Quarter 2 2020 – IPL Plastics Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations

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IPL Plastics Inc.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the three and six-months ended June 30, 2020

The following management's discussion and analysis of financial condition and results of operations ("**MD&A**") of IPL Plastics Inc. (together with its subsidiaries), referred to herein as "IPL Plastics", "IPLP", the "Group", the "Company", "we", "us" or "our" is prepared as of August 11, 2020. It should be read in conjunction with our unaudited condensed consolidated interim financial statements and accompanying notes as at and for the three and six-months ended June 30, 2020 and our audited consolidated financial statements and accompanying notes as at and for the year ended December 31, 2019.

All references in this MD&A to "**Q2 2020**" are to the three-month period ended June 30, 2020, "**Q1 2020**" are to the three-month period ended March 31, 2020, "**Q2 2019**" are to the three-month period ended June 30, 2019, "**Q3 2019**" are to the three-month period ended September 30, 2019 and to "**Q4 2019**" are to the three-month period ended December 31, 2019. All references in this MD&A to "**YTD 2020**" are to the six-month period ended June 30, 2020 and to "**YTD 2019**" are to the six-month period ended June 30, 2019. All references in this MD&A to "**Fiscal 2020**" are to the Company's fiscal year ending December 31, 2020, to "**Fiscal 2019**" are to the Company's fiscal year ended December 31, 2019, to "**Fiscal 2018**" are to the Company's year ended December 31, 2018 and to "**Fiscal 2017**" are to the year ended December 31, 2017.

This MD&A contains forward-looking information and involves numerous risks and uncertainties, including but not limited to those described in the "**Risk Factors**" section of this MD&A. Actual results may differ materially from those expressed or implied by such forward-looking information. See "**Forward-Looking Statements**".

Corporate Overview

IPL Plastics Inc. is a corporation incorporated under the Canada Business Corporations Act (the "**CBCA**").

IPLP is a leading sustainable packaging solutions provider. We manufacture specialty packaging products used primarily in the food, consumer, agricultural, logistics and environmental markets, from our network of 14 manufacturing facilities. Our engineering expertise, particularly in injection molding, allows us to deliver innovative solutions to our highly diversified customer base, which is a mix of blue-chip customers, leading regional and local businesses and large municipalities, most of which have a long-standing relationship with us. We offer products ranging from tamper-evident food containers, pails, bowls, tubs and lids to wheeled containers, returnable bulk containers and material handling containers.

We believe that we have established leadership positions in several of our key product categories, such as in-mold labelling ("**IML**") injection molded containers in North America, environmental waste containers in both North America and the U.K. and returnable bulk plastic containers in North America.

On March 28, 2019, we completed the acquisition of 100% of the share capital of Loomans Group N.V. ("**Loomans**"). Loomans has its operations and headquarters in Belgium and is part of our Consumer Packaging Solutions ("**CPS**") business. Loomans is a well invested, single site plastic business, operating for over fifty years. The acquisition of Loomans diversifies our geographic footprint, adding new capacity and capabilities to serve a broader customer base such as the cosmetic/personal care and beverage sectors in the consumer space. Loomans has a well-established, long standing customer base in continental Europe and provides IPL Plastics with a strong platform for future growth in this region enabling us to participate in new and existing customers' growth plans in continental Europe. Loomans has performed in line with expectations since acquisition and the integration with the CPS business is well progressed.

On August 16, 2019, we completed the disposal of our small Remer business located in Minnesota, U.S. This facility manufactured thermoforming products in the Large Format Packaging and Environmental Solutions **("LF&E")** division.

On January 10, 2020, we acquired the trade and assets of a U.K. based injection molding company. The primary nature of the business acquired is the manufacture of materials handling products. The assets acquired included injection molding machines, materials handling molds and ancillary molding equipment. The consideration paid was $4.1 million (£3.1 million).

Through Q2 2020, we continued to own a small metals recycling business based in the U.K. The revenue from this business amounts to 1.2% of our consolidated revenues for Q2 2020. This business and our central corporate overhead expenses are included within the "Other" operating segment as analyzed in **"Summary Results of Operations"** section below. On July 23, 2020, we completed the disposal of the trade and certain assets of a subsidiary of the metals recycling business. Further details are outlined in the **"Subsequent Events"** section below.

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. See "**Forward-Looking Statements**", "**Liquidity and Capital Resources**", "**Subsequent Events**" and "**Risk Factors**" in this MD&A, and Note 18 to the Unaudited Condensed Consolidated Interim Financial Statements, for additional information regarding the Arrangement Agreement. A copy of the Arrangement Agreement has been filed under IPLP's profile on SEDAR at www.sedar.com.

Basis of Preparation

We structure our business across our three-primary market-facing activities: LF&E, CPS, and Returnable Packaging Solutions ("RPS"), all of which serve the North American, Latin American and European markets.

The unaudited condensed consolidated interim financial statements and accompanying notes for the three and six-months ended June 30, 2020 have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("**IAS 34**") as issued by the International Accounting Standards Board ("**IASB**"). The International Financial Reporting Standards ("**IFRS**") issued and effective from January 1, 2020 have been applied in the preparation of these unaudited condensed consolidated interim financial statements and the impact of these IFRS on the financial information is discussed in further detail in the **"Accounting Standards Implemented for Fiscal 2020"** section of this MD&A. All amounts in this MD&A are expressed in U.S. dollars, unless otherwise indicated. All references to "$" and "US$" are to U.S. dollars and all references to "C$", "£" and "€", are to Canadian dollars, Pounds Sterling and euros, respectively. All amounts have been converted to U.S. dollars at the appropriate average or spot rate for the relevant period. Where no period rate is applicable, the spot rate as at June 30, 2020 has been applied.

Financial Measures and Key Indicators

This MD&A 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 MD&A.

Forward-Looking Statements

This MD&A 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 MD&A 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 this 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 MD&A 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 MD&A is provided as of the date of this MD&A 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 MD&A should not be used for purposes other than for which it is disclosed herein or therein, as the case may be.

Summary of Factors Affecting our Performance including the impact of COVID-19

We believe our performance and continued success depend on a number of factors. These factors are also subject to a number of inherent risks and challenges, some of which are discussed below and referenced in the "**Risk Factors**" section of this MD&A.

Impact of COVID-19 on our Operations

The current health emergency caused by the spread of COVID-19 has significant implications for the economies and markets in which we operate. 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 we operate. We are 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 we have operations. We continue to evaluate and assess the impact of COVID-19 on our business and operations as new facts and circumstances emerge.

The health and safety of our employees is of the utmost importance and we have 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 we operate and in adjusting, adopting and coordinating ways of working as we restructure our business to ensure the health and safety of our employees as we continue to deliver quality and safe products to our customers. We continue to work closely with our operational management teams across the organization, ensuring that policies, procedures and plans are in place to help minimize the negative impact on the business.

We have implemented an extensive range of business continuity and contingency planning measures as we continue to keep all 14 of our manufacturing facilities operational. In jurisdictions where it is applicable, our plants are considered to manufacture essential products for essential businesses. Due to the unprecedented level of volatility in our 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, we have experienced increased demand for some of our products such as food packaging containers, while on the other hand, we have seen a slow-down in demand for certain of our other products.

We have taken a number of actions to ensure we maintain a strong liquidity position, including restricting capital expenditures and reducing staffing levels and other costs in areas of the business where demand for certain of our 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.

We expect 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). We have developed revisions to our COVID-19 internal procedures to incorporate new practices as we cater for social distancing at each of our locations worldwide.

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

Industry Trends

The segments of the rigid plastic packaging industry in which we operate are subject to shifts in customer preferences and trends such as increased focus on sustainability and the substitution from non-plastic packaging products to rigid plastic packaging.

Our revenue and operating results depend, in part, on our ability to sell products that meet our customers' needs and adapting to changes in their needs in a timely manner. For example, in our RPS business segment, we have developed and offer products for the agricultural sector which represent an economical and environmentally sustainable solution in comparison to traditional alternatives. Another example, in our CPS business segment, we have rapidly penetrated the dairy market in North America by offering customized IML packaging solutions that are more visually appealing to retail customers relative to traditional offset printed labelling.

Sustainability is a key consideration in developing our future business strategy and at the heart of our Sustainability Strategy 2022 are three key focus areas of Innovation and the Circular Economy, Environmental Stewardship and People, Safety and Community Activities. The requirements of our customers and Governments' new regulations, particularly in Europe, is increasingly shifting the importance of sustainability as a key determinant of the long-term success of our business. Conversations with our customers and resin suppliers increasingly involve discussions around use of recycled plastics, design for future circularity and enhanced recyclability through new and innovative product designs.

As a leading sustainable packaging solutions provider, we are well positioned to take advantage of these emerging regulatory and customer trends as we invest in light weighting our products, operate product return programs to recover and reuse certain products and continue to increase the levels of recycled plastic used across our divisions.

As a result of our customer-focused product innovation model, we believe that we are well-positioned to respond to the current trends in the industry and also to more broad-based trends in the material handling and packaging industry.

Management of Cost of Sales

Resin Materials

The largest component of our cost of sales is the cost of materials, and the most significant component of this is resin. In YTD 2020, approximately 41.2% (YTD 2019: 47.7%) of our cost of sales was attributable to plastic resin. Polypropylene and polyethylene account for more than 90% of our plastic resin purchases based on pounds purchased. Plastic resins are subject to price fluctuations, including those arising from supply shortages and changes in the prices of natural gas, crude oil and other petrochemical intermediates from which resins are produced. Plastic resin in the recent past exhibited a moderate level of price volatility. Our profitability is impacted by resin price volatility, mitigated by the Company's ability to either structure passthrough arrangements (contracted or non-contracted) with a significant portion of our customers, to reset our prices under short term contracts or to manage our exposures using derivative contracts. Due to differences in the timing of passing through resin cost changes to our customers, our profitability is negatively impacted in the short term when plastic resin costs increase and is positively impacted when plastic resin costs decrease. This timing lag in passing through raw material cost changes could affect our results as plastic resin costs fluctuate.

