,903	235,910
Cost of sales.....	87,654	92,627	172,905	176,674
Lease payments.....	1,901	2,198	3,914	4,093
Gross profit.....	23,475	32,194	46,084	55,143
	20.8%	25.3%	20.7%	23.4%
Administrative expenses.....	5,133	4,701	10,407	8,183
Foreign currency loss (gain).....	(11)	148	212	322
Adjusted EBITDA¹	18,353	27,345	35,465	46,638
	16.2%	21.5%	15.9%	19.8%
Lease payments.....	(1,901)	(2,198)	(3,914)	(4,093)
Amortization.....	3,096	2,901	6,100	5,464
Contingent consideration.....	13,200	—	13,200	—
Exceptional items.....	—	1,118	—	1,118
Financial expenses.....	1,365	1,189	2,775	2,244
Exchangeable shares.....	(3,695)	10,682	(6,917)	7,714
Share of income - Vision.....	(16)	(88)	(35)	(93)
Income tax expense.....	4,641	7,797	8,496	13,374
Net Income	1,663	5,944	15,760	20,910

Contingent consideration was recognized associated with the Clarion acquisition based on the nine months performance to June 30th projected for a full year.

Exceptional items represent professional fees associated with our acquisition of Clarion. Financial expenses were \$0.2 mil. higher mainly due to the debt associated with Clarion.

Exchangeable shares mark-to-market gain reflects a price decrease of \$8.31 to \$61.25 per Unit (2020 increase of \$22.74 per Unit). Exchangeable share distributions were flat at \$0.2 mil.

Income tax expense decreased \$3.2 mil. on lower taxable income. Net income was down \$4.3 mil., which represented a 70¢ per Unit decrease.

Distributable Cash Flow²

Distributable cash flow² for the second quarter and first half was \$6.2 mil. and \$7.1 mil. lower, respectively, as Adjusted EBITDA¹ decreases were partially offset by associated income taxes.

Amortization is comprised of \$1.8 mil. for leases, \$0.8 mil. for intangible assets, a charge for customer relationships, and depreciation for capital assets of \$0.5 mil.

Adjusted EBITDA¹ decreased \$9.0 mil., or 5.3% of revenue, on less fixed cost and product mix benefits at lower revenue levels and a drop in the currency translation gain as the dollar appreciated 9.3¢.

Adjusted EBITDA¹ trend

(\$ thousands)	Qtr. 2		First half	
	2021	2020	2021	2020
Prior year	27,345	12,446	46,638	24,219
(% of revenue)	21.5%	14.6%	19.8%	14.5%
Organic growth.....	369	4,728	335	7,660
Product mix.....	(2,592)	3,445	(4,419)	6,902
Fixed cost.....	(2,449)	2,914	(3,668)	4,747
Lease A/R write down.....	—	—	2,690	(2,690)
Foreign exchange.....	(4,320)	3,812	(6,111)	5,800
Current year	18,353	27,345	35,465	46,638
(% of revenue)	16.2%	21.5%	15.9%	19.8%

Richards Packaging Income Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

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Non-cash working capital decreased for the second quarter mainly due to higher payables (\$16.3 mil.) and lower prepaids (\$2.0 mil.), offset by higher inventory (\$15.6 mil.) and receivables (\$1.0 mil.). During the first half, working capital increased on higher inventory.

(\$ thousands)	Qtr. 2		First half	
	2021	2020	2021	2020
Cash provided by operating activities.....	15,945	19,879	14,743	47,863
Lease payments and write down.....	(1,901)	(2,198)	(3,786)	(6,783)
Exceptional items.....	—	1,118	—	1,118
Changes in non-cash working capital.....	(1,634)	3,847	15,831	(2,092)
Income taxes payments.....	5,943	4,699	8,677	6,532
Adjusted EBITDA¹	18,353	27,345	35,465	46,638
Interest ^{a)}	887	682	1,820	1,286
Current income tax.....	4,893	7,861	8,992	13,944
Maintenance capital.....	309	290	1,083	697
Distributable cash flow²	12,264	18,512	23,570	30,711
<i>Diluted per Unit</i>	<i>\$1.05</i>	<i>\$1.58</i>	<i>\$2.02</i>	<i>\$2.63</i>
Distributions	3,856	3,859	7,715	7,718
<i>Diluted per Unit</i>	<i>33.0¢</i>	<i>33.0¢</i>	<i>66.0¢</i>	<i>66.0¢</i>
<i>Payout ratio³</i>	<i>31%</i>	<i>21%</i>	<i>33%</i>	<i>25%</i>
Free cash flow²	8,408	14,653	15,855	22,993
Units outstanding (average)				
<i>Diluted basis 000's</i>	<i>11,676</i>	<i>11,693</i>	<i>11,684</i>	<i>11,693</i>

a) financial expenses less interest on leases and bank refinancing fees

Current income tax decreases are in direct proportion to the reductions in Adjusted EBITDA.

