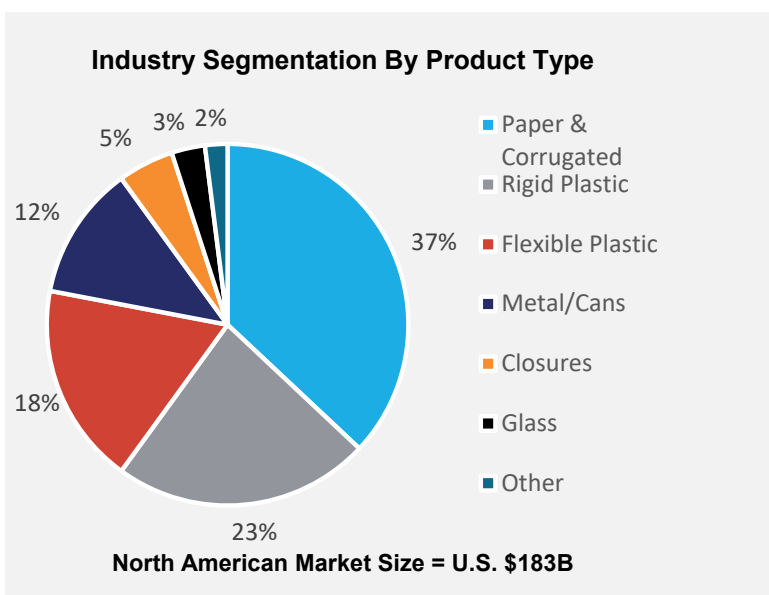


MANAGEMENT DISCUSSION & ANALYSIS

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, 2023, the annual statements for the year ended December 31, 2022, the quarterly reports for the periods ended March 31, June 30 and September 30, 2023 and the Annual Information Form dated March 7, 2024. Results are reported in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards on a consistent basis with the 2022 annual financial statements. Certain comparative figures have been reclassified to conform to the current year presentation. Specifically, the credit card fees of \$2,844 in 2022 previously presented within financial expenses have been reclassified to cost of sales.

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.



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 2023, there were over 230 acquisitions globally, down from the 252 acquisitions in 2022 at a median multiple of 8 times Adjusted EBITDA¹ (2022 8x). During 2023, the top 12 companies reduced their spend on capital to 6% of revenue (2022 8%). 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 flow² 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 12 companies, their Adjusted EBITDA as defined within the packaging industry as a percent of sales remains at a healthy 15% overall for 2023 (2022 15%).

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 45 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.

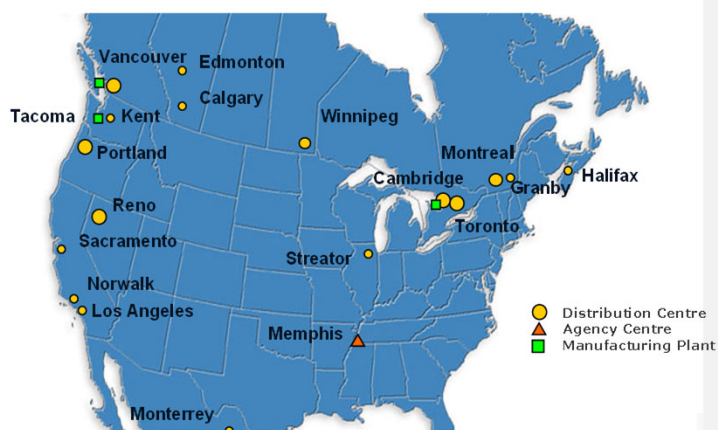
Concentration in this segment is growing with the top five companies now controlling over 60% of their market. Richards Packaging Holdings Inc., Richards Packaging Holdings 2 Inc., Richards Packaging Holdings 3 Inc., and their subsidiaries ("Richards Packaging") is the largest packaging distributor in 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