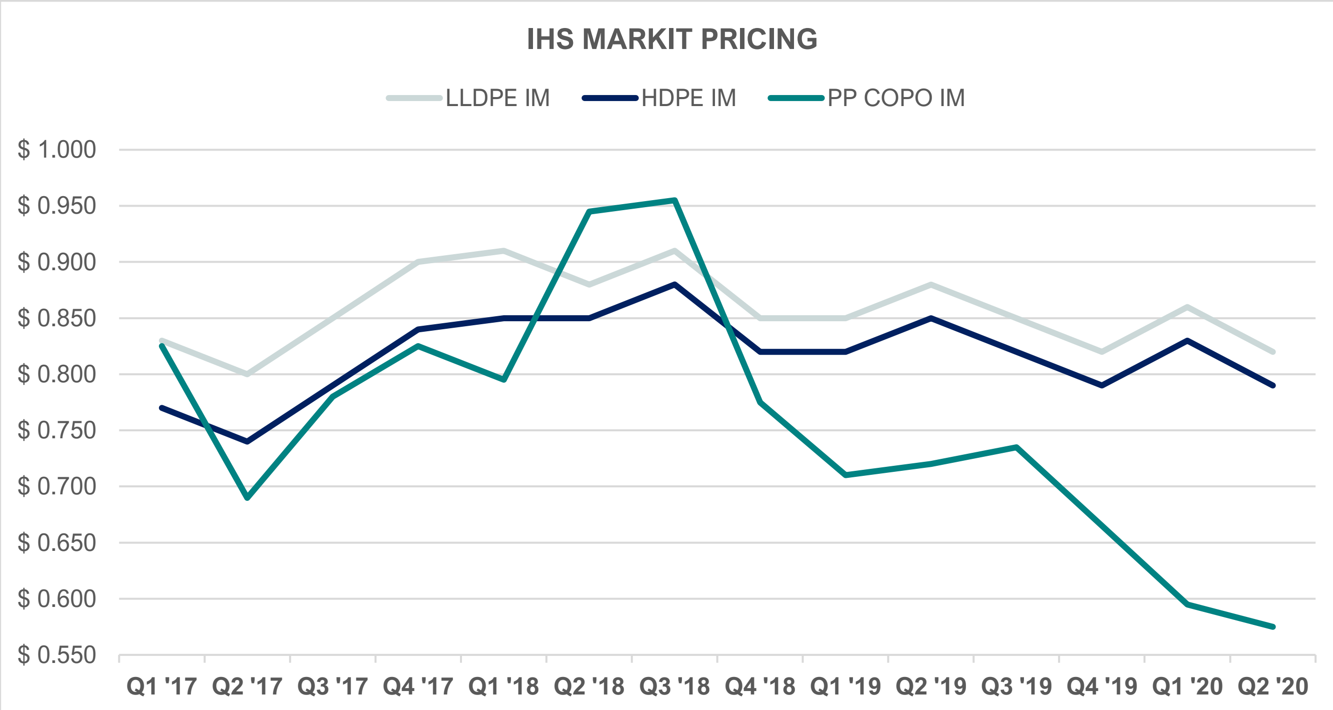
Between Q4 2019 and Q2 2020, the average price of polypropylene resin decreased by approximately 18.8%. The impact of the price reductions has positively impacted our Q2 2020 consolidated statement of income.

During Q1 2019, our RPS business implemented a new resin strategy to hedge a significant portion of the Fiscal 2019 agricultural related resin purchases on a rolling quarterly basis. This resin hedging strategy has been applied to cover a portion of all monthly 2020 agricultural-related resin purchases. The RPS division has no formal passthrough arrangement in place with its agricultural customers as selling prices are generally agreed based on market resin prices at the time of order. A significant portion of the agriculture bin orders are taken in advance of production for planning purposes and to meet demand of market seasonality. This backlog of orders can result in a positive or negative impact on the gross profit margin and Adjusted EBITDA margin depending on price fluctuations in resin during the period from when the order is placed to the time of production. If resin input costs increase, sales prices are typically adjusted where possible to cover some of the increased resin cost. However, these price increases typically take time to be realized as the backlog typically sells through first. The resin procurement hedging strategy partially mitigates against the risk related to resin price increases through Fiscal 2020.

The resin market is a global market and, based on our experience, we believe that adequate quantities of plastic resins will be available at market prices, but we can give no assurances as to such availability or the prices thereof. The price of resin that is available in North America and Europe can differ, due to a number of factors, including import duties, capacity and/or availability due to general market demand. Actual resin input prices are typically negotiated annually and are based on securing a discount from an agreed index while securing forecasted volumes. During Q1 2020, we completed a successful resin tender procurement process, securing additional savings for Fiscal 2020 when compared with Fiscal 2019. The Company aims to maintain a number of suppliers of key materials and equipment so as not to become overly dependent on any one supplier. We believe that we have maintained strong relationships with our key suppliers and expect that such relationships will continue into the foreseeable future.

The average North American resin industry prices per pound, as published by the IHS Markit Service ("**IHS**") which is the index primarily used by our divisions in North America, were as follows for the three and six-month periods ended June 30, 2020 and 2019 respectively:

	Three months ended June 30			*Six months ended June 30*		
($'cent)	**2020**	2019	% Change	**2020**	2019	% Change
Polyethylene (HDPE IM)	**79.00**	85.00	(7.1%)	81.00	83.50	(3.0%)
Polyethylene (LLDPE IM)	**82.00**	88.00	(6.8%)	84.00	86.50	(2.9%)
Polypropylene (PP Copo IM)	**56.00**	72.80	(23.1%)	59.25	73.17	(19.0%)



The average price of polypropylene resin per the IHS index reduced further in Q2 2020 following the reductions in Q1 2020, while in comparison to Q2 2019, prices have decreased by 23.1%. Polyethylene resin prices have decreased in Q2 2020 by 1.2% when compared to Q4 2019. In comparison to Q2 2019, prices have decreased by 6.8%.

In our European business, the average price of polypropylene resin per the index decreased a further 13.0% in Q2 2020 following the initial reductions in Q4 2019, while in comparison to Q2 2019, prices have decreased by 20.0%. Polyethylene resin prices have also decreased a further 15.4% in Q2 2020 following the reductions in Q4 2019. In comparison to Q2 2019, prices have decreased by 22.1%

Direct and Indirect Labor

Direct and indirect labor costs amounted to approximately 18.2% of cost of sales (YTD 2019: 18.0%) and 63.4% of the total labor costs in YTD 2020 (YTD 2019: 69.3%) and includes those employees involved in the direct manufacturing and engineering of products, machine operations, repairs and maintenance of machinery and molds, and other supply chain activities such as quality control. The Company operates in several markets and regions, particularly North America, which were, pre-COVID 19, close to full employment leading to increased cost and reduced availability of labor. The Company has put in place a number of initiatives to ensure it can continue to attract and retain employees to support its operations. We also continue to invest in automation through our capital expenditure program to alleviate the risk of lack of available workers. See "**Risk Factors**" for additional details.

Freight and Logistics

Freight and logistics costs also represent a significant portion of our cost of sales, amounting to approximately 6.4% in YTD 2020 (YTD 2019: 7.3%) and are incurred as the Company relies on sea and ground transportation via third-party freight service providers for the delivery and shipment of its raw materials and products. Our transportation costs are subject to fuel input cost changes and therefore fluctuate over time. Freight and logistics costs are dependent on IPLP's sales volume, the specific contractual arrangements in place with customers, the geographical mix of the product shipped, the cost of fuel used by freight carriers and the available capacity in the freight market. In order to optimize our cost model, the Company focuses on reducing logistics costs and reliance on third-party freight service providers by, among other things, transferring, where appropriate, production to strategically located facilities to mitigate the risk of increased freight costs. Failure to manage freight and logistics costs and our ability to mitigate cost fluctuations could have a material adverse effect on our business, financial condition, prospects and/or results of operations.

Competition

We operate in a competitive industry and our direct competition consists of publicly and privately-owned companies of varying sizes. We believe that we can maintain our established leadership positions in several of our key markets, such as food and dairy IML packaging markets in North America, environmental waste containers in both Canada and the U.K., and returnable bulk plastic containers globally with our ability to respond to customer needs through the development of customized products and through our industry-leading solutions and aftermarket services.

Implementation of Business Strategy and Growth Strategies

Our future success depends, in part, on management's ability to implement our growth strategy, which is based on four key pillars: (i) realizing value from our recent significant capital investments; (ii) continuing to drive organic growth in our target markets; (iii) our sustained focus on operational excellence to improve Adjusted EBITDA margin and Adjusted Free Cash Flow; and (iv) continuing to grow through strategic acquisitions.

The ability to implement this growth strategy depends, among other things, on our ability to develop new products and product line extensions that appeal to our customers, maintain and improve our competitive position in the markets in which we compete, and identify and successfully penetrate new geographical markets, market segments and categories.

We have in the past, and will in the future, incur certain costs to achieve efficiency improvements and growth in our business. We also continue enhanced measures, such as increasing the use of recycled material in our products where possible and continuing to invest in light weighting our products amongst other initiatives, to improve the Company's business margins and core profitability levels.

Our ability to grow our business by completing strategic acquisitions will depend on our ability to identify, negotiate and successfully close and integrate these strategic acquisitions and will also depend on having access to appropriate capital to fund the costs of those acquisitions.