Free cash flow² generated in the second quarter was used to release \$8.0 mil. of the Clarion holdback, purchase \$1.6 mil. units for cancelation and to repay \$1.0 mil. of term debt.

Monthly distributions paid of 11¢ per Unit represent an annual yield of 2.2% on a \$61.25 price per Unit at June 30th.

The distributable cash flow² 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 a \$65.0 mil. revolving facility, of which \$1.5 mil. is currently drawn, or free cash flow².

Liquidity and Financing

Cash flows from operating activities

Cash flow from operating activities was down \$3.9 mil. for the second quarter primarily due to lower profit from operations net of the contingent consideration revaluation of \$8.4 mil. offset by changes in non-cash working capital up \$5.5 mil. During the second quarter, working capital decreased by \$1.6 mil. on higher payables (\$16.3 mil) and lower prepaids (\$2.0 mil.) offset by higher inventory (\$15.6 mil.) and receivables (\$1.0 mil). For the first half, working capital increased \$15.8 mil. mainly due to higher inventory.

Actual distributions paid during the second quarter were \$3.9 mil., with \$1.3 mil. declared for June which was paid July 14th.

Richards Packaging Income Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

July 29, 2021

Normal Course Issuer Bid

On March 14, 2021, the Fund renewed the normal course issuer bid to purchase up to 500,000 Units prior to March 13, 2022. As of June 30th, 25,000 Units have been purchased at an average price of \$65.22 per Unit (2020 nil).

Current income taxes

Current income tax expense decreases of \$3.0 mil. (2020 \$4.5 mil. increase) and \$5.0 mil. (2020 \$7.7 mil. increase) for the second quarter and the first half reflects the lower taxable income, respectively. Current income tax payments of \$8.7 mil. for the first half included \$0.9 mil. for 2020.

Capital expenditures

Maintenance capital expenditures for the first half were \$1.1 mil. (2020 \$0.7 mil.) mainly comprised of \$0.4 mil. mould refurbishments for replacement packaging, \$0.3 mil. leasehold improvements and \$0.4 mil. computer equipment upgrades.

Financing activities and instruments

Credit facilities include a \$23.0 mil. term loan (2020 \$35.0 mil.) with maturity on May 31, 2024 and up to \$65.0 mil. in revolving debt, of which \$1.5 mil. was drawn (2020 nil), to fund future acquisitions and working capital expansion. The facilities bear 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 second quarter, \$1.0 mil. was repaid on the term loan (2020 \$13.0 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 June 30, 2021, our leverage ratio was 0.3 times (2020 0.4 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 2021.

July revenue was down approximately \$13 mil. due to the \$10 mil. impact of the coronavirus demand unwinding and \$3 mil. due to the exchange translation impact at U.S./Cdn. 79¢, which has strengthened 5¢. The current sensitivity for every 1¢ movement in exchange rates to revenue is \$0.6 million and to Adjusted EBITDA¹ is \$0.1 million.

Maintenance capital will continue to be funded by cash flow from operations at \$0.4 mil. per quarter with an additional \$1.5 mil. set aside for IT system upgrades.

Richards Packaging Income Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

July 29, 2021

US corporate taxes would increase by US\$0.4 mil. per quarter if President Biden's tax plan increases are adopted. Distributable cash flow² sensitivity to foreign currency fluctuations is \$0.07 mil. for every U.S./Cdn. 1¢ movement.

For 2021 surplus distributable cash is expected to be deployed to repay the revolving debt, purchase units opportunistically under the normal course issuer bid and build cash to fund the payment of contingent consideration associated with the acquisition of Clarion.