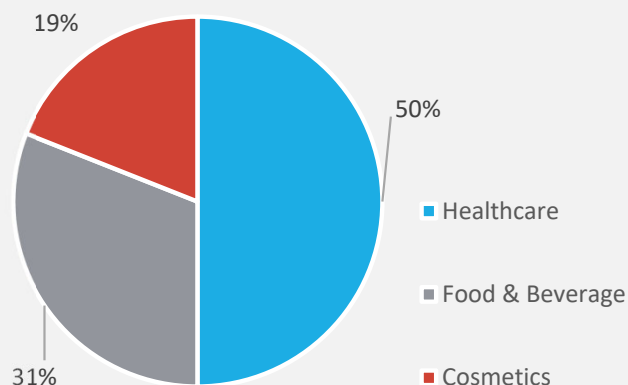
DESCRIPTION OF THE BUSINESS

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 over 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 3% of the total revenues (2022 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 | 2023 |
|-----------------------------|--------|--------|--------|--------|--------|
| Cosmetics..... | -20.1% | -7.9% | 1.7% | 14.3% | -4.7% |
| Healthcare..... | 12.9% | -0.7% | 3.5% | 11.2% | 6.6% |
| Food, beverage & other..... | -15.5% | -24.2% | -24.9% | -21.1% | -21.4% |
| Exchange translation..... | 0.6% | 0.1% | -0.4% | -0.5% | 0.0% |
| | -2.9% | -9.1% | -7.0% | 0.7% | -4.7% |

MANAGEMENT DISCUSSION & ANALYSIS

Cosmetics packaging decreased \$3 mil., excluding the impact of translation, mainly due to an oversupply in the pumps and sprayer market during the first half of 2023.

Healthcare increased \$13 mil. mainly due to capital and aesthetic lines. Capital sales increased in the fourth quarter to reflect the likely reduction in interest rates in 2024.

Food, beverage & other packaging decreased by \$31 mil., excluding the impact of translation, reflecting customer and competitor overstocking and changing consumer buying patterns in the US and Canada.

CHANGES IN FINANCIAL MARKETS

Global economic markets, the impact of supply chain and consumer behavior following the coronavirus restrictions 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 shifts to government deficit spending and protectionism also impacted currency valuations and GDP growth.

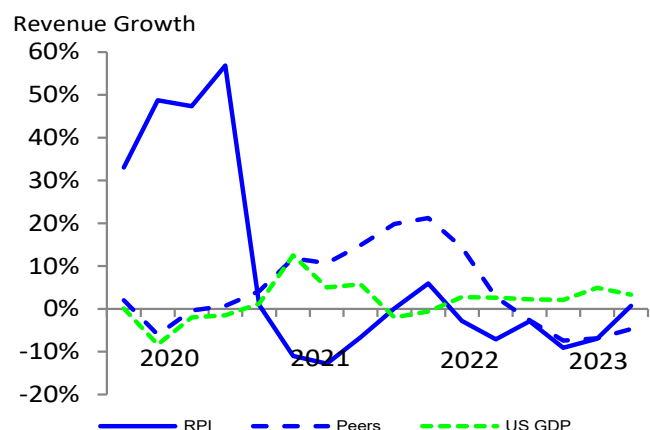
Gross Domestic Product

In Canada, 2023 GDP grew quarterly at rates of 0.6% and 0.3% then contracted by 0.1% and grew 0.2% in the back half of the year. The United States GDP grew 2.2%, 2.1%, 4.9% and 3.3% 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 since with the exception of Q4 mainly due to the oversupply in the pumps and sprayer markets and inventory overages throughout the food and beverage supply chain. Our higher healthcare exposure helped our performance in Q4 2023.

Interest Rates and Foreign Exchange

The US Federal Reserve and The Bank of Canada both have resisted interest rate decreases, given the strength of the US economy and recent inflationary pressures. Exchange rates averaged U.S./Cdn. \$0.74 however a decrease in US denominated volumes has lead to a muted impact on both revenue and Adjusted EBITDA¹ 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.

| Revenue trend (\$ thousands) | Qtr. 1 | Qtr. 2 | Qtr. 3 | Qtr. 4 | 2023 |
|------------------------------------|----------------|----------------|----------------|----------------|----------------|
| 2022 | 109,981 | 119,735 | 109,039 | 108,141 | 446,896 |
| Organic growth..... | 1,987 | -3,940 | -3,372 | 2,468 | -2,857 |
| | 1.8% | -3.3% | -3.1% | 2.3% | -0.6% |
| Food & beverage lost..... | -1,709 | -4,412 | -1,432 | -1,738 | -9,291 |
| Food & beverage inventory..... | -840 | -1,826 | -3,453 | -2,123 | -8,242 |
| Oversupply of pumps & sprayers.... | -3,276 | -827 | 995 | 2,674 | -434 |
| Foreign exchange..... | 690 | 136 | -397 | -574 | -145 |
| 2023 | 106,833 | 108,866 | 101,380 | 108,848 | 425,927 |