Our business strategy may change from time to time in light of our ability to implement new business initiatives and in response to external macro-economic factors. The business strategy will also be impacted by the outcome of ongoing cross-border trade negotiations such as the nature of the trading relationship to be agreed between Britain and the European Union, and the outcome of the ongoing U.S. Chinese trade negotiations and the duration and severity of the COVID-19 pandemic, amongst other macro-economic factors.

Foreign Exchange

The U.S., the U.K. and Canada are our three largest geographical markets in terms of revenue. Approximately 51.8% of our YTD 2020 (52.0% of revenue in YTD 2019) revenue was delivered to destinations outside of the U.S. with the largest portion of this from our U.K. and Canadian operations. Both our U.S. and Canadian based operations supply products into the U.S. market.

Revenue is generally invoiced and paid in the currency where the sale takes places. Most of our resin materials purchases are in U.S. dollars with other material and input costs generally purchased in the currency where the inputs are utilized. Costs associated with our direct labor are typically denominated based on the location of the plant where the labor is employed. As a result, in the U.S., we currently have a natural currency hedge for products sold locally. In Canada, we are exposed to fluctuating currency exchange rates where the products sold in Canadian dollars contain materials and inputs purchased in U.S. dollars and where products are sold in U.S. dollars. Management requires each of our operating segments to manage their foreign exchange risk against their functional currency.

The Company also seeks to manage on an annual basis a significant amount of the overall foreign currency exposure arising from the conversion of its subsidiaries' Adjusted EBITDA results to the Company's reporting currency through the use of forward foreign currency contracts. This is done in accordance with the Company's internal Treasury Management policy, overseen by the Company's Treasury function, which reports regularly to management and the Audit Committee.

As our unaudited condensed consolidated interim financial statements are presented in U.S. dollars, we have foreign exchange exposure primarily with respect to our Canadian, European and U.K. operations. The U.S. dollar strengthened against the Canadian dollar, Pound Sterling and euro in Q2 2020 compared to Q2 2019 by approximately 3.5%, 3.5% and 2.0% respectively, giving rise to unfavorable foreign exchange movements on Revenue in Q2 2020 when compared to Q2 2019. Adjusted EBITDA in Q2 2020 was positively impacted by movements in the U.S. dollar on the forward foreign currency contracts resulting from the strengthening of the U.S. dollar in the quarter.

Revenue and Cash Flow Variability Factors and Seasonality

IPLP's business exhibits moderate seasonality driven by the seasonal patterns of our customers' markets. While certain variable costs of the Company can be managed to match such seasonal patterns, a significant portion of our costs are fixed and cannot be adjusted for seasonality. For example, within our RPS business, customers in the agricultural market are typically busiest through late summer and fall, which coincides with key produce growing seasons. The order backlog and sales mix in the RPS business can also be impacted by weather conditions generally, import tariffs and the introduction of new bin products to the market. Certain products in the food and consumer market, such as yogurt and ice cream, are also impacted by seasonality. Demand for these products is also typically strongest during the second and third quarters of the year. For these reasons, IPLP's revenue and Adjusted EBITDA tend to be lower in the first and fourth quarters of each year when compared with the second and third quarters of each year.

IPLP's business is also impacted from time to time by the unpredictability of the timing and volume of large customer contract wins particularly arising from the rollout of environmental containers to municipal authorities in our LF&E division and the rollout of automotive bin contracts to automotive manufacturers ("**OEMs**") and third-party logistics providers in our RPS division. The number and timing of municipal and public council tenders fluctuates by year and is dependent on local micro economic conditions which can cause variances in the operational performance of our LF&E environmental container business. IPLP's business is also impacted from time to time by the unpredictability of the timing and volume of customer driven demand for distributions of our materials handling products in our LF&E division.

Our investment in working capital typically peaks during the first half of the year and then unwinds over the remainder of the year. The timing of large customer contracts can impact working capital significantly as the Company builds inventory to satisfy the volume and delivery requirements of the contracts.

Our cash outflow with respect to capital purchases of property, plant and equipment is typically more heavily weighted towards the first half of each year, due to deferred payment terms from suppliers that generally require settlement during that time.

Business Acquisitions

We leverage our relationships and network of industry participants and advisors to actively source and identify acquisition opportunities. We continue to pursue strategic acquisitions that enable us to add capacity in existing markets, gain leading market positions in underserved markets, access new geographical markets, broaden our product offerings, leverage cross-selling opportunities, and realize cost synergies. Any acquisition may present financial, managerial, operational and integration challenges, which, if not successfully overcome, may reduce our profitability.

How We Assess the Performance of our Business

The key performance indicator measures below are used by management in evaluating the performance of our Company and assessing our business. We refer to certain key performance indicators used by management and typically used by our competitors in the packaging industry, certain of which are not recognized under IFRS. See "***Financial Measures and Key Indicators***".

Revenue

IPLP generates the majority of its revenue from the sale to customers of a wide range of rigid plastic products across its LF&E, CPS and RPS operating segments.

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, volume rebates and sales taxes. Revenue is recognized at a point in time, when control of the products has been transferred to the buyer. This is normally deemed to occur upon shipment or delivery of goods. Revenue from the sale of goods makes up approximately 98.2% of our YTD 2020 total revenue (YTD 2019: 99.0%).

Revenue from services rendered is recognized in the consolidated statements of income over time in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed with reference to surveys of work performed and agreed with the customer. Within our LF&E business, service revenue is earned primarily on the delivery of environmental containers to households or locations as prescribed by the various councils, boroughs or cities.

Cost of Sales

Our cost of sales represented 79.1% and 79.4% of revenue in YTD 2020 and YTD 2019 respectively. The reasons for the decrease in cost of sales as a percentage of revenue in YTD 2020 compared to YTD 2019 is detailed in the **“Summary Results of Operations”** section below.

Cost of sales includes all fixed and variable costs of manufacturing to bring our products to their sale condition. Input costs associated with the manufacturing of our plastic products are primarily variable and include materials, direct and indirect labor costs including fringe benefits, logistics (including freight, warehousing and handling), subcontracting, repairs and maintenance, utilities, other manufacturing costs as well as depreciation and amortization costs related to the Company’s plant, equipment and intangible assets related to the manufacturing process. Cost of sales are outlined in further detail in the “***Management of Cost of Sales***” section within “**Summary of Factors Affecting Our Performance**”.

Operating Expenses

Our operating expenses represented 13.7% and 13.3% of revenue in YTD 2020 and YTD 2019 respectively.

IPLP’s operating expenses include selling, general and administrative (“**SG&A**”) costs and realized and unrealized foreign exchange gains and losses. Selling costs include sales and marketing activities, including advertising and promotion, as well as selling expenses, commissions and other related costs. General and administrative expenses consist of costs relating to operations, finance, information technology, product research and development (“**R&D**”), legal, human resources, executive administration and depreciation and amortization associated with assets not directly connected with bringing our products to their sale condition such as furniture and fittings, acquired trademarks and customer relationships.

Other

To supplement our financial information presented in accordance with IFRS, we use the following additional non-IFRS financial measures to clarify and enhance an understanding of past performance; Adjusted EBITDA, Adjusted EBITDA margin, Adjusted EBIT, Adjusted Net Income, Adjusted Basic and Diluted Earnings per Share, Net Debt, Financial Leverage and Adjusted Free Cash Flow. We have included definitions of each financial measure in the “**Reconciliation of non-IFRS Measures”** section of this MD&A.

Selected Consolidated Financial Information

The following table summarizes our recent results of operations for the periods indicated. The selected consolidated financial information set out below for the three and six-month periods ended June 30, 2020 and 2019 has been derived from our unaudited condensed consolidated interim financial statements and related notes.

	Three months ended June 30		*Six months ended June 30*	
($'000, unless otherwise stated)	**2020**	2019	**2020**	2019
Statement of Income Data:				
Revenue	**153,317**	168,629	**294,370**	310,410
Cost of sales	**(118,102)**	(130,809)	**(232,757)**	(246,407)
Gross profit	**35,215**	37,820	**61,613**	64,003
Gross profit margin	***23.0%***	*22.4%*	***20.9%***	*20.6%*
Operating expenses (net)	**(20,760)**	(21,457)	**(40,285)**	(41,194)
Transaction, reorganization, and integration costs	**(3,000)**	(667)	**(5,836)**	(2,874)
Operating profit	**11,455**	15,696	**15,492**	19,935
Other income (net)	**160**	314	**823**	334
Share of loss of equity-accounted investee	—	—	—	(360)
Finance costs (net)	**(3,782)**	(4,465)	**(8,122)**	(8,392)
Profit before income taxes	**7,833**	11,545	**8,193**	11,517
Income tax expense	**(2,521)**	(3,075)	**(1,021)**	(1,970)
Net income	**5,312**	8,470	**7,172**	9,547
Adjusted EBITDA (1)	**26,777**	28,521	**45,846**	45,787
Adjusted EBITDA Margin (1)	***17.5%***	*16.9%*	***15.6%***	*14.8%*
Adjusted EBIT (1)	**14,455**	16,363	**21,328**	22,809
Adjusted Net Income (1)	**9,462**	10,291	**14,062**	14,719
Earnings per Share (in $):				
Basic	**0.10**	0.16	**0.13**	0.18
Diluted	**0.10**	0.16	**0.13**	0.18
Adjusted Basic (1)	**0.17**	0.19	**0.26**	0.27
Adjusted Diluted (1)	**0.17**	0.19	**0.26**	0.27
Cash Flow Data:				
Net cash flows from operating activities	**32,895**	14,518	**24,018**	9,380
Net cash flows used in investing activities	**(7,221)**	(15,700)	**(22,769)**	(73,198)
Net cash flows (used in)/from financing activities	**(435)**	6,266	**33,626**	66,055
Adjusted Free Cash Flow (1)	**27,672**	9,398	**11,515**	2,104
Balance Sheet Data (at period end) (2) (3):	**Q2 2020**	**Fiscal 2019**		
Cash and cash equivalents	**110,186**	77,731		
Property, plant and equipment and right-of-use asset	**322,773**	336,739		
Total assets	**923,714**	901,689		
Total loans and borrowings and lease liabilities	**405,361**	373,776		
Total liabilities	**551,476**	529,552		
Total shareholders' equity	**372,238**	372,137		
Net Debt (1)	**296,563**	297,438		

(1) To supplement our financial information presented in accordance with IFRS, we use the following additional non-IFRS financial measures. We have included definitions of each financial measures in the "**Reconciliation of non-IFRS Measures**" section of this MD&A.