Risks and Uncertainties

Investment in Units involves risks inherent in the ordinary course of business including: the impact of the coronavirus, changes in China tariff rates, sustainability of customer and supplier relationships, financial stability of customers, disruption and allotments by suppliers, 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 2020 Annual Information Form dated March 5, 2021. To management's knowledge, no significant changes to these risks and uncertainties have occurred in the first half.

Critical Accounting Estimates

Preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions which affect the amounts reported, and disclosure of contingent amounts for assets and liabilities as at June 30, 2021 and revenue and expenses for the period then ended. There have not been any significant changes in the critical accounting estimates of the Fund in the first half, relative to December 31, 2020. 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 2020 Annual Report.

Disclosure Controls and Internal Controls over Financial Reporting

There have been no changes in the Fund's internal controls over financial reporting during the first half that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

Cautionary Statement

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

1 Management defines Adjusted EBITDA as net income before non-lease amortization, contingent consideration revaluation, exceptional items, 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

Richards Packaging Income Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

July 29, 2021

EBITDA to net income can be found on page 4. Our lenders use this measure as a starting point in the determination of earnings available for distribution to Unitholders and exchangeable shareholders. In addition, Adjusted EBITDA and Adjusted EBITDA as a percentage of 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.

- 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.*

<p>Notice to Unitholders</p>

<p>The attached consolidated financial statements have not been reviewed by the Fund's external auditors</p>
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Richards Packaging Income Fund

STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME

Unaudited

For the three and six months ended June 30

[Consolidated]

<i>Cdn\$ thousands</i>	Notes	Three months		Six months	
		2021	2020	2021	2020
Revenue	3	113,030	127,019	222,903	235,910
Cost of sales		90,712	95,491	178,933	182,073
Administrative expenses		5,171	5,856	10,479	9,366
Foreign currency loss (gain)		(11)	148	212	322
Contingent consideration revaluation	2	13,200	—	13,200	—
Profit from operations		3,958	25,524	20,079	44,149
Financial expenses		1,365	1,189	2,775	2,244
Exchangeable shares					
Mark-to-market loss (gain)	5	(3,848)	10,529	(7,223)	7,408
Distributions		153	153	306	306
Share of income - Vision		(16)	(88)	(35)	(93)
Income tax expense (income)					
Current taxes	4	4,893	7,861	8,992	13,944
Deferred taxes	4	(252)	(64)	(496)	(570)
		4,641	7,797	8,496	13,374
Net income for the period		1,663	5,944	15,760	20,910
Basic and diluted per Unit	5	-17.4¢	52.9¢	75.7¢	\$1.86
Other comprehensive income (loss)					
<i>(subsequently recyclable to Net income)</i>					
Richards US -					
Currency translation adjustment		(1,386)	(2,207)	(2,603)	729
Comprehensive income for the period		277	3,737	13,157	21,639

See accompanying notes

“Susan Allen”
Chair – Audit Committee

“Enzio Di Gennaro”
CFO – Richards Packaging Inc.

Richards Packaging Income Fund

STATEMENTS OF FINANCIAL POSITION
Unaudited

As at June 30 and December 31

[Consolidated]

<i>Cdn\$ thousands</i>	Notes	June 30		Dec. 31	
		2021	2020	2020	2019
ASSETS					
Current Assets					
Cash and cash equivalents		(1,033)	9,468	7,720	8,023
Accounts receivable		49,660	51,742	49,802	32,339
Inventory		102,547	69,327	88,251	58,692
Prepaid expenses and deposits		10,047	11,738	10,942	4,812
		161,221	142,275	156,715	103,866
Long-term Assets					
Leases		40,538	39,121	46,553	39,918
Plant and equipment		6,495	6,110	6,618	4,776
Leases receivable		—	—	—	2,215
Investment - Vision		701	730	667	637
Intangible assets		30,190	29,881	31,678	11,644
Goodwill		109,601	110,863	110,654	84,958
		187,525	186,705	196,170	144,148
		348,746	328,980	352,885	248,014
LIABILITIES & EQUITY					
Current Liabilities					
Accounts payable and accruals		70,814	60,355	71,690	41,438
Income tax payable		(123)	8,880	(438)	674
Revolving debt		1,452	—	—	—
Distributions payable		1,283	1,286	1,286	1,286
Due to previous shareholders	2	15,541	11,574	10,366	1,024
Exchangeable shares	5	28,186	28,344	35,409	20,935
		117,153	110,439	118,313	65,357
Long-term Liabilities					
Term debt		22,624	34,509	23,559	14,962
Lease obligations		36,814	37,054	42,436	37,385
Deferred income taxes		7,466	6,020	8,006	3,580
		66,904	77,583	74,001	55,927
Equity					
Unitholders' capital	5	3,643	8,902	5,276	16,314
Retained earnings		152,428	118,628	144,074	97,717
Accumulated other comprehensive income		8,618	13,428	11,221	12,699
		164,689	140,958	160,571	126,730
		348,746	328,980	352,885	248,014