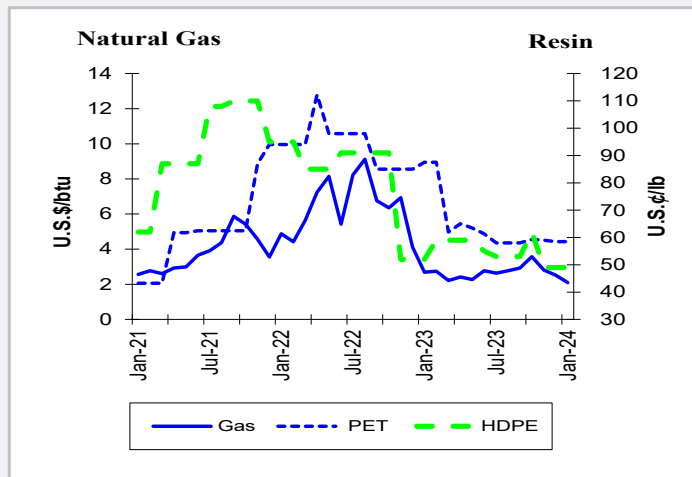


| (\$ millions) | 2021 | 2022 | 2023 |
|--------------------------|--------|-------|-------|
| INTEREST RATES | 1.2% | 3.4% | 6.1% |
| Impact on Interest | (0.1) | 1.5 | 1.3 |
| F/X - U.S./Cdn.\$ | 0.80 | 0.77 | 0.74 |
| Impact on: | | | |
| Revenue | (31.5) | (0.8) | (0.1) |
| Adjusted EBITDA | (11.3) | (1.5) | 0.5 |

MANAGEMENT DISCUSSION & ANALYSIS

Energy Prices

Energy prices are a major factor for the industry affecting glass furnace economics, resin costs and freight costs. In 2023, HDPE and PET resin prices were flat after declining off their 2022 highs as natural gas, their main feedstock remained relatively flat after dropping from 2022.

**FINANCIAL HIGHLIGHTS**

The MD&A covers the three months ended March 31, June 30, September 30 and December 31, 2023 and 2022 (generally referred to in this MD&A as the “first, second, third or fourth quarter”) and the 12 months ended December 31, 2023 and 2022 (generally referred to in this MD&A as the “year”).

2023 results

- Revenue was down 4.7% due mainly to the 21.4% drop in food and beverage reflecting a shifting demand and overstocked market, and the 4.7% lower sales of pumps and sprayers due to an oversupplied market being offset by 6.6% growth in healthcare,
- Adjusted EBITDA¹ decreased \$3.6 mil., at 13.6% of revenue, associated with lower revenue levels and a reduction of \$1.4 mil. currency translation loss,
- Income taxes increased \$0.9 mil. mainly reflecting higher withholding tax on Richards US dividends,
- Net income decreased \$6.3 mil., or \$0.17 per Unit, due to a lower mark-to-market gain on exchangeable shares and lower Adjusted EBITDA net of taxes,
- Assets decreased by \$31.7 mil. mainly due to lower inventories of \$26.5 mil. Long-term financial liabilities decreased by \$47.9 mil. mainly reflecting the debt repayments utilizing cash from operations and lower working capital,
- Working capital⁵ was down by \$33.9 mil. mainly on lower inventory and accounts payable in line with revenue losses in food and beverage,
- Cash balance of \$8.1 mil. was accumulated to cover \$3.8 mil. annual bonuses and working capital needs,
- Free cash flow² of \$22.1 mil. and working capital reduction of \$33.9 mil. was mainly used to pay a \$4.3 mil. special distribution, repay \$47.0 mil. in debt dropping the leverage ratio by 0.8 to 0.2x,
- Distributable cash flow² down 47¢ to \$3.26 per Unit yielding a payout ratio³ of 40%, and
- Monthly regular distributions of 11¢ yield a 3.8% return (@\$34.65/Unit Dec 31st). A special distribution of 38¢ per Unit was paid in March 2023 yielding a 4.9% return.

MANAGEMENT DISCUSSION & ANALYSIS

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%),
- 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, partially offset by lower Adjusted EBITDA¹ net of taxes (\$2.9 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 for the Clarion acquisition,
- Free cash flow² 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 0.7 to 1.0x,
- Distributable cash flow² down 28¢ to \$3.73 per Unit yielding a payout ratio³ of 35%, and
- Monthly regular distributions of 11¢ yielded a 3.0% return (@\$43.40/Unit Dec 31st). A special distribution of 69¢ per Unit was paid in March yielding a 4.6% return.

| (\$ thousands) | Calendar Year | | |
|--|---------------|---------|---------|
| | 2023 | 2022 | 2021 |
| Income Statement Data: | | | |
| Revenue..... | 425,927 | 446,896 | 451,438 |
| Net income..... | 38,893 | 45,172 | 2,068 |
| <i>Diluted per Unit^{a)}</i> | \$3.12 | \$3.29 | -\$0.37 |
| Financial Position Data: | | | |
| Assets..... | 318,203 | 349,891 | 356,898 |
| Long-term financial liabilities..... | 46,488 | 94,381 | 57,193 |
| <i>Leverage^{b)}</i> | 0.2 | 1.0 | 0.3 |
| Cash Flow Statement Data: | | | |
| Distributions..... | 19,411 | 22,951 | 15,380 |
| <i>Diluted per Unit</i> | \$1.32 | \$1.32 | \$1.32 |
| <i>Payout ratio³</i> | 41% | 33% | 33% |
| Unit purchases..... | — | — | 16,796 |
| Debt proceeds (repayments).... | (47,000) | 42,000 | 1,000 |

REVIEW OF OPERATIONS

Operations were 35% in the United States (“Richards US”) and 65% in Canada (“Richards Canada”). Approximately 34% of sales are concentrated in Los Angeles, Sacramento, Memphis, Reno and Portland and 49% in Toronto, Montreal, Winnipeg and Vancouver.

Revenue increased by \$0.7 million, or 0.7%, for the fourth quarter (2022 \$8.2 million decrease), and decreased by \$21.0 million, or 4.7%, for the year (2022 \$4.5 million), from the same periods in 2022, respectively. During the fourth quarter, revenue increased on organic growth of \$1.3 million, or 1.2%, mainly reflecting oversupply in the pumps and sprayer market clearing (\$1.9 million) and \$6.0 million, or 11.2%, of Healthcare capital sales deferred earlier in the year were realized partially offset by food and beverage (\$6.6 million). For the year, revenue decreased on organic contraction of \$20.8 mil., or 4.7%, (2022 \$3.7 million) mainly due to the \$30.7, or 21.4%, decrease in food & beverage caused by an oversupply of inventory at both customer and competitor.

Cost of sales (before amortization) decreased \$2.6 million for the fourth quarter, or 2.9%, (2022 \$4.1 million) and decreased by \$16.8 million for the year, or 4.6%, (2022 \$1.6 million increase) from the same periods in 2022, respectively. During the fourth quarter gross profit margins were up 2.9% (2022 2.3% down) from the same period in 2022. For the year, gross profit margins were down 0.1% (2022 1.2% down) 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.

MANAGEMENT DISCUSSION & ANALYSIS

| (\$ thousands) | Qtr. 1 | | Qtr. 2 | | Qtr. 3 | | Qtr. 4 | | Calendar Year | | |
|------------------------------------|----------------|---------|----------------|---------|----------------|---------|----------------|---------|----------------|---------|---------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2021 |
| Revenue | 106,833 | 109,981 | 108,866 | 119,735 | 101,380 | 109,039 | 108,848 | 108,141 | 425,927 | 446,896 | 451,438 |
| Cost of sales ^{a)} | 87,464 | 88,740 | 89,171 | 95,461 | 82,573 | 89,266 | 86,910 | 89,466 | 346,118 | 362,932 | 361,384 |
| Gross profit | 19,369 | 21,241 | 19,695 | 24,274 | 18,807 | 19,773 | 21,938 | 18,675 | 79,809 | 83,964 | 90,054 |
| | 18.1% | 19.3% | 18.1% | 20.3% | 18.6% | 18.1% | 20.2% | 17.3% | 18.7% | 18.8% | 19.9% |
| Administrative expenses..... | 5,782 | 5,433 | 5,498 | 5,489 | 5,175 | 5,470 | 5,307 | 4,871 | 21,762 | 21,263 | 21,158 |
| Foreign currency loss (gain)..... | (5) | 59 | (185) | 528 | 209 | 510 | 77 | 11 | 96 | 1,108 | 541 |
| Adjusted EBITDA¹ | 13,592 | 15,749 | 14,382 | 18,257 | 13,423 | 13,793 | 16,554 | 13,793 | 57,951 | 61,593 | 68,355 |
| | 12.7% | 14.3% | 13.2% | 15.2% | 13.2% | 12.6% | 15.2% | 12.8% | 13.6% | 13.8% | 15.1% |
| Lease payments..... | (2,156) | (2,123) | (2,163) | (2,094) | (2,181) | (2,225) | (2,207) | (2,251) | (8,707) | (8,693) | (8,101) |
| Amortization..... | 2,892 | 3,082 | 2,907 | 3,102 | 2,888 | 3,141 | 2,959 | 3,062 | 11,646 | 12,387 | 12,420 |
| Contingent consideration..... | — | 1,631 | — | — | — | — | — | — | — | 1,631 | 47,700 |
| Exceptional items..... | — | — | — | — | — | — | (729) | 385 | (729) | 385 | — |
| Financial expenses..... | 1,318 | 619 | 1,631 | 952 | 1,068 | 1,225 | 877 | 1,427 | 4,894 | 4,224 | 2,720 |
| Exchangeable shares..... | (1,366) | (4,593) | (2,968) | 422 | — | (3,158) | 1,070 | (241) | (3,264) | (7,570) | (6,376) |
| Share of loss (income) - Vision.. | (19) | (2) | 53 | (30) | 39 | (23) | 33 | (71) | 106 | (126) | (112) |
| Income tax expense..... | 3,126 | 3,970 | 4,016 | 4,445 | 3,608 | 3,178 | 4,362 | 2,590 | 15,112 | 14,183 | 18,036 |
| Net Income | 9,797 | 13,165 | 10,906 | 11,460 | 8,001 | 11,655 | 10,189 | 8,892 | 38,893 | 45,172 | 2,068 |

a) includes lease payments

Lease payments are required to adjust EBITDA¹ for bank covenant purposes.

Administrative expenses (before amortization) increased \$0.4 million for the fourth quarter (2022 \$0.5 million decrease) and were up \$0.5 million for the year (2022 flat), over the same periods in 2022, respectively with the increases caused by inflation.

The foreign currency loss (gain) resulted from exchange rate changes applied to our U.S. denominated working capital position within our Canadian operations. The strengthening of the Canadian dollar spot rate by 1.7¢ in the fourth quarter led to the net losses.

Adjusted EBITDA¹ increased \$2.8 million for the fourth quarter (2022 \$3.6 million drop) and decreased \$3.6 million for the year (2022 \$6.8 million), over the same periods in 2022, respectively. The increase during the fourth quarter reflected the higher margins on improved product mix. For the year, the decrease was due to lower volumes. As a percent of sales, Adjusted EBITDA was up 2.5% for the fourth quarter and 0.2% for the year (2022 1.3% down).

Amortization of \$3.0 million for the fourth quarter and \$11.6 million for the year includes \$0.8 million for the fourth quarter and \$2.4 million for the year for intangible assets, which represents charges for computer software and customer relationships. The remaining amortization amounts for the fourth quarter consisted of plant and equipment depreciation of \$0.3 million for the fourth quarter and \$1.7 million for the year, which is approximately two-thirds our capital spending requirement and lease amortization of \$1.9 million of the fourth quarter and \$7.5 million for the year.

Exceptional items represent a settlement payment for maintenance contracts transferred and pending capital sales on termination of the supply agreement between Healthmark and Becton Dickinson on October 1, 2023.

Financial expenses were down \$0.6 million for the fourth quarter and up \$0.7 million for the year from the same periods in 2022 mainly due the March 31, 2022 \$49.5 million borrowing for the Clarion acquisition, the \$47.0 million of debt repayments in the year and higher interest rates.

MANAGEMENT DISCUSSION & ANALYSIS

For the year, taxes increased \$0.9 million mainly due to the lack of a refundable dividend tax credit as decreases of \$2.4 million income subject to taxes were offset by \$0.9 million higher US withholding tax..

Net income for the fourth quarter was up \$1.3 million and down \$6.3 million for the year, which represented \$0.11 and -\$0.55 per Unit on a diluted basis, respectively. The main reason being the mark-to-market loss on exchangeable shares (\$0.9 mil.) due to a \$1.98 increase in the unit price (2022 \$0.85 drop), partially offset by higher Adjusted EBITDA¹ net of taxes (\$1.1 mil.).

The equity 2023 time-weighted averages were 10,955,007 Units and 463,006 exchangeable shares outstanding.

Adjusted EBITDA¹ trend

| (\$ thousands) | Qtr. 1 | Qtr. 2 | Qtr. 3 | Qtr. 4 | Total |
|-----------------------|---------------|---------------|---------------|---------------|---------------|
| 2022 | 15,749 | 18,257 | 13,793 | 13,793 | 61,593 |
| (% of revenue) | 14.3% | 15.2% | 12.6% | 12.8% | 13.8% |
| Organic growth..... | 497 | (985) | (1,816) | 617 | (1,687) |
| Product mix..... | (2,062) | (2,964) | 1,186 | 1,953 | (1,886) |
| Fixed cost..... | (504) | — | — | — | (504) |
| Foreign exchange..... | (88) | 74 | 259 | 190 | 435 |
| 2023 | 13,592 | 14,382 | 13,423 | 16,554 | 57,951 |
| (% of revenue) | 12.7% | 13.2% | 13.2% | 15.2% | 13.6% |

DISTRIBUTABLE CASH FLOW

| (\$ thousands) | Qtr. 1 | | Qtr. 2 | | Qtr. 3 | | Qtr. 4 | | Calendar Year | | |
|--|---------------|---------|---------------|---------|---------------|---------|---------------|---------|---------------|---------|---------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2021 |
| Cash provided by | | | | | | | | | | | |
| operating activities..... | 20,829 | 5,595 | 18,866 | 10,395 | 20,548 | 3,158 | 22,945 | 21,159 | 83,188 | 40,308 | 53,987 |
| Leases..... | (2,156) | (2,123) | (2,163) | (2,094) | (2,181) | (2,225) | (1,847) | (1,866) | (8,347) | (8,308) | (7,835) |
| Exceptional items..... | — | — | — | — | — | — | (729) | 385 | (729) | 385 | — |
| Dividends - Vision..... | — | — | — | — | — | — | — | (90) | — | (90) | (90) |
| Working capital ⁵ | (9,782) | 8,812 | (9,013) | 4,724 | (8,355) | 10,263 | (6,749) | (8,393) | (33,899) | 15,406 | 4,643 |
| Income tax payments..... | 4,701 | 3,465 | 6,692 | 5,232 | 3,411 | 2,597 | 2,934 | 2,598 | 17,738 | 13,892 | 17,650 |
| Adjusted EBITDA¹ | 13,592 | 15,749 | 14,382 | 18,257 | 13,423 | 13,793 | 16,554 | 13,793 | 57,951 | 61,593 | 68,355 |
| Interest ^{a)} | 920 | 205 | 802 | 482 | 633 | 788 | 666 | 997 | 3,021 | 2,473 | 475 |
| Dividends - Vision..... | — | — | — | — | — | — | — | (90) | — | (90) | (90) |
| Current income tax..... | 3,239 | 4,176 | 4,020 | 4,624 | 3,784 | 3,412 | 3,980 | 2,867 | 15,023 | 15,079 | 18,985 |
| Maintenance capital..... | 1,115 | 310 | 786 | 275 | 273 | 308 | 540 | 624 | 2,714 | 1,517 | 2,362 |
| Distributable cash flow² | 8,318 | 11,058 | 8,774 | 12,876 | 8,733 | 9,285 | 11,368 | 9,395 | 37,193 | 42,614 | 46,623 |
| Diluted per Unit | \$0.73 | \$0.97 | \$0.77 | \$1.15 | \$0.76 | \$0.79 | \$1.00 | \$0.82 | \$3.26 | \$3.73 | \$4.01 |
| Regular distributions.... | 3,769 | 3,771 | 3,768 | 3,768 | 3,766 | 3,765 | 3,769 | 3,769 | 15,072 | 15,073 | 15,380 |
| Diluted per Unit | 33.1¢ | 33.1¢ | 33.0¢ | 33.0¢ | 33.0¢ | 33.0¢ | 33.0¢ | 33.0¢ | \$1.32 | \$1.32 | \$1.32 |
| Payout ratio ³ | 45% | 34% | 43% | 29% | 43% | 42% | 33% | 40% | 41% | 35% | 33% |
| Free cash flow² | 4,549 | 7,287 | 5,006 | 9,108 | 4,967 | 5,520 | 7,599 | 5,626 | 22,121 | 27,541 | 31,243 |
| Special distribution | 4,339 | 7,878 | | | | | | | 4,339 | 7,878 | |
| Diluted per Unit..... | 38.0¢ | 69.0¢ | | | | | | | 38.0¢ | 69.0¢ | |
| Total Payout ratio ³ | 97% | 105% | | | | | | | 52% | 54% | |
| Units outstanding (average) | | | | | | | | | | | |
| Diluted basis 000's..... | 11,418 | 11,418 | 11,418 | 11,418 | 11,418 | 11,418 | 11,418 | 11,418 | 11,418 | 11,418 | 11,693 |

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

MANAGEMENT DISCUSSION & ANALYSIS

The distributable cash flow² definition for banking capital⁵ purposes excludes changes in working capital⁵ 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 \$18.0 million drawn (2022 \$53.0 million drawn) or free cash flow.

Distributable cash flow² for the fourth quarter increased \$2.0 million in comparison to the same period in 2022 due to higher Adjusted EBITDA¹ of \$2.8 million and \$0.3 million lower interest partially offset by higher income tax of \$1.1 million. For the year, distributable cash flow decreased \$5.4 million with lower Adjusted EBITDA of \$3.6 million and \$0.5 million higher interest being partially offset by \$1.2 million higher maintenance capital half for computer software and half for evaluation and rental equipment at Clarion..

The monthly distribution of 11¢ per Unit represents an annual yield of 3.8% on a \$34.65 price per Unit at December 31, 2023 and a payout ratio³ of 40% (2022 35%). Unitholder distributions and the exchangeable shareholders' dividends will be 100% eligible dividends for tax purposes.

LIQUIDITY AND FINANCING

Cash flows from operating activities

Cash flows from operating activities increased for the fourth quarter by \$1.8 million and for the year by \$42.9 million over the same period in 2022. During the fourth quarter, the increase in profit from operations of \$4.0 million was partially offset by \$1.6 million less from working capital⁵. The changes in working capital were mainly due to a decrease in inventory of \$8.2 million and prepaid expenses of \$0.7 million and higher accounts payable of \$3.5 million with accounts receivable increasing \$5.7 million. For the year, the \$33.9 million decrease in working capital was partially offset by the lack of contingent consideration of \$1.6 million and the higher tax payments of \$3.8 million. The changes in working capital include decreases in accounts receivable (\$2.8 million), inventory (\$25.6 million), prepaid expenses (\$0.7 million) and higher accounts payable (\$4.8 million).

Free cash flow deployment

Regular and special distributions paid during the year were \$15.1 million and \$4.3 million respectively. The sales contraction in 2023 due to market supply disruptions allowed for significant reductions in working capital. Debt repayment from free cash flow and working capital reductions in 2023 was \$47.0 (2022 \$7.5 million). Debt in 2022 reflects \$49.5 million borrowed for the Clarion acquisition offset by \$7.5 million repayments from free cash flow.

| (\$ millions) | 2021 | 2022 | 2023 |
|------------------------------|------|-------|-------|
| Free Cash Flow | 31.2 | 27.5 | 22.2 |
| Cash | -0.3 | -3.3 | 4.7 |
| Working capital ⁵ | 4.6 | 15.4 | -33.9 |
| Clarion acquisition | 9.1 | 49.5 | 0.0 |
| Unit Buyback/Special | 16.8 | 7.9 | 4.3 |
| Debt repayment (proceeds) | 1.0 | -42.0 | 47.0 |

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 \$15.0 million (2022 \$15.1 million) which includes \$1.7 million for withholding taxes. The 2022 year included 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

During the 2022 year, \$49.5 mil. contingent consideration was paid for the Clarion acquisition.

Capital expenditures for the year were \$2.7 million (2022 \$1.5 million), all on account of maintenance capital and were mainly comprised of computer software (\$1.2 million), the refurbishment of moulds (\$0.3 million) and warehouse equipment (\$0.9 million) including \$0.3 million for each of evaluation and rental equipment at Clarion.

MANAGEMENT DISCUSSION & ANALYSIS

Financing activities and instruments

Free cash flow for the year was mainly used to fund the special distribution, invest in working capital⁵ 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 June 30, 2023, the credit facilities were modified to create one \$65.0 million revolving credit facility of which \$18.0 million was drawn [2022 \$53.0 million] and is available for working capital and future acquisitions. The facility bears interest at the bankers' acceptance borrowing rate plus a margin of 1.25% to 2.00%, an increase of 0.30%, with maturity to June 30, 2027 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 EBITDA¹. As at December 31, 2023, our leverage ratio was 0.2x (2022 1.0x). Combined with cash flow from operations, management believes that adequate financing will be available for the foreseeable future⁴.

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.

| <i>(\$ millions)</i> | Total < 1 yr. < 3 yrs. < 5 yrs. Beyond | | | | |
|---------------------------------|--|------|------|------|-----|
| Bank debt | 18.0 | | 18.0 | | |
| Exchangeable shares | 15.9 | 15.9 | | | |
| Previous shareholder | 1.0 | 1.0 | | | |
| Annual bonus plans | 3.8 | 3.8 | | | |
| Lease obligations ^{a)} | 39.5 | 8.5 | 14.3 | 12.2 | 4.5 |
| | 78.2 | 29.2 | 32.3 | 12.2 | 4.5 |

^{a)} Lease obligations represents the gross payments including renewal options

OUTLOOK SENSITIVITIES⁴

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 2024.

January and February revenue was down 4% as the drag from the oversupply in the food and beverage market and the loss of the Becton Dickinson contract in Healthmark are partially offset by growth in Healthcare and Cosmetics. The sensitivity for every 1¢ movement in exchange rates to revenue is \$0.6 mil. and to Adjusted EBITDA¹ is \$0.07 mil.

At the current price of \$33.50/Unit the mark-to-market gain on exchangeable units would be \$0.5 mil. The sensitivity for every \$1 movement in unit price is \$0.46 mil.

Maintenance capital will continue to be funded by cash flow from operations and is expected to be \$2.5 mil. in 2024 with continued investment in computer software. Expansion capital is expected to be in the order of \$1 mil. 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 flow².

Distributable cash flow from Richards Packaging US and the current tax profile of Richards Canada are expected to allow for eligible dividends to be paid to Unitholders in 2024. Distributable cash flow² sensitivity to foreign currency fluctuations is \$0.05 mil. for every U.S./Cdn. 1¢ movement. For 2024, 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, logistics disruptions, cybersecurity, 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 2023 Annual Information Form dated March 7, 2024.

MANAGEMENT DISCUSSION & ANALYSIS

TRANSACTIONS WITH RELATED PARTIES

Three facilities were leased in 2023 from Tim McKernan, a resident of Nevada, USA who ceased to be an officer of Richards Packaging in May 2023. 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, 2024, 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, 2023 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, management believes the expected credit losses as at December 31, 2023 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 \$2.8 million recognition of expense through inventory write down for the year (2022 \$0.9 million). Based upon this review, management believes the obsolescence provision is adequate to cover risks inherent in inventory on hand as at December 31, 2023.

Intangible Assets

Intangible assets have been recognized in connection with various acquisitions valued at \$13.1 million as of December 31, 2023 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 \$3.7 million future income tax liability as at December 31, 2023 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 flow².

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 \$34.65 as at December 31, 2023 (2022 \$43.40), 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.

MANAGEMENT DISCUSSION & ANALYSIS

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, 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, 2023 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, 2023 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.sedarplus.ca 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 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 EBITDA¹ 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 flow². 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.sedarplus.ca. 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.