(2) Balance Sheet data is shown as at June 30, 2020 and December 31, 2019.

(3) The 2019 consolidated statement of financial position has been recast for fair value adjustments of $2.5 million in connection with the Loomans acquisition.

Significant Financial and Operational Highlights and Transactions Impacting the Results of the Period

The significant events and transactions impacting the results of the Company in Q2 2020 as compared to Q2 2019, include the following:

- 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, passthrough of resin price reductions, 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 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;

- Certain subsidiaries within the Group have applied for COVID-19 financial relief, predominantly in Canada under the Canada Emergency Wage Subsidy ("CEWS") program. During both the three and six-month periods ended June 30, 2020, payroll subsidies totaling $4.0 million were recognized under these wage subsidy programs and similar plans in other jurisdictions. These subsidies were recorded as a reduction in the associated personnel costs which the Group incurred and were recognized in cost of sales and operating expenses (net), as appropriate;

- 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, timing of passthrough of resin price reductions and unfavorable foreign exchange movements offset by a decrease in resin input costs, and decreases in labor costs and other selling, general and administrative expenses, including the impact of CEWS as noted above;

- Net income for Q2 2020 was $5.3 million, compared with $8.5 million in Q2 2019. The decrease in net income was primarily due to the 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 cent to $0.10 in Q2 2020, compared with $0.16 in Q2 2019. Adjusted Diluted Earnings per Share decreased by 2 cent 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 from operating activities increased by $18.4 million from an inflow of $14.5 million in Q2 2019 to an inflow of $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;

- Net Debt has 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;

- The Company's Financial Leverage ratio, which is defined as the ratio of Net Debt to the last twelve months Adjusted EBITDA including the pre-acquisition period of the U.K. based injection molding company noted below, as at June 30, 2020 was 3.22x, an increase from 3.18x at December 31, 2019 and a decrease from 3.35x at March 31, 2020.

Summary Results of Operations

The historical financial information for the three-month periods ended June 30, 2020 and June 30, 2019 summarized below is derived from the unaudited condensed consolidated interim financial statements and accompanying notes for the period ended June 30, 2020, which were prepared in accordance with IFRS. Our historical results are not necessarily indicative of results to be expected in any future period.

Results of Operations for Q2 2020 compared to Q2 2019

Revenue

	Three months ended June 30			
($'000)	**2020**	2019	Variance	% Variance
Revenue	**153,317**	168,629	(15,312)	(9.1%)
Large Format Packaging and Environmental Solutions	**64,134**	77,570	(13,436)	(17.3%)
North America	**37,377**	52,521	(15,144)	(28.8%)
Europe	**26,757**	25,049	1,708	6.8%
Consumer Packaging Solutions	**63,533**	59,618	3,915	6.6%
North America	**41,287**	38,299	2,988	7.8%
Europe	**22,246**	21,319	927	4.4%
Returnable Packaging Solutions	**23,846**	26,471	(2,625)	(9.9%)
Other	**1,804**	4,970	(3,166)	(63.7%)

Revenue was $153.3 million in Q2 2020 compared to $168.6 million in Q2 2019, a decrease of $15.3 million or 9.1%, with the decrease primarily due to a reduction in sales volumes in the LF&E division in North America, passthrough of resin price reductions, 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 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.

Revenue in the LF&E segment was $64.1 million in Q2 2020 ($37.4 million in North America and $26.8 million in Europe), a decrease of $13.4 million or 17.3% on Q2 2019. The revenue decline of $15.1 million for LF&E in the North American market was primarily attributable to a reduction in sales volumes, passthrough of resin price reductions, unfavorable impact due to foreign exchange movements and the disposal of the Remer business in August 2019. The European business contributed revenue of $26.8 million for Q2 2020, which was $1.7 million ahead of Q2 2019 revenue of $25.0 million. The increase in revenue in the LF&E European business in Q2 2020 was primarily driven by an increase in environmental container rollouts in the quarter when compared with Q2 2019 and continued organic volume growth in bulk packaging, offset in part by a reductions in volumes in industrial products.

Revenue in the CPS segment was $63.5 million in Q2 2020 ($41.3 million in North America and $22.2 million in Europe), which is $3.9 million or 6.6% ahead of Q2 2019 revenue of $59.6 million. The North America business contributed revenue of $41.3 million for Q2 2020, which was $3.0 million above Q2 2019 revenue of $38.3 million. This increase was driven by continued volume growth in the core consumer packaging business in Q2 2020. However, this was offset by revenue decreases due to the passthrough of resin price reductions. CPS Europe revenue increased by $0.9 million in Q2 2020 when compared with Q2 2019. The increase in revenue in CPS Europe is primarily driven by increased sales volumes in the electronics sector and was offset by a reduction in demand from key customers in the consumer packaging sector. There was an unfavorable impact in both Europe and North America due to foreign exchange rate movements in Q2 2020 when compared with Q2 2019.

Revenue in the RPS segment was $23.8 million in Q2 2020, a decrease of $2.6 million, from $26.5 million in Q2 2019. The decrease in the RPS business on Q2 2019 is primarily driven by price reductions in agricultural bins and a reduction in sales volumes of the MacroTrac temporary flooring product and automotive bins, partially offset by an increase in sales volumes of agricultural bins.

Cost of Sales

($'000)	*Three months ended June 30* 2020	2019	Variance	% Variance
Cost of Sales	**(118,102)**	(130,809)	12,707	(9.7%)
Large Format Packaging and Environmental Solutions	**(48,468)**	(61,844)	13,376	(21.6%)
Consumer Packaging Solutions	**(48,368)**	(46,352)	(2,016)	4.3%
Returnable Packaging Solutions	**(19,496)**	(18,905)	(591)	3.1%
Other	**(1,770)**	(3,708)	1,938	(52.3%)
Cost of Sales (% of Revenue)	**(77.0%)**	(77.6%)	(0.6%)	0.8%
Large Format Packaging and Environmental Solutions	**(75.6%)**	(79.7%)	4.1%	(5.1%)
Consumer Packaging Solutions	**(76.1%)**	(77.7%)	1.6%	(2.1%)
Returnable Packaging Solutions	**(81.8%)**	(71.4%)	(10.4%)	14.6%
Other	**(98.1%)**	(74.6%)	(23.5%)	31.5%

Cost of sales was $118.1 million in Q2 2020 compared to $130.8 million in Q2 2019, a decrease of $12.7 million or 9.7%. As a percentage of revenue, cost of sales was 77.0% in Q2 2020 compared to 77.6% in Q2 2019. The primary reason for the decrease in cost of sales in Q2 2020 compared to Q2 2019 was the reduction in revenue as noted in the section above, decreases in resin prices, and a $3.2 million credit relating to the Canadian Employment Wage Subsidy ("**CEWS**") scheme implemented in response to COVID-19, offset by the increases in sales volumes in the CPS division, and an increase in labor and other costs.

Cost of sales in our LF&E segment decreased by $13.4 million and as a percentage of revenue from 79.7% in Q2 2019 to 75.6% in Q2 2020. The decrease in overall cost of sales is primarily driven by decreases in resin prices and the revenue reduction in North America as detailed in the section above. In North America, decreases in resin prices have resulted in a reduction in the cost of sales as a percentage of revenue and an improvement in gross profit margin percentage. A $1.9 million credit relating to the CEWS scheme also contributed to the decrease in cost of sales when compared to Q2 2019. In our European business, cost of sales has increased driven by the increase in revenue noted above, offset by the decreases in resin prices in the period which positively impacted cost of sales as percentage of revenue.

Cost of sales in our CPS segment increased by $2.0 million during Q2 2020 while cost of sales as a percentage of revenue decreased by 1.6%, from 77.7% in Q2 2019 to 76.1% in Q2 2020. Cost of sales in both our CPS North American and European business increased due to sales volume growth as detailed in the section above and increases in labor and other costs. This was offset by reductions in resin pricing and the receipt of $1.3 million from the CEWS scheme.

Cost of sales in the RPS segment was $19.5 million compared with $18.9 million in Q2 2019, an increase of $0.6 million. The increase in cost of sales is primarily driven by the variation in sales mix when compared to Q2 2019, with an increase in sales volumes of higher cost products which also contributed to the increase as a percentage of revenue from 71.4% in Q2 2019 to 81.8% in Q2 2020. The increase in cost of sales was partially offset by the impact of polypropylene resin price reductions when compared to Q2 2019.

Depreciation and amortization costs in total (included in cost of sales and operating expenses) increased by $0.1 million from $12.2 million in Q2 2019 to $12.3 million in Q2 2020, driven primarily by the additional depreciation and amortization from the acquisition of a U.K based injection molding company.

Operating Expenses

	Three months ended June 30			
($'000)	**2020**	2019	Variance	% Variance
Operating Expenses	**(20,760)**	(21,457)	697	(3.2%)
Large Format Packaging and Environmental Solutions	**(8,168)**	(7,665)	(503)	6.6%
Consumer Packaging Solutions	**(5,657)**	(5,210)	(447)	8.6%
Returnable Packaging Solutions	**(2,937)**	(3,855)	918	(23.8%)
Other	**(3,998)**	(4,727)	729	(15.4%)
Operating Expenses as a % of Revenue	**(13.5%)**	(12.7%)	(0.8%)	6.3%
Large Format Packaging and Environmental Solutions	**(12.7%)**	(9.9%)	(2.8%)	28.3%
Consumer Packaging Solutions	**(8.9%)**	(8.7%)	(0.2%)	2.3%
Returnable Packaging Solutions	**(12.3%)**	(14.6%)	2.3%	(15.8%)
Other	**(221.6%)**	(95.1%)	(126.5%)	133.0%

Operating expenses were $20.8 million in Q2 2020 compared to $21.5 million in Q2 2019, a decrease of $0.7 million or 3.2%, primarily driven by a $0.6 million credit from the CEWS scheme in LF&E North America and CPS North America, favorable foreign exchange movements and measures taken in the RPS division to streamline the fixed cost base, partially offset by increases in personnel costs and other operating expenses. As a percentage of revenue, operating expenses were 13.5% in Q2 2020 which is an increase of 0.8% from 12.7% on Q2 2019.

Operating expenses in our LF&E division increased by $0.5 million to $8.2 million in Q2 2020 driven primarily due to the impact of unfavorable foreign exchange movements in Q2 2020 when compared with Q2 2019, offset by a $0.5 million credit from the CEWS scheme in North America and a reduction in personnel costs and bad debt provisions. As a percentage of revenue, operating expenses increased from 9.9% in Q2 2019 to 12.7% in Q2 2020, driven primarily by the above factors.

Operating expenses in the CPS division increased by $0.4 million in Q2 2020 driven primarily by an increase in personnel and other selling, general and administration costs. These increases were partially offset by favorable foreign exchange movements in Q2 2020 compared with Q2 2019 and a $0.1 million credit from the CEWS scheme in North America.

Operating expenses in the RPS segment decreased by $0.9 million in Q2 2020 to $2.9 million when compared with Q2 2019. This decrease is primarily driven by the impact of the restructuring and redundancy measures taken to streamline the fixed overhead SG&A cost base in 2020 in response to the assessment of the impact of COVID-19 on the RPS business.

Operating expenses in the Other segment were $4.0 million in Q2 2020 which comprised of $3.8 million (Q2 2019: $4.3 million) of central overheads and $0.2 million (Q2 2019: $0.4 million) of operating expenses relating to the Metals U.K. recycling business.

Transaction, Reorganization and Integration Costs

Transaction, reorganization and integration costs for Q2 2020 and Q2 2019 consists of acquisition related costs and business reorganization costs.

	Three months ended June 30			
($'000)	**2020**	2019	Variance	% Variance
Business reorganization costs	**(2,851)**	(486)	(2,365)	486.6%
Acquisition related costs	**(149)**	(181)	32	(17.7%)
Transaction, reorganization and integration costs	**(3,000)**	(667)	(2,333)	349.8

Transaction, reorganization and integration costs were $3.0 million in Q2 2020 and related primarily to business reorganization costs with respect to restructuring, redundancy and severance. In Q2 2020, $2.9 million was expensed in respect of business reorganization costs which were incurred in relation to management restructuring, redundancies and severance, corporate reorganization activities including legal entity rationalizations, along with further amounts for the CPS Europe restructuring initiatives initiated in Q1 2020, and redundancy costs in our LF&E division in North America.

Transaction, reorganization and integration costs were $0.7 million in Q2 2019 and related primarily to business reorganization costs with respect to restructuring and redundancy in the LF&E division in North America. Acquisition related costs of $0.2 million were recognized in Q2 2019 which primarily related to the acquisition of Loomans.

Finance Costs

	Three months ended June 30			
($'000)	**2020**	2019	Variance	% Variance
Finance costs	**(3,782)**	(4,465)	683	(15.3%)

Finance costs decreased by $0.7 million to $3.8 million in Q2 2020 (Q2 2019: $4.5 million) due primarily to the lower average interest rate paid in Q2 2020 when compared with Q2 2019, offset in part by the higher level of borrowings in Q2 2020. The average interest rate paid by the Company in Q2 2020 was 3.4% (Q2 2019: 4.5%). The movement in the average interest rate paid was driven principally by the lower base interest rates and margins payable by the Group in Q2 2020 compared with Q2 2019.

Income Taxes

	Three months ended June 30			
($'000)	**2020**	2019	Variance	% Variance
Income taxes	**(2,521)**	(3,075)	554	(18.0%)

Income tax expense for Q2 2020 was $2.5 million compared with $3.1 million in Q2 2019, a decrease of $0.6 million on the prior year comparative period. The decrease in the income tax expense for Q2 2020 is driven primarily a decrease of $3.7 million in profit before taxes and by tax adjustments related to prior period estimates in certain group entities. The tax charge recognized in Q2 2019 of $3.1 million was driven by an increase in profit before taxes and the reassessment of the tax accrual.

Net Income

	Three months ended June 30			
($'000)	**2020**	2019	Variance	% Variance
Net Income	**5,312**	8,470	(3,158)	(37.3%)

Net income for Q2 2020 was $5.3 million compared to $8.5 million in Q2 2019, a decrease of $3.2 million. The decrease was primarily driven by the lost contribution from lower sales, and an increase in transaction, reorganization and integration costs as set out above, offset by decreases in operating expenses, finance costs and the income tax expense.

Adjusted EBITDA

	Three months ended June 30			
($'000)	**2020**	2019	Variance	% Variance
Adjusted EBITDA (1)	**26,777**	28,521	(1,744)	(6.1%)
Large Format Packaging and Environmental Solutions	**12,409**	12,809	(400)	(3.1%)
Consumer Packaging Solutions	**13,998**	12,308	1,690	13.7%
Returnable Packaging Solutions	**3,804**	6,453	(2,649)	(41.1%)
Other	**(3,434)**	(3,049)	(385)	12.6%
Adjusted EBITDA Margin (1) (% of Revenue)	**17.5%**	16.9%	0.6%	3.6%
Large Format Packaging and Environmental Solutions	**19.3%**	16.5%	2.8%	17.0%
Consumer Packaging Solutions	**22.0%**	20.6%	1.4%	6.8%
Returnable Packaging Solutions	**16.0%**	24.4%	(8.4%)	(34.4%)

(1) Adjusted EBITDA and Adjusted EBITDA Margin are non-IFRS measures which are reconciled to net income as detailed in the "**Reconciliation of non-IFRS Measures**" section of this MD&A.

Adjusted EBITDA was $26.8 million in Q2 2020 compared to $28.5 million in Q2 2019, a decrease of $1.7 million or 6.1%. The decrease in Adjusted EBITDA was driven primarily by the decrease in revenue and negative impact of product mix in the RPS division, offset by decreases in resin input costs and reductions in labor costs and SG&A costs. Adjusted EBITDA margins have improved, from 16.9% in Q2 2019 to 17.5% in Q2 2020, with improvements across all divisions, with the exception of RPS which was impacted by sales mix as noted in the cost of sales section above.

Adjusted EBITDA for the LF&E business decreased by $0.4 million in Q2 2020, primarily driven by the factors outlined in the revenue and cost of sales sections of this MD&A. Adjusted EBITDA margin in the LF&E division improved to 19.3% in Q2

2020, from 16.5% in Q2 2019. The main factors contributing to the improvement in Q2 2020 were a $2.4 million credit relating to the CEWS scheme, reductions in resin input costs, and a reduction in personnel costs and bad debt provisions. There was an unfavorable impact in North America due to foreign exchange movements in Q2 2020 compared with Q2 2019.

Adjusted EBITDA for the CPS business in Q2 2020 amounted to $14.0 million, an increase of $1.7 million on the $12.3 million achieved in Q2 2019. The increase in Adjusted EBITDA is primarily driven by continued organic growth in the North American market and a $1.4 million credit from the CEWS scheme, offset by resin price reductions, and increases in the cost of labor and other costs. Adjusted EBITDA margin has improved from 20.6% in Q2 2019 to 22.0% in Q2 2020 primarily due to these aforementioned factors.

Adjusted EBITDA for the RPS business amounted to $3.8 million for Q2 2020 compared with $6.5 million at Q2 2019, a decrease of $2.6 million. Adjusted EBITDA margin was 16.0% for Q2 2020, a decrease of 8.4% from 24.4% in Q2 2019. The decrease in Adjusted EBITDA is primarily driven by the factors outlined in the revenue and cost of sales sections of this MD&A offset by the measures taken to streamline the fixed overhead SG&A cost base in Q2 2020 in response to the assessment of the impact of COVID-19 on the RPS business.

The Other segment includes Adjusted EBITDA contribution of $0.1 million in Q2 2020 (Q2 2019: $1.0 million) from the metals recycling business based in the U.K. offset by central overhead costs of $(3.5) million (Q2 2019: $(4.0) million).

Adjusted EBIT

	Three months ended June 30			
($'000)	**2020**	2019	Variance	% Variance
Adjusted EBIT (1)	**14,455**	16,363	(1,908)	(11.7%)
Large Format Packaging and Environmental Solutions	**7,498**	8,061	(563)	(7.0%)
Consumer Packaging Solutions	**9,508**	8,058	1,450	18.0%
Returnable Packaging Solutions	**1,413**	3,712	(2,299)	(61.9%)
Other	**(3,964)**	(3,468)	(496)	14.3%

(1) Adjusted EBIT is a non-IFRS measure which is reconciled to net income as detailed in the "**Reconciliation of non-IFRS Measures**" section of this MD&A.

Adjusted EBIT was $14.5 million in Q2 2020 compared to $16.4 million in Q2 2019, a decrease of $1.9 million driven primarily by the same factors as those outlined in the Adjusted EBITDA commentary offset by an increase in depreciation and amortization costs of $0.1 million from $12.2 million in Q2 2019 to $12.3 million in Q2 2020 driven primarily by additional depreciation and amortization from the acquisition of a U.K. based injection molding company.

Results of Operations for YTD 2020 compared to YTD 2019

Revenue

($'000)	*Six months ended June 30* **2020**	2019	Variance	% Variance
Revenue	**294,370**	310,410	(16,040)	(5.2%)
Large Format Packaging and Environmental Solutions	**127,178**	151,762	(24,584)	(16.2%)
North America	**74,647**	98,962	(24,315)	(24.6%)
Europe	**52,531**	52,800	(269)	(0.5%)
Consumer Packaging Solutions	**121,807**	104,902	16,905	16.1%
North America	**79,069**	73,125	5,944	8.1%
Europe	**42,738**	31,777	10,961	34.5%
Returnable Packaging Solutions	**39,526**	43,059	(3,533)	(8.2%)
Other	**5,859**	10,687	(4,828)	(45.2%)

Revenue was $294.4 million in YTD 2020 compared to $310.4 million in YTD 2019, a decrease of $16.0 million or 5.2%. The decrease is due primarily to a reduction in sales volumes in the LF&E division in North America, a decrease in MacroTrac sales in the RPS division, timing of passthrough of lower resin prices and negative foreign exchange translation impact from the strengthening U.S. dollar. These decreases were offset by the contribution in Q1 2020 of $12.4 million from Loomans, which was acquired at the end of Q1 2019 and continued organic volume growth primarily in our CPS business in North America.

Revenue in the LF&E segment was $127.2 million in YTD 2020 ($74.6 million in North America and $52.5 million in Europe), a decrease of $24.6 million or 16.2% on the comparative period in YTD 2019. The revenue decline of $24.3 million for LF&E in the North American market was primarily attributable to reductions in sales volumes in the environmental and bulk packaging areas, passthrough of resin price movements, negative foreign exchange impact and the disposal of the Remer business in August 2019. The European business contributed revenue of $52.5 million in YTD 2020, compared with $52.8 million in YTD 2019, a decrease of $0.3 million driven by the passthrough of resin price movements and a reduction in sales volumes in industrial products, offset by a strong performance of environmental containers and continued organic volume growth in bulk packaging.

Revenue in the CPS segment was $121.8 million in YTD 2020 ($79.1 million in North America and $42.7 million in Europe), an increase of $16.9 million or 16.1%. The growth in the North American market is primarily attributable to volume growth in core packaging business offset by the impact of reduced revenue due to the timing of passthrough of lower resin prices. The increase in the CPS business in Europe was primarily due to the contribution of $12.4 million from Loomans, offset by a reduction in demand by key customers in the consumer packaging sector. There was an unfavorable impact in both Europe and North America due to foreign exchange rate movements in YTD 2020 compared with YTD 2019.

Revenue in the RPS segment was $39.5 million in YTD 2020, a decrease of $3.5 million from $43.1 million in YTD 2019. The decrease in the RPS business is primarily driven by a reduction in sales of the MacroTrac temporary flooring product, automotive bins and sales price adjustments to agricultural bins implemented in Q2 2020.

Cost of Sales

($'000)	2020	2019	Variance	% Variance
	Six months ended June 30			
Cost of Sales	**(232,757)**	(246,407)	13,650	(5.5%)
Large Format Packaging and Environmental Solutions	**(99,583)**	(122,204)	22,621	(18.5%)
Consumer Packaging Solutions	**(95,457)**	(82,888)	(12,569)	15.2%
Returnable Packaging Solutions	**(32,878)**	(33,584)	706	(2.1%)
Other	**(4,839)**	(7,731)	2,892	(37.4%)
Cost of Sales (% of Revenue)	**(79.1%)**	(79.4%)	0.3%	(0.4%)
Large Format Packaging and Environmental Solutions	**(78.3%)**	(80.5%)	2.2%	(2.7%)
Consumer Packaging Solutions	**(78.4%)**	(79.0%)	0.6%	(0.8%)
Returnable Packaging Solutions	**(83.2%)**	(78.0%)	(5.2%)	6.7%
Other	**(82.6%)**	(72.3%)	(10.3%)	14.2%

Cost of sales was $232.8 million in YTD 2020 compared to $246.4 million in YTD 2019, a decrease of $13.7 million or 5.5%. As a percentage of revenue, cost of sales was 79.1% in YTD 2020 compared to 79.4% in YTD 2019. The reduction in cost of sales in YTD 2020 compared to YTD 2019 is primarily driven by the decline in revenue as noted in the section above, the impact of the strengthening U.S. dollar and the decrease in resin prices. This is partially offset by additional cost of sales of $10.0 million from the acquisition of Loomans and increase in labor costs.

Cost of sales in our LF&E business decreased by $22.6 million and as a percentage of revenue from 80.5% in YTD 2019 to 78.3% in YTD 2020. The decrease is primarily driven by the revenue reduction in North America. Resin price reductions increased resin savings, a reduction in freight costs and operational improvement measures have also contributed to the reduction in cost of sales in the North American business. These factors have also contributed to a reduction in our cost of sales as a percentage of revenue and improvement in gross margin. In the European business, cost of sales has broadly decreased due to the impact of resin price decreases in the six months which has also resulted in a reduction in cost of sales as a percentage of revenue.

Cost of sales in our CPS business increased by $12.6 million or 15.2% during YTD 2020 and cost of sales as a percentage of revenue decreased by 0.6%, from 79.0% in YTD 2019 to 78.4% in YTD 2020. The increase in cost of sales was primarily driven by $10.0 million of additional costs from Loomans when compared to YTD 2019. In the rest of our European business, cost of sales for YTD 2020 decreased compared with YTD 2019, driven primarily by the reduction in revenue as detailed in the section above. In our North American business, the increase in cost of sales was as a result of continued volume growth in core packaging and increase in labor and other costs, offset in part by a decline in resin prices when compared to the same period in the prior year.

Cost of sales in the RPS business was $32.9 million or 83.2% of revenue for YTD 2020, compared with $33.6 million or 78.0% of revenue in YTD 2019, a decrease of $0.7 million. The decrease in cost of sales is primarily driven by the reduction in revenue in YTD 2020 and the impact of polypropylene resin price reductions. The increase as a percentage of revenue in YTD 2020 is due to product mix, with an increase in volumes of higher cost products when compared to the same period in the prior year.

Depreciation and amortization costs in total (included in cost of sales and operating expenses) increased by $1.5 million from $23.0 million in YTD 2019 to $24.5 million in YTD 2020, driven primarily by additional depreciation and amortisation from the acquisition of Loomans and a U.K. based injection molding company.

Operating Expenses (net)

($'000)	*Six months ended June 30* **2020**	2019	Variance	% Variance
Operating expenses (net)	**(40,285)**	(41,194)	909	(2.2%)
Large Format Packaging and Environmental Solutions	**(15,362)**	(15,185)	(177)	1.2%
Consumer Packaging Solutions	**(10,290)**	(9,467)	(823)	8.7%
Returnable Packaging Solutions	**(6,426)**	(7,543)	1,117	(14.8%)
Other	**(8,207)**	(8,999)	792	(8.8%)
Operating expenses (net) as a % of Revenue	**(13.7%)**	(13.3%)	(0.4%)	3.0%
Large Format Packaging and Environmental Solutions	**(12.1%)**	(10.0%)	(2.1%)	21.0%
Consumer Packaging Solutions	**(8.4%)**	(9.0%)	0.6%	(6.7%)
Returnable Packaging Solutions	**(16.3%)**	(17.5%)	1.2%	(6.9%)
Other	**(140.1%)**	(84.2%)	(55.9%)	66.4%

Operating expenses were $40.3 million in YTD 2020 compared to $41.2 million in YTD 2019, a decrease of $0.9 million or 2.2%, primarily driven by favorable foreign exchange movements offset by increased costs from the contribution of Loomans, and increased selling, general and administration costs. As a percentage of revenue, operating expenses were 13.7% in YTD 2020 compared to 13.3% in YTD 2019.

Operating expenses in the LF&E division in YTD 2020 have increased by $0.2 million or 1.2% when compared with YTD 2019 driven primarily by an increase in personnel costs offset by the impact of favorable foreign exchange movements in YTD 2020.

Operating expenses for YTD 2020 in the CPS division increased by $0.8 million when compared with YTD 2019 driven by additional operating expenses of $1.2 million from the acquisition of Loomans when compared to YTD 2019 and increased selling, general and administration costs, which were partially offset by favorable foreign exchange movements.

Operating expenses in the RPS division decreased by $1.1 million or 14.8% in YTD 2020 to $6.4 million when compared with YTD 2019. For YTD 2020, operating expenses were 16.3% of revenue, compared with 17.5% of revenue in YTD 2019. The decrease is primarily driven by the impact of the restructuring and redundancy measures taken to streamline the fixed overhead SG&A cost base in YTD 2020 in response to the assessment of the impact of COVID-19 on the RPS business.

The decrease in operating expenses in our Other segment of $0.8 million is primarily driven by cost savings in SG&A and the impact of a foreign exchange gain in YTD 2020.

Transaction, Reorganization and Integration Costs

($'000)	*Six months ended June 30* **2020**	2019	Variance	% Variance
Business reorganization costs	**(5,549)**	(2,544)	(3,005)	118.1%
Acquisition related costs	**(287)**	(1,585)	1,298	(81.9%)
Gain on disposal of associate	—	1,255	(1,255)	(100.0%)
Transaction, reorganization and integration costs	**(5,836)**	(2,874)	(2,962)	103.1%

Transaction, reorganization and integration costs were $5.8 million in YTD 2020 and related primarily to business reorganization costs with respect to restructuring, redundancy and severance. Restructuring and redundancy costs of $1.2 million were recognized with respect to the rightsizing of the fixed overhead cost base in response to the assessment of COVID-19 on the RPS division, $1.6 million were recognized in respect of the ongoing restructuring initiatives implemented in CPS Europe during 2020, $2.4 million were recognized at corporate level with respect to management restructuring and severance, and corporate reorganization activities, $0.3 million of costs were recognized in respect of redundancy costs in our LF&E division in both the U.K. and North America. Acquisition related costs of $0.3 million were recognized in respect of the acquisition of a U.K. based injection molding company in Q1 2020.

Transaction, reorganization and integration costs were $2.9 million in YTD 2019 and related primarily to business reorganization costs with respect to restructuring and redundancy. Restructuring and redundancy costs were recognized relating to the streamlining of the RPS fixed overhead cost base following the trading difficulties experienced by that division in Q1 2019 and amounted to $1.4. million. $0.7 million related to other management restructuring and additional business reorganization costs in the LF&E division in North America of $0.5 million were recognized. Acquisition related costs of $1.6 million were recognized in YTD 2019 which primarily related to the acquisition of Loomans. These costs were offset by a gain of $1.3 million related to the early settlement of an unsecured vendor loan note following the disposal of a 25% investment in Rilta Environmental Ltd ("Rilta") in January 2019.

Finance Costs (net)

($'000)	*Six months ended June 30* **2020**	2019	Variance	% Variance
Finance costs (net)	**(8,122)**	(8,392)	270	(3.2%)

Finance costs decreased by $0.3 million to $8.1 million in YTD 2020 (YTD 2019: $8.4 million), due primarily to the lower average interest rate paid in YTD 2020 when compared with YTD 2019, offset in part by the high level of borrowings in YTD 2020. The movement in the average interest rate paid was driven principally by the lower base interest rates payable by the Group in YTD 2020 compared with the same period in the prior year and the higher weighting of interest expense in YTD 2020 related to euro denominated borrowings, as compared to the higher underlying interest rates payable in respect of U.S. and Canadian denominated borrowings in YTD 2019.

Income Taxes

($'000)	*Six months ended June 30* **2020**	2019	Variance	% Variance
Income taxes	**(1,021)**	(1,970)	949	(48.2%)

The income tax expense for YTD 2020 was $1.0 million compared with a charge of $2.0 million in YTD 2019, a decrease of $1.0 million on the prior year. The decreased in the tax expense is driven primarily by a decrease in profit before income taxes of $8.2 million in YTD 2020 compared with $11.5 million in YTD 2019.

Net Income

($'000)	Six months ended June 30 2020	2019	Variance	% Variance
Net income	**7,172**	9,547	(2,375)	(24.9%)

Net income for YTD 2020 was $7.2 million compared to $9.5 million in YTD 2019, a decrease of $2.4 million. The decrease was due primarily to an increase in transaction, reorganization and integration costs in YTD 2020 offset by improved operational performance in YTD 2020, a decrease in finance costs and the income tax expense for the period.

Adjusted EBITDA

($'000)	Six months ended June 30 2020	2019	Variance	% Variance
Adjusted EBITDA(1)	**45,846**	45,787	59	0.1%
Large Format Packaging and Environmental Solutions	**21,975**	23,657	(1,682)	(7.1%)
Consumer Packaging Solutions	**25,060**	19,964	5,096	25.5%
Returnable Packaging Solutions	**4,942**	7,406	(2,464)	(33.3%)
Other	**(6,131)**	(5,240)	(891)	17.0%
Adjusted EBITDA Margin (% of Revenue)(1)	**15.6%**	14.8%	0.8%	5.4%
Large Format Packaging and Environmental Solutions	**17.3%**	15.6%	1.7%	10.9%
Consumer Packaging Solutions	**20.6%**	19.0%	1.6%	8.4%
Returnable Packaging Solutions	**12.5%**	17.2%	(4.7%)	(27.3%)

(1) Adjusted EBITDA and Adjusted EBITDA Margin are non-IFRS measures which are reconciled to net income/(loss) as detailed in the "**Reconciliation of non-IFRS measures**" section of this MD&A.

Adjusted EBITDA was $45.8 million in YTD 2020 compared to $45.8 million in YTD 2019, in line with the prior year. This Adjusted EBITDA performance was achieved despite a reduction in revenue during YTD 2020 and was primarily driven by the decreases in resin input costs, the contribution from the acquisition of Loomans of $2.4 million and foreign exchange gains, offset by increases in the cost of labor and increases in operating expenses.

Adjusted EBITDA for the LF&E business decreased by $1.7 million in YTD 2020, primarily driven by the factors outlined in the revenue and cost of sales sections of this MD&A. Adjusted EBITDA margin improved to 17.3% in YTD 2020, from 15.6% in YTD 2019. The main factors contributing to the improvement in the Adjusted EBITDA margin in YTD 2020 were reductions in resin input costs, reduction in operational costs and a $2.4 million credit from the CEWS scheme.

Adjusted EBITDA for the CPS business in YTD 2020 amounted to $25.1 million, an increase of $5.1 million on the $20.0 million achieved in YTD 2019. The acquisition of Loomans contributed $2.4 million when compared to YTD 2019. The remaining increase in Adjusted EBITDA is primarily driven by continued volume growth in the North America market, resin price reductions and a $1.4 million credit from the CEWS scheme, partially offset by increased operational costs. Adjusted EBITDA margin has improved from 19.0% in YTD 2019 to 20.6% in YTD 2020 primarily due to these aforementioned factors.

Adjusted EBITDA for the RPS business amounted to $4.9 million for YTD 2020 compared with $7.4 million at YTD 2019, a decrease of $2.5 million. The Adjusted EBITDA margin was 12.5% for YTD 2020, a decrease from 17.2% in YTD 2019. The decrease in Adjusted EBITDA is primarily driven by the reduction in revenue as noted above offset in part by decreases in resin input costs, and the impact of the corrective action taken in Q1 2020 to restructure and streamline the division's cost base.

The Other segment includes Adjusted EBITDA contribution of $0.9 million in YTD 2020 (YTD 2019: $2.3 million) from the metals recycling business based in the U.K. offset by central overhead costs of $(7.0) million (YTD 2019: $(7.5) million).

Adjusted EBIT

($'000)	*Six months ended June 30* **2020**	2019	Variance	% Variance
Adjusted EBIT(1)	**21,328**	22,809	(1,481)	(6.5%)
Large Format Packaging and Environmental Solutions	**12,234**	14,374	(2,140)	(14.9%)
Consumer Packaging Solutions	**16,061**	12,549	3,511	28.0%
Returnable Packaging Solutions	**222**	1,932	(1,710)	(88.5%)
Other	**(7,189)**	(6,047)	(1,142)	18.9%

(1) Adjusted EBIT is a non-IFRS measures which is reconciled to net income/(loss) as detailed in the "**Reconciliation of non-IFRS measures**" section of this MD&A.

Adjusted EBIT was $21.3 million in YTD 2020 compared to $22.8 million in YTD 2019, a decrease of $1.5 million or 6.5% driven primarily by the same factors as those outlined in the Adjusted EBITDA commentary offset by an increase in depreciation and amortization costs. Depreciation and amortization costs have increased by $1.5 million from $23.0 million in YTD 2019 to $24.5 million in YTD 2020, driven primarily by additional depreciation and amortisation from the acquisition of Loomans and a U.K. based injection molding company.

Seasonal Trend Analysis

Quarterly revenue and net income are affected by seasonality. The second and third quarters typically generate the greatest contribution to revenue and earnings as detailed in the "***Revenue and Cash Flow Variability Factors and Seasonality***" section of this MD&A. In addition, there are a number of significant transactions and trends outlined in the "***Significant Financial and Operational Highlights and Transactions Impacting the Results of the Period***" and "***Summary Results of Operations***" sections of this MD&A which have driven changes to the results in various quarters. For example, on March 28, 2019, the CPS division acquired Loomans, which has had a positive impact on our results from the acquisition date. On January 1, 2019, we adopted IFRS 16 which positively impacted on our reported Adjusted EBITDA compared to Fiscal 2018.

The following table shows the consolidated financial performance of the Company by quarter over the last eight quarters. Previous quarter results can be agreed back to our previous quarterly filings on SEDAR.

($'000)	**Q2 2020**	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Revenue	**153,317**	141,053	136,114	158,544	168,629	141,781	161,987	169,173
Net income/(loss)	**5,312**	1,860	(3,065)	7,374	8,470	1,077	(1,830)	4,760
Basic Earnings per Share	**0.10**	0.03	(0.06)	0.14	0.16	0.02	(0.03)	0.09
Diluted Earnings per Share	**0.10**	0.03	(0.06)	0.13	0.16	0.02	(0.03)	0.09
Adjusted EBITDA	**26,777**	19,069	18,445	27,227	28,521	17,266	17,668	20,521
Adjusted Net Income	**9,462**	4,600	1,558	9,883	10,291	4,428	5,749	10,537

Liquidity and Capital Resources

Overview

IPLP is financed principally through a combination of cash generated from operations, equity and from borrowings under its various debt facilities. The Company's principal use of funds is for all expenses typically incurred in the day-to-day operation of its businesses including, but not limited to, working capital, capital expenditures and finance costs among others. The Company's principal use of funds also includes the making of acquisitions and their associated costs, together with repayments of debt and other capital amounts, among others (together, the "**Funding Requirements**").

IPLP believes that cash generated from operations, together with amounts available under the bank facilities, as detailed below, will be sufficient to meet its future funding requirements. However, IPLP's ability to fund future requirements, to make scheduled payments of interest on the bank facilities and to satisfy any of its other present or future debt obligations will depend on its future operating performance, which will be affected by general economic, financial and other factors including factors beyond its control. See "**Risk Factors**". IPLP reviews investment opportunities in the normal course of its business and may, if suitable opportunities arise, make selected investments to implement IPLP's business strategy. Historically, the funding for any such investments has come from cash flow from operations and/or additional debt.

The Arrangement Agreement (See **"Corporate Overview"**, "**Forward-Looking Statements**", "**Subsequent Events**" and "**Risk Factors**" in this MD&A, and Note 18 to the Unaudited Condensed Consolidated Interim Financial Statements, for additional information regarding the Arrangement Agreement) with MDP contains customary representations and warranties made by the Company and the Purchaser and customary covenants, including, among others, agreements by the Company to, and to cause its subsidiaries to, conduct its business in the ordinary course of business, and use commercially reasonable efforts to maintain and preserve its and its subsidiaries' business organization, assets, properties, employees, goodwill and business relationships it currently maintains with customers, suppliers, partners and other persons with which the Company or any of its subsidiaries has business relations, during the period between the execution of the Arrangement Agreement and the closing of the Going Private Transaction, and to not engage in certain kinds of transactions or take certain actions during this period.

Senior Secured Facilities

On April 17, 2018, IPLP entered into a facilities agreement (the "**New Facilities Agreement**") which replaced its existing credit facilities with committed facilities of €400.0 million ($494.3 million) provided by way of a Term Loan Facility in the aggregate amount equal to €110.0 million ($135.9 million) (the "**Term Loan Facility**") and a Revolving Credit Facility in the aggregate amount equal to €290.0 million ($358.4 million) (the "**Revolving Credit Facility**") and together with the Term Loan Facility, (the "**Facilities**"). The New Facilities Agreement contains an accordion feature allowing IPLP to seek a maximum of two increases of the Revolving Credit Facility commitments in an aggregate maximum amount of €100.0 million ($123.9 million) at any time during the availability period for the Revolving Credit Facility.

On March 13, 2019, the Company signed a Supplemental Facilities Agreement with its syndicate of banks to enable it to utilize the accordion feature contained in the New Facilities Agreement, thereby obtaining an increase of the Revolving Credit Facility in the amount of €90.0 million ($101.7 million). The increase in the Revolving Credit Facility was used to fund the acquisition of Loomans. The New Facilities Agreement permits the Company to seek one further increase of the Revolving Credit Facility under this accordion feature provided the combined increases sought do not exceed an aggregate amount of €100.0 million ($113.0 million) at any time during the availability period for the Revolving Credit Facility.

The Facilities provide flexibility to take advantage of opportunities to develop the business, focusing on organic growth and strategic acquisitions which will enhance shareholder value.

The Facilities are available in euro, Pounds Sterling, U.S. dollars or Canadian dollars and subject to agreement with the lenders, some or all of the Facilities will be available in one or more alternative currencies. Subject to the terms of the New Facilities Agreement, the Facilities are available for five years from the date of the New Facilities Agreement.

Term Loan Facility

The Term Loan Facility matures on April 17, 2023, and as of August 10, 2020, a principal amount of $111.1 million was outstanding. Repayment of the Term Loan Facility must be made in quarterly installments of €2.75 million ($3.1 million), the first of which occurred on October 17, 2019, being 18 months after the date of the New Facilities Agreement, with subsequent installments at three-month intervals thereafter.

Revolving Credit Facility

The Revolving Credit Facility matures on April 17, 2023, and as of August 10, 2020, the Company had $273.5 million drawn under the Revolving Credit Facility.

Covenants

The New Facilities Agreement contains affirmative covenants customary for credit facilities of this nature, including, but not limited to, compliance with applicable laws and regulations, payment of taxes, delivery of financial and other information to the lenders, notice to the lenders upon the occurrence of certain material events, preservation of assets, maintenance of insurance, access to books and records by the secured parties, preservation of intellectual property and further assurances. The New Facilities Agreement contains customary negative covenants including but not limited to, restrictions on the Company and each of the other borrowers' and guarantors' ability to make certain distributions, acquire, merge, consolidate or amalgamate with other companies, make certain investments or capital expenditures, substantially change their business, enter into certain joint ventures, dispose of certain assets, provide certain forms of financial assistance, incur indebtedness or transact or have any outstanding financial instruments other than certain permitted indebtedness, hypothecate, charge, pledge or otherwise encumber their assets other than certain permitted encumbrances. In addition to these affirmative and negative covenants, the New Facilities Agreement also contains financial maintenance covenants, including (i) an Interest Coverage ratio of not less than 3.00 to 1.00; and (ii) a Total Net Leverage ratio which varies between 3.50 to 1.00 and 4.50 to 1.00 depending on certain conditions (as Interest Coverage and Total Net Leverage are defined in the New Facilities Agreement).

As of June 30, 2020, the Company was in compliance with all covenants contained in the New Facilities Agreement, and no event of default (as defined in the New Facilities Agreement) had occurred or been waived.

Consolidated Financial Position

Consolidated Financial Position as at June 30, 2020 and December 31, 2019

The following table shows the significant asset and liability balances extracted from the consolidated statements of financial position of the Company as at June 30, 2020 and December 31, 2019:

($'000)	**June 30, 2020**	December 31, 2019	Variance
Assets			
Cash and cash equivalents	**110,186**	77,731	32,455
Total current and non-current trade and other receivables	**130,284**	108,867	21,417
Inventories	**75,940**	85,569	(9,629)
Property, plant and equipment and right-of-use asset	**322,773**	336,739	(13,966)
Goodwill and intangible assets	**281,542**	291,412	(9,870)

Liabilities			
Total current and non-current loans and borrowings and lease liabilities	**405,361**	373,776	31,585
Total current and non-current trade and other payables	**96,672**	103,748	(7,076)
Shareholders' equity	**372,238**	372,137	101

Cash and Cash Equivalents

Cash and cash equivalents increased by $32.5 million to $110.2 million as at June 30, 2020 compared to $77.7 million as at December 31, 2019. A full reconciliation and explanation of the movements in the Company's cash flows during the period is detailed in the "Cash Flows" section.

Trade and Other Receivables

The trade and other receivables balance increased by $21.4 million to $130.3 million as at June 30, 2020 compared to $108.9 million as at December 31, 2019 primarily due to timing of receipt of payments.

Inventories

Inventories decreased by $9.6 million to $75.9 million as at June 30, 2020 compared to $85.6 million as at December 31, 2019. An additional inventory provision of $1.0 million was recognized during YTD 2020. The remaining movement relates to resin price decreases and foreign exchange translation adjustments.

Property, Plant and Equipment and Right-of-Use Asset

Property, plant and equipment and right-of-use assets decreased by $13.9 million to $322.8 million as at June 30, 2020 compared to $336.7 million as at December 31, 2019. During the period, the Group recognized depreciation charges of $20.4 million. The remaining movements during the period were disposals, foreign exchange and other movements of $9.3 million. Additions during the period amounted to $15.8 million, which included $4.1 million of plant and machinery acquired as part of the acquisition of the trade and assets of a U.K. based injection molding company in Q1 2020.

Goodwill and Intangible Assets

Goodwill and intangible assets decreased by $9.9 million to $281.5 million as at June 30, 2020 compared to $291.4 million as at December 31, 2019. This decrease primarily relates to $5.8 million of foreign exchange translation differences and an amortization charge during the period of $4.1 million. The fair value assessment of Loomans was completed in Q1 2020 and resulted in a reduction to Goodwill of $2.4 million from December 31, 2019.

Loans and Borrowings and Lease Liabilities

Loans and borrowings and lease liabilities increased by $31.6 million to $405.4 million as at June 30, 2020 compared to the December 31, 2019 balance of $373.8 million. The increase relates primarily to the drawdown of funds in Q1 2020 to fund the acquisition of the trade and assets of a U.K. based injection molding company ($4.1 million) and the remainder for working capital purposes.

Trade and Other Payables

Trade and other payables decreased by $7.1 million to $96.7 million as at June 30, 2020 compared to $103.8 million as at December 31, 2019 and was primarily driven by the timing of payments and utilization of accruals since December 31, 2019.

Cash Flows

The following tables and discussion show the significant cash transactions impacting the cash flows of the Company for the three-month and six-month periods ended June 30, 2020 and 2019.

	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
Net cash flows used in investing activities	**(7,221)**	(15,700)	**(22,769)**	(73,198)
Net cash flows (used in)/from financing activities	**(435)**	6,266	**33,626**	66,055
Net increase in cash and cash equivalents	**25,239**	5,084	**34,875**	2,237

Cash and cash equivalents at beginning of period	**83,677**	47,052	**77,731**	49,857
Effect of movements in exchange rates on cash held	**1,270**	(5,429)	**(2,420)**	(5,387)
Cash and cash equivalents at end of the period	**110,186**	46,707	**110,186**	46,707

Reconciliation of Adjusted EBITDA to Net Cash Flows from Operating Activities

The table below provides a reconciliation of the adjusting items to reconcile Adjusted EBITDA to net cash flows from operating activities for the three-month and six-month periods ended June 30, 2020 and 2019.

	Three months ended June 30		*Six months ended June 30*	
($'000)	**2020**	2019	**2020**	2019
Adjusted EBITDA	**26,777**	28,521	**45,846**	45,787
Net foreign exchange (gain)/losses	**2,190**	(447)	**(1,730)**	764
Transaction, reorganization, and integration costs paid	**(2,639)**	(1,914)	**(3,597)**	(6,381)
Other income (net)	**(160)**	(57)	**(823)**	(140)
Income taxes paid	**(204)**	(1,195)	**(856)**	(1,434)
Working capital movements	**7,639**	(12,000)	**(15,544)**	(33,445)
Other	**(708)**	1,610	**722**	4,229
Net cash flows from operating activities	**32,895**	14,518	**24,018**	9,380

Net Cash Flows from Operating Activities

The rigid plastic packaging industry is generally characterized by relatively high sales volume and reasonably fast turnover of inventories and accounts receivable. Investment in working capital may be affected by fluctuations in the prices of resin and other supply costs, vendor terms, building of inventory for significant customer