See accompanying notes

Richards Packaging Income Fund

STATEMENTS OF CHANGES IN EQUITY

Unaudited

For the three and six months ended June 30

[Consolidated]

<i>Cdn\$ thousands</i>		Unitholders'	Retained		
	Notes	capital	earnings	AOCI^{a)}	Equity
December 31, 2019		16,314	97,717	12,699	126,730
Comprehensive income			20,911	729	21,640
Distributions		(7,412)			(7,412)
June 30, 2020		8,902	118,628	13,428	140,958
December 31, 2020		5,276	144,074	11,221	160,571
Comprehensive income (loss)			15,760	(2,603)	13,157
Purchased for cancellation, net	5	(1,633)			(1,633)
Distributions			(7,406)		(7,406)
June 30, 2021		3,643	152,428	8,618	164,689

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

See accompanying notes

Richards Packaging Income Fund

STATEMENTS OF CASH FLOWS

Unaudited

For the three and six months ended June 30

[Consolidated]

<i>Cdn\$ thousands</i>	Notes	Three months		Six months	
		2021	2020	2021	2020
OPERATING ACTIVITIES					
Profit from operations		3,958	25,524	20,079	44,149
Add items not involving cash					
Plant, equipment & lease depreciation		2,341	2,376	4,752	4,489
Lease write down		—	—	(128)	2,690
Intangible assets amortization		755	525	1,348	975
Contingent consideration revaluation	2	13,200	—	13,200	—
Income taxes payments		(5,943)	(4,699)	(8,677)	(6,532)
Changes in non-cash working capital	6	1,634	(3,847)	(15,831)	2,092
Cash provided by operating activities		15,945	19,879	14,743	47,863
INVESTING ACTIVITIES					
Acquisition, net of holdback		—	(49,826)	—	(49,826)
Due to previous shareholders	2	(7,999)	—	(7,999)	—
Additions to plant and equipment		(309)	(290)	(1,083)	(697)
Cash used in investing activities		(8,308)	(50,116)	(9,082)	(50,523)
FINANCING ACTIVITIES					
Repayment of term debt		(1,000)	(13,000)	(1,000)	(15,000)
Proceeds from revolving and term debt		1,452	35,000	1,452	35,000
Extinguish Clarion debt		—	(2,997)	—	(2,997)
Lease payments		(1,901)	(2,198)	(3,914)	(4,093)
Financial expenses paid (excluding leases)		(904)	(1,201)	(1,805)	(1,784)
Purchase of Units for cancellation	5	(1,633)	—	(1,633)	—
Distributions paid to Exchangeable Shareholders		(153)	(153)	(306)	(306)
Distributions paid to Unitholders		(3,703)	(3,706)	(7,409)	(7,412)
Cash used in financing activities		(7,842)	11,745	(14,615)	3,408
Net cash flow for the period		(205)	(18,492)	(8,954)	748
Cash, beginning of period		(938)	27,467	7,720	8,023
Foreign exchange effect		110	493	201	697
Cash, end of period		(1,033)	9,468	(1,033)	9,468

See accompanying notes

Richards Packaging Income Fund

NOTES TO INTERIM FINANCIAL STATEMENTS

Unaudited

June 30, 2021

[Cdn\$ thousands]

1. BASIS OF PRESENTATION AND CORONAVIRUS IMPACT

These condensed interim financial statements of the Fund have been prepared in accordance with International Financial Reporting Standard [“IFRS”] IAS 34 *Interim Financial Reporting*. As such these statements do not contain all the explanatory notes, descriptions or accounting policies or other disclosures that can be found in the 2020 audited annual financial statements. The accounting policies used in the preparation of these condensed interim financial statements are consistent with the 2020 audited annual financial statements.

The coronavirus pandemic necessitated the shutdown of non-essential businesses within the jurisdictions of Richards Packaging locations. Due to the nature of our business, we were deemed essential serving the food and beverage and healthcare industries and therefore remained open. Employees were provided the option to work from home and most continued to safely perform services in the workplace.

2. ACQUISITION

In association with the acquisition of Clarion, \$7,999 of the holdback was paid out and contingent consideration was recognized based on future earnings for 2022. Based on the nine months performance to June 30, 2021, contingent consideration has been valued at \$13,200. Therefore, the Statement of Net Income and the Statements of Financial Position have been adjusted to reflect the contingent consideration revaluation and the holdback payment.

3. REVENUE & SEGMENTED INFORMATION

	Three months		Six months	
	2021	2020	2021	2020
Revenue by geography				
Canada	63,312	49,064	121,502	87,292
US	49,718	77,955	101,401	148,618
	113,030	127,019	222,903	235,910
Revenue by market				
Cosmetics	27,115	51,930	57,846	96,995
Healthcare ^{a)}	45,352	31,372	86,150	53,204
Food, beverage & other	40,563	43,717	78,907	85,711
	113,030	127,019	222,903	235,910

a) *Healthcare includes \$3,184 and \$5,553 for of revenue recognized over time from the sale of maintenance and warranty service plans for three and six months, respectively.*

Richards Packaging Income Fund

NOTES TO INTERIM FINANCIAL STATEMENTS

Unaudited

June 30, 2021

[Cdn\$ thousands]

4. INCOME TAXES

	Three months		Six months	
	2021	2020	2021	2020
Profit from operations	3,958	25,524	20,079	44,149
Financial expenses	(1,365)	(1,189)	(2,775)	(2,244)
Contingent consideration revaluation	13,200	—	13,200	—
Income subject to income taxes	15,793	24,335	30,504	41,905
Statutory tax rate	26.6%	26.6%	26.6%	26.6%
Income tax expense at statutory tax rate	4,195	6,463	8,102	11,130
Deferred income tax	252	64	496	570
Current period adjustments				
Refundable dividend tax ^{a)}	—	84	(22)	160
Leases	—	8	—	706
Foreign rate differential	416	96	414	151
Acquisition costs	—	580	—	580
Withholding tax	—	475	—	475
Other items	30	91	2	172
Current income taxes	4,893	7,861	8,992	13,944

a) Future recovery associated with refundable dividend tax on hand of \$471 has not been fully recognized.

Taxable exchangeable share dividends gave rise to a \$22 recovery.

5. UNITS AND EXCHANGEABLE SHARES

<i>Number outstanding</i>	Units basic	Weighted average	Exchangeable Shares	Units diluted	Weighted average
December 31, 2019	12,230,007	11,021,566	463,006	11,693,013	11,693,013
June 30, 2020	11,230,007	11,230,007	463,006	11,693,013	11,693,013
Six months ended		11,230,007	463,006		11,693,013
December 31, 2020	11,230,007	11,230,007	463,006	11,693,013	11,693,013
Units purchased	(25,000)				(25,000)
June 30, 2021	11,205,007	11,213,043	463,006	11,668,013	11,676,049
Six months ended		11,221,478	463,006		11,684,484

Exchangeable shares mark-to-market gains reflect \$8.31 per Unit [2020 \$22.74 per Unit increase] and \$15.60 per Unit [2020 \$16.00 per Unit increase] price decreases during the three and six months ended

Richards Packaging Income Fund

NOTES TO INTERIM FINANCIAL STATEMENTS

Unaudited

June 30, 2021

[Cdn\$ thousands]

June 30, 2021 to \$61.25 per Unit, respectively. The average purchase price paid for the Units purchased for cancellation was \$65.22 per unit.

6. ADDITIONAL CASH FLOW INFORMATION

The net change in non-cash working capital excluding the impact of the revolving debt borrowing consists of the following:

	Three months		Six months	
	2021	2020	2021	2020
Accounts receivable	(1,015)	3,928	(366)	(11,800)
Inventory	(15,634)	(8,651)	(15,833)	7,344
Prepaid expenses and deposits	2,013	(3,453)	787	(5,131)
Accounts payable and accruals	16,270	4,329	(419)	11,679
	1,634	(3,847)	(15,831)	2,092

For the three- and six-month periods the total foreign exchange translation excluded from the above values was \$866 loss [2020 \$1,742] and \$1,650 loss [2020 \$1,443 gain], respectively.