IPL Plastics Inc. Reports Second Quarter 2020 Financial Results

Montreal, QC, August 11, 2020 – IPL Plastics Inc. ("IPL Plastics", "IPLP", the "Group" or the "Company") (TSX: IPLP) today reported financial results for the second quarter and six months ended June 30, 2020 ("Q2 2020" and "YTD 2020", respectively).

All financial information is in U.S. dollars unless otherwise noted. Certain metrics, including those expressed on an adjusted basis, are non-IFRS measures. See "Non-IFRS Financial Measures" below.

Results for Q2 2020, as measured by Adjusted EBITDA, while negatively impacted by COVID-19, demonstrate a solid overall performance given the wider economic backdrop. YTD 2020 performance is in line with YTD 2019. Adjusted EBITDA margin has continued to improve, increasing from 16.9% in Q2 2019 to 17.5% in Q2 2020. Strong liquidity is in place to support the business.

Q2 2020 Key Highlights

- Revenue decreased by 9.1% to $153.3 million for Q2 2020 (Q2 2019: $168.6 million);
- Revenue in the Consumer Packaging Solutions ("**CPS**") division increased from $59.6 million in Q2 2019 to $63.5 million in Q2 2020, revenue in the Large Format Packaging and Environmental Solutions ("**LF&E**") division decreased to $64.1 million in Q2 2020 from $77.6 million in Q2 2019, and the Returnable Packaging Solutions ("**RPS**") division's revenue decreased from $26.5 million in Q2 2019 to $23.8 million in Q2 2020;
- Net income was $5.3 million for Q2 2020, a decrease of $3.2 million from $8.5 million for Q2 2019;
- Adjusted EBITDA was $26.8 million in Q2 2020 compared to $28.5 million in Q2 2019;
- Overall Group Adjusted EBITDA margins have improved from 16.9% in Q2 2019 to 17.5% in Q2 2020, with improvements in each of the divisions with the exception of RPS which was predominantly impacted by sales mix. CPS margins improved from 20.6% in Q2 2019 to 22.0% in Q2 2020, LF&E margins improved to 19.3% in Q2 2020, from 16.5% in Q2 2019, and RPS margins reduced to 16.0% for Q2 2020 from 24.4% in Q2 2019;
- Net cash flows from operating activities increased by $18.4 million from $14.5 million for Q2 2019 to $32.9 million for Q2 2020;
- Net Debt decreased from $297.4 million at December 31, 2019 to $296.6 million at June 30, 2020, primarily due to positive net cash flows from operating activities before working capital movements and favorable foreign exchange movements on net debt balances, offset in part by seasonal increases in working capital, the drawdown of borrowings to fund the acquisition of the trade and assets of a U.K. based injection molding company and ongoing capital expenditures; and
- On July 29, 2020, IPLP announced that it had entered into an arrangement agreement to be acquired by Intelligent Packaging Limited Purchaser Inc., an entity controlled by managed by Madison Dearborn Partners, LLC, a Chicago-based private equity firm, at a price of C$10.00 per share.

Commenting on the results, **Alan Walsh, CEO of IPL Plastics** said:

"*Our Q2 performance improved through the quarter as the diversity of our product range and markets assisted recovery and delivered financial results ahead of market expectations. This was achieved in challenging market conditions due to widespread COVID-19 disruption, which continues to impact operations and limits visibility regarding performance for the remainder of 2020. Our focus remains firmly on capitalizing on further recovery while ensuring the safety of our employees and our products and meeting changing customer demands. Cash conservation measures are in place to support liquidity and improve balance sheet strength, which will position IPL to take advantage of any market growth opportunities that may arise."*

Second Quarter and YTD 2020 Financial Results

($million, unless otherwise specified)	Q2 2020	Q2 2019	% change	YTD 2020	YTD 2019	% change
Revenue	153.3	168.6	(9.1%)	294.4	310.4	(5.2%)
Gross Profit	35.2	37.8	(6.9%)	61.6	64.0	(3.7%)
Adjusted EBITDA(1)	26.8	28.5	(6.1%)	45.8	45.8	0.1%
Net Income	5.3	8.5	(37.3%)	7.2	9.5	(24.9%)
Adjusted Net Income(1)	9.5	10.3	(8.4%)	14.1	14.7	(4.5%)
Adjusted Diluted Earnings Per Share (in $)(1)	0.17	0.19	(10.5%)	0.26	0.27	(3.7%)
Net Cash Flows from Operating Activities	32.9	14.5	NM	24.0	9.4	NM
Adjusted Free Cash Flow(1)	27.7	9.4	NM	11.5	2.1	NM

(1) Non-IFRS Financial Measure: A reconciliation to the most directly comparable measure calculated in accordance with IFRS is presented below.
(2) Not meaningful (“NM”)

Revenue decreased by 9.1% to $153.3 million in Q2 2020 compared to $168.6 million in Q2 2019. The revenue decrease was primarily driven by a reduction in sales volumes in the LF&E division in North America, the passthrough of resin price reductions, a slow-down in sales of MacroTrac and automotive bins along with price reductions in agricultural bins in the RPS division, and unfavorable foreign exchange movements. These decreases were partially offset by increased sales volumes of environmental containers in the LF&E division in Europe and volume growth in our CPS divisions in North America and Europe.

Gross profit, Adjusted EBITDA, and Adjusted EBIT all decreased in Q2 2020 when compared with Q2 2019. These decreases were driven primarily by decreases in revenue, the timing of passthrough of resin price reductions and unfavorable foreign exchange movements, partially offset by a decrease in resin input costs, and decreases in labor costs and other selling, general and administrative expenses, in part due to assistance received from the U.K. and Canadian COVID-19 wage subsidy programs, under which a credit was recognised in the condensed consolidated interim statement of income in Q2 2020 in the amount of $4.0 million.

Net income for Q2 2020 was $5.3 million, compared with $8.5 million in Q2 2019. The decrease in net income was a function of lost contribution from lower revenues, and an increase in transaction, reorganization and integration costs primarily due to the additional business reorganization costs recognized in Q2 2020 for restructuring, redundancy and severance, partially offset by decreases in operating expenses, finance costs and the income tax expense. Adjusted Net Income decreased by $0.8 million to $9.5 million for Q2 2020.

Diluted Earnings per Share decreased by 6 cents to $0.10 in Q2 2020, compared with $0.16 in Q2 2019. Adjusted Diluted Earnings per Share decreased by 2 cents to $0.17 for Q2 2020 compared with $0.19 in Q2 2019.

Cash outflow with respect to capital purchases of property, plant and equipment amounted to $7.3 million in Q2 2020 (Q2 2019: $15.1 million), with $3.3 million related to strategic and development capital expenditure and $4.0 million of maintenance capital expenditure.

Net cash outflow from operating activities increased by $18.4 million from $14.5 million to $32.9 million in Q2 2020. Adjusted Free Cash Flow increased by $18.3 million from $9.4 million for Q2 2019 to $27.7 million for Q2 2020.

Impact of COVID-19

The current health emergency caused by the spread of COVID-19 has significant implications for the economies and markets in which the Company operates. The ability of governments and medical agencies to contain the spread of the COVID-19 virus or to prevent its reoccurrence will be important in determining the extent of its impact on the global economy and more specifically on the economies in which IPLP operates. Management is following the advice of the World Health Organization and the Centre for Disease Control as well as local government guidelines in the jurisdictions in which the Company operates. Management continues to evaluate and assess the impact of COVID-19 on its business and operations as new facts and circumstances emerge.

The health and safety of employees is of the utmost importance and the Company has moved rapidly to put appropriate and responsive measures in place to protect their safety and well-being. The business has also had to respond rapidly to comply with many new governmental regulations in each of the jurisdictions in which it operates and in adjusting, adopting and coordinating ways of working in order to ensure the health and safety of employees as they continue to deliver quality and safe products to customers. Senior management continues to work closely with operational management teams across the organization, ensuring that policies, procedures and plans are in place to help minimize the negative impact on the business.

The Company has implemented an extensive range of business continuity and contingency planning measures as it continues to keep all 14 manufacturing facilities operational. In jurisdictions where it is applicable, IPLP's plants are considered to manufacture essential products for essential businesses. Due to the unprecedented level of volatility in the Company's markets and the uncertainty surrounding the extent and duration of government restrictions that were implemented or may be reintroduced in the near future, the impact on future demand for IPL's products cannot be reliably estimated at this time. On the one hand, IPLP has experienced increased demand for some products such as food packaging containers, while on the other hand, there has been a slow-down in demand for certain other products.

The Company has taken a number of actions to ensure that it maintains a strong liquidity position, including restricting capital expenditures and reducing staffing levels and other costs in areas of the business where demand for certain products has reduced.

The Company has not experienced any delays in the delivery of resin to the plants to date as a result of COVID-19 and monitors the situation closely with its suppliers. There have been no significant disruptions to the procurement of other materials or other inputs to the manufacturing process. The logistics network remains in operation, however certain elements of it have been affected by the stay-at-home orders. In some cases, IPLP is utilizing its own logistics suppliers to support customers that would typically have their own transportation suppliers.

Management expects the practices of social distancing, contact tracing and isolation measures will remain in place until the end of 2020 and possibly beyond (until either treatments or a vaccine are developed or both). IPLP has developed revisions to its COVID-19 internal procedures to incorporate new practices as the Company manages social distancing at each of its locations worldwide.

Overall, management is encouraged by the resilience of the Company's business model which has responded to the very serious challenges which have arisen as every area of the business' resilience has been tested. Management is grateful to the incredible contribution of the Company's staff and management teams and their continuing enormous efforts in meeting the challenges presented by the COVID-19 pandemic head-on.

Outlook

Results for Q2 2020, as measured by Adjusted EBITDA, were impacted by COVID-19 and the associated containment measures which had largely been implemented globally as the Company entered the quarter. The trading consequences have varied, with the LF&E division experiencing a slow-down in sales of food service pails in North America, along with delays in request-for-proposals and new orders for some environmental products in North America. However, a reduction in demand for industrial products in the U.K. market was offset by an increase in demand for material handling products from customers experiencing an increase in demand for bread, meat trays and home delivery totes. The CPS division experienced an increase in volume for food packaging generally but there has been a reduction in sales to some customers, notably those dependent on the hospitality sector. The RPS division experienced a decrease in demand for MacroTrac products as a result of the cancellation of all outdoor recreational events, concerts and tradeshows and in automotive bin sales which have also slowed. The impact of revenue declines on Adjusted EBITDA was mitigated in part by decreases in resin prices, participation in the COVID-19 wage subsidy programs in Canada and similar plans in other jurisdictions and the effect of measures taken to streamline the fixed cost base as a response to the COVID-19 pandemic.

While management is seeing positive signs and increasing activity in certain markets as the COVID-19 lockdown and containment measures started to be relaxed, including a pick-up in industrial products in the U.K. market and increases in material handling products and food packaging, the Company expects that its Q3 2020 revenues will continue to be adversely impacted by COVID-19. In particular, the LF&E division continues to exhibit lower sales of food service pails in North America, the CPS division continues to be impacted with lower hospitality sector related sales, while the RPS division continues to experience lower demand for MacroTrac products and automotive bins.

The U.S. dollar strengthened when compared to the Canadian dollar, Pound Sterling and euro giving rise to an unfavorable foreign exchange impact on revenue in Q2 2020 when compared with the same period in 2019. Due to macro factors such as global unrest and conflict, trade negotiations, the final agreed terms of Britain’s exit from the European Union and other uncertainties including the impact of COVID-19, it is expected that foreign currency volatility will continue to impact results during 2020.

In North America, average IHS resin index prices for polypropylene were 23.1% lower in Q2 2020 compared with Q2 2019, while HDPE polyethylene prices decreased by 7.1% when compared with Q2 2019. In Europe, average ICIS resin index prices for polypropylene and polyethylene were 20.0% and 22.1% lower respectively in Q2 2020 compared with Q2 2019. Given the current volatility in the markets, the near-term outlook for Q3 2020 resin pricing is uncertain. In North America, the IHS resin price per pound of polypropylene and polyethylene in July 2020 are 11.7% lower and 13.3% higher respectively when compared with the prices as of July 2019. In Europe, ICIS resin price per tonne of polypropylene and polyethylene in July 2020 are 16.3% and 14.9% lower when compared with the prices as of July 2019.

As the Company manages its way through the COVID-19 crisis, its priorities are unchanged: to protect and preserve at all times the health and safety of employees, keep all 14 manufacturing facilities operational, deliver quality and safe products to customers, eliminate or defer non-essential capital expenditure, reduce costs and rationalize areas of the business where demand has reduced.

Following immediate and decisive actions to streamline costs, participation in COVID-19 wage subsidy programs in Canada and similar plans in other jurisdictions, management of capital expenditure and tight control over working capital, so as to maintain high levels of free cash balances, and access to significant banking facilities, the Company has considerable liquidity and balance sheet strength to continue to support the business, recover any declines, and capture new business opportunities as the impact of the pandemic eases on affected markets.

As previously indicated, the global COVID-19 pandemic is expected to have a material impact on economic activity across the Company’s markets in 2020. Given the continuing level of uncertainty surrounding the extent and duration of related measures, the Group’s financial guidance for 2020 remains suspended. The Group continues to monitor the situation closely and further updates will be provided when visibility improves.

IPLP continues to believe that the overall prospects for the Company remain positive, benefiting from strong management, significant product and market diversification, financial strength and resilience together with a well invested asset base.

The description of the Company’s Fiscal 2020 financial outlook in this press release is based on management's current views and strategies, management's assumptions and expectations concerning IPLP's growth opportunities and its assessment of the opportunities for the business and the global packaging industry and the rigid plastic packaging market. The purpose of disclosing the foregoing outlook is to provide investors with more information concerning the financial impact of IPLP's business initiatives and growth strategies. The description of the Fiscal 2020 outlook is forward-looking information for purposes of applicable securities laws in Canada and readers are therefore cautioned that actual results may vary from those described above. See "Forward-Looking Statements" and "Risk Factors" for a reference to the risks and uncertainties that impact the Company's business and that could cause actual results to vary.

Subsequent Events

On July 29, 2020, IPLP announced that it had entered into an arrangement agreement (the "Arrangement Agreement") to be acquired (the "Going Private Transaction") by Intelligent Packaging Limited Purchaser Inc. (the "Purchaser"), an entity controlled by funds (the "MDP Funds") managed by Madison Dearborn Partners, LLC ("MDP"), a Chicago-based private equity firm. Under the terms of the Arrangement Agreement, subject to shareholder and other customary approvals, the Purchaser will acquire at C$10.00 in cash per share (the "Purchase Price") all of the issued and outstanding common shares (the "Shares") of IPLP.

The majority of the outstanding Shares owned by Caisse de dépôt et placement du Québec ("CDPQ"), the largest shareholder of IPLP, are effectively to be rolled over at an implied value per Share equal to the Purchase Price, such that upon completion of the transaction, the MDP Funds will be the controlling shareholder of IPLP, with a wholly-owned subsidiary of CDPQ holding a minority equity interest of approximately 24.9%.

The Arrangement Agreement contains what is commonly referred to as a "go-shop" provision that allows the Company to solicit and engage in discussions and negotiations with respect to potential superior proposals during an initial 30-day period (with the possibility of a further 10-day extension under certain circumstances).

The Going Private Transaction will become effective only if it is approved by (i) at least 66 2/3% of the votes cast by shareholders at a special meeting of shareholders called to consider the transaction; (ii) a simple majority of the votes cast by shareholders, excluding for this purpose the votes attached to Shares held by CDPQ pursuant to Regulation 61-101 – respecting Protection of Minority Security Holders in Special Transactions ("MI 61-101"); and (iii) the Superior Court of Québec, after considering the procedural and substantive fairness of the transaction. The completion of the transaction is not subject to any financing condition.

The IPLP board of directors (the "Board") and the independent committee of the Board (the "Special Committee") unanimously recommend the Arrangement Agreement be approved by shareholders.

Consolidated Financial Statements and Management's Discussion and Analysis

The Company's unaudited condensed consolidated interim financial statements and accompanying notes for the three and six months ended June 30, 2020 and related Management's Discussion and Analysis ("MD&A") are available under the Company's profile on SEDAR at www.sedar.com and in the Investor Relations section of the Company's website at www.iplglobal.com

Conference Call

Management will host a conference call for analysts and investors on Wednesday, August 12, 2020 at 10:00 am (EST). The dial-in numbers for participants are (866) 996-7190 or (270) 215-9493 in North America and 1800902189 or 012475604 in Ireland and the Conference ID is 2789245. Presentation slides to be referenced on the conference call will be available prior to the call on the Company's website at https://www.iplglobal.com/investors/filings-presentations-reports. A replay of the call will be available until Wednesday, August 19th, 2020. To access the replay, call (855) 859-2056 and enter passcode: 2789245.

About IPLP

IPLP is a leading sustainable packaging solutions provider primarily in the food, consumer, agricultural, logistics and environmental markets operating in Canada, the U.S, the U.K., Ireland, Belgium, China and Mexico. IPLP employs approximately 2,000 people and has corporate offices in Montreal and Dublin. For more information, please visit the Company's website at www.iplglobal.com.

Forward Looking Statements

This press release may include statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements include all matters that are not historical facts. Specifically, forward-looking statements in this press release include, but are not limited to, statements regarding expectations of the Company with respect to the outbreak of the Coronavirus (COVID-19) and its possible impact on the Company's Revenue and Adjusted EBITDA, the expected completion dates of certain of the Company's capital projects, the Company's ability to pass through material price input change to customers, the Company's expectations regarding resin and freight costs and the results from the Company's response thereto including the impact on gross margin and Adjusted EBITDA margin for Fiscal 2020, expectations regarding securing labor, labor cost inflation, our expected cash outflows for Fiscal 2020 and the Company's expectations with respect to foreign currency volatility and its impact on revenue and Adjusted EBITDA. These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "projects", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions.

In addition, our assessments of, and outlook for Fiscal 2020 are considered forward-looking information. See "Outlook" for additional information concerning our strategies, assumptions and market outlook in relation to these assessments. Furthermore, actual results or performance in the future may vary from our assumptions referred to in "Outlook" below.

Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. Such information reflects IPLP's then current views with respect to future events based on certain material facts and assumptions and are subject to certain risks and uncertainties.

Forward-looking information is based on certain key expectations, opinions, assumptions and estimates made by the Company in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors that the Company believes are appropriate and reasonable in the circumstances. Although IPLP believes that the expectations, opinions, assumptions and estimates on which such forward-looking information is based are reasonable, such forward-looking information should not be unduly relied upon since there can be no assurance that such expectations, opinions, assumptions and estimates will prove to be correct.

Many factors could cause our actual results, level of activity, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the following factors, which are discussed in greater detail in the "**Risk Factors**" section of the MD&A: the impact of the COVID-19 outbreak on our business and our operations; as well as risks relating to the Arrangement Agreement including the possibility that the Going Private Transaction will not be completed on the terms and conditions, or on the timing, currently contemplated, and that it may not be completed at all, due to a failure to obtain or satisfy, in a timely manner or otherwise, required shareholder, court and regulatory approvals and other conditions of closing necessary to complete the Going Private Transaction or for other reasons, as well as the possibility of adverse reactions or changes in business relationships resulting from the announcement or completion of the Going Private Transaction, our ability to successfully implement our business strategy; our highly competitive marketplace; a disruption in the overall economy and the financial market which may affect consumer demand; risks relating to Canada — U.S. trade; price volatility or a shortage of some of the raw materials we purchase; our results of operations may be impacted by different financial risks; our dependence on our manufacturing facilities and equipment, which require a high degree of capital expenditures to maintain or replace; changes in laws, regulations and related interpretations as well as changes in consumer trends; the loss of any key customers or a decrease in customer demand; our exposure to food industry risks; risks relating to our brand and reputation; brand and reputational risks associated with actions taken by our subcontractors; competition for acquisition candidates; our ability to execute our growth strategy being dependent on our ability to identify and acquire desirable candidates; our ability to successfully integrate recent acquisitions or future acquisitions; risks associated with our acquisition diligence procedures; failure to adapt to technological changes or the inability to continue to enhance existing products and develop and market new products that respond to customer needs and preferences; our ability to recruit and retain senior management and qualified personnel; failure to maintain good employee relations; increases in transportation costs; increases in energy costs; industry consolidation risk; potential exposure to product liability claims arising from the manufacture of faulty or contaminated products; failure to protect our intellectual property rights, including our unpatented proprietary know-how and trade secrets, or in avoiding claims that we infringed on the intellectual property rights of others; failure to comply with applicable laws and regulations; risks relating to environmental and health and safety laws and regulations; risks of downward pressure on pricing of our products; the inability to obtain appropriate funding; interest rate fluctuations; failure in internal controls; risks relating to information technology interruptions or breaches; litigation risk including the possibility of litigation relating to the Going Private Transaction; potential indemnification obligations relating to divestments; counterparty credit risks; risks relating to future write-offs of our goodwill and other intangible assets; changes in applicable tax legislation; future sales of our securities by existing shareholders or by us could cause the market price for our common shares to fall; *Caisse de dépôt et placement du Québec* (“**CDPQ**”) having significant influence with respect to matters put before the shareholders; our dependence on our subsidiaries for cash to fund our operations and expenses; our dividend policy; difficulties enforcing judgments against the Company's directors and officers who are not resident in Canada; risks relating to claims for indemnification by our directors and officers; risks relating to our forum selection by law; and the forward looking statements contained in this MD&A proving to be incorrect.

The above-mentioned factors should not be construed as exhaustive. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that may cause results not to be as anticipated, estimated or intended.

All of the forward-looking information contained in this press release are qualified by the foregoing cautionary statements and there can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. Unless otherwise noted or the context otherwise indicates, the forward-looking information contained in this press release is provided as of the date of this press release and the Company does not undertake to update or amend any forward-looking information contained herein whether as a result of new information, future events or otherwise, except as required by applicable securities laws. Readers are also cautioned that outlook information contained in this press release should not be used for purposes other than for which it is disclosed herein or therein, as the case may be.

Non-IFRS Financial Measures

This press release uses certain non-IFRS financial measures and ratios. Management uses these non-IFRS financial measures for purposes of comparison to prior periods, to prepare annual operating budgets, and for the development of future projections and earnings growth prospects. This information is also used by management to measure the profitability of ongoing operations and in analyzing our financial condition, business performance and trends. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similarly titled measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management’s perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. We use non-IFRS financial measures to provide supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS financial measures. The financial measures applied include Adjusted EBITDA, Adjusted EBITDA margin, Adjusted EBIT, Adjusted Net Income, Adjusted Basic Earnings per Share, Adjusted Diluted Earnings per Share, Net Debt, Financial Leverage and Adjusted Free Cash Flow.

Adjusted EBITDA and Adjusted EBIT is provided to assist investors in determining the financial performance of the Company and its divisions’ operating activities on a consistent basis by excluding items such as transaction, reorganization and integration costs, share of loss of equity-accounted investee, other income (net), finance costs and tax charges as they are considered not being reflective of the operational performance of the Company. Adjusted EBITDA also excludes certain non-cash elements such as depreciation and amortization expenses. Adjusted EBITDA margin provides a percentage of revenue analysis of the Adjusted EBITDA measure. These measures are also used by Management to measure the underlying trading performance of the Company's operating segments. We believe that these financial measures are useful financial metrics to assess our operating performance from period to period by excluding certain items that we believe are not representative of our core business.

Adjusted Net Income also assists key stakeholders in determining the financial performance of the Company on a consistent basis by excluding from net income certain costs as noted above, amortization costs related to intangible assets recognized on acquisition of subsidiaries and adjusted to reflect the tax effect on these elements. Adjusted Basic and Diluted Earnings Per Share give a consistent measure of the earnings of the Company by dividing the Adjusted Net Income by the basic and diluted weighted average number of shares. Net Debt is a measure indicating the financial indebtedness of the Company assuming that all cash on hand is used to repay a portion of the outstanding debt. Financial Leverage is defined as the ratio of Net Debt to the last twelve months Adjusted EBITDA ("**LTM Adjusted EBITDA**"),and measures the number of years it would take for the Adjusted EBITDA of the business to pay off the Net Debt in full. LTM Adjusted EBITDA is the Adjusted EBITDA of the business for the previous twelve-month period together with any Adjusted EBITDA of an acquired business also for the same twelve-month period adjusted to include any pre-acquisition period. Adjusted Free Cash Flow is a measure indicating the relative amount of cash generated by the Company during the period and available to fund dividends, debt repayments and acquisitions. We believe that the presentation of these financial measures enhance an investor's understanding of our financial performance and financial condition.

The definitions of the measures noted above are included in the "**Reconciliation of non-IFRS Measures**" section of this press release.

The Company believes that the presentation of these financial measures enhances an investor's understanding of its financial performance and financial condition. The Company further believes that these financial measures are useful financial metrics to assess its operating performance from period to period by excluding certain items that management believes are not representative of the Company's core business. The following tables below show a reconciliation of the non-IFRS measures included in this press release.

Reconciliation of non-IFRS Measures

Reconciliation of Adjusted EBIT and Adjusted EBITDA to Net Income

Adjusted EBITDA consists of net income before income taxes, net finance costs, share of loss of equity-accounted investee, other income (net), transaction, reorganization, and integration costs, and depreciation and amortization. Adjusted EBIT is Adjusted EBITDA less depreciation and amortization.

	Three months ended June 30		*Six months ended June 30*	
($'000)	**2020**	2019	**2020**	2019
Net Income	**5,312**	8,470	**7,172**	9,547
Income tax expense	**2,521**	3,075	**1,021**	1,970
Finance costs (net)	**3,782**	4,465	**8,122**	8,392
Share of loss of equity-accounted investee	**—**	—	**—**	360
Other income (net)	**(160)**	(314)	**(823)**	(334)
Operating Profit	**11,455**	15,696	**15,492**	19,935
Transaction, reorganization and integration costs	**3,000**	667	**5,836**	2,874
Adjusted EBIT	**14,455**	16,363	**21,328**	22,809
Depreciation and amortization	**12,322**	12,158	**24,518**	22,978
Adjusted EBITDA	**26,777**	28,521	**45,846**	45,787

Reconciliation of Adjusted Net Income, Adjusted Basic Earnings per Share and Adjusted Diluted Earnings per Share

Adjusted Net Income, Adjusted Basic Earnings per Share and Adjusted Diluted Earnings per Share

Adjusted Net Income consists of net income before share of loss of equity-accounted investees, transaction, reorganization, and integration costs, amortization of acquisition related intangibles, other income (net) and income tax related to the above noted items. Adjusted Basic Earnings per Share and Adjusted Diluted Earnings per Share is calculated by dividing the Adjusted Net Income by the weighted-average number of common shares outstanding. In the case of Adjusted Diluted Earnings per Share, the number of outstanding common shares is adjusted for the effects of options with a dilutive effect.

	Three months ended June 30		*Six months ended June 30*	
($'000, unless otherwise stated)	**2020**	2019	**2020**	2019
Net Income	**5,312**	8,470	**7,172**	9,547
Transaction, reorganization and integration costs	**3,000**	667	**5,836**	2,874
Amortization of acquisition related intangibles	**2,112**	2,036	**3,466**	3,670
Other income (net)	**(160)**	(314)	**(823)**	(334)
Share of loss of equity-accounted investee	**—**	—	**—**	360
Taxes related to the above noted items	**(802)**	(568)	**(1,589)**	(1,398)
Adjusted Net Income	**9,462**	10,291	**14,062**	14,719
Weighted-average number of common shares	**54,295**	53,980	**54,295**	53,802
Adjusted basic earnings per share (in $)	**0.17**	0.19	**0.26**	0.27
Equity instruments with a dilutive effect – share options	**—**	608	**—**	607
Weighted-average number of common shares (diluted)	**54,295**	54,588	**54,295**	54,409
Adjusted diluted earnings per share (in $)	**0.17**	0.19	**0.26**	0.27

Reconciliation of Net Debt

The table below sets out the Net Debt of the Company at June 30, 2020 and December 31, 2019. Net Debt is defined as loans and borrowings, lease liabilities and convertible loan notes less cash and cash equivalents.

($'000)	*June 30* **2020**	*December 31* 2019
Loans and Borrowings	**384,119**	349,708
Lease liabilities	**21,242**	24,068
Convertible loan notes	**1,388**	1,393
Cash and cash equivalents	**(110,186)**	(77,731)
Net Debt	**296,563**	297,438

Financial Leverage

The table below sets out the financial leverage ratio for the Company at June 30, 2020 and December 31, 2019. The financial leverage ratio is defined as the ratio of Net Debt to the last twelve months Adjusted EBITDA including the pre-acquisition period of the trade and assets of a U.K. based injection molding company, for June 30, 2020 and the pre-acquisition period of Loomans for December 31, 2019.

($'000)	*June 30* **2020**	*December 31* 2019
Net Debt	**296,563**	297,438
Adjusted EBITDA	**91,518**	91,459
Loomans EBITDA pre-acquisition period	**—**	1,970
U.K. based injection molding company EBITDA pre-acquisition period	**512**	—
LTM Adjusted EBITDA	**92,030**	93,429
Financial Leverage	**3.22**	3.18

Reconciliation of Adjusted Free Cash Flow

Adjusted Free Cash Flow represents cash generated by IPLP activities and available for reinvestment elsewhere, including the early repayment of debt. It is defined as the net cash flow from operating activities, less finance costs and maintenance capital expenditure amounts paid, adding back transaction, reorganization and integration costs paid (which excludes investing and financing related costs) and other income (net).

	Three months ended June 30		*Six months ended June 30*	
($'000)	**2020**	2019	**2020**	2019
Net cash flows from operating activities	**32,895**	14,518	**24,018**	9,380
Transaction, reorganization and integration costs paid (excluding investing and financing related costs)	**2,639**	1,914	**3,597**	6,381
Other income (net)	**160**	57	**823**	140
Adjusted net cash flow from operating activities	**35,694**	16,489	**28,438**	15,901
Maintenance capital expenditure	**(4,027)**	(2,739)	**(8,458)**	(6,090)
Finance costs paid	**(3,995)**	(4,352)	**(8,465)**	(7,707)
Adjusted Free Cash Flow	**27,672**	9,398	**11,515**	2,104

Investor Enquiries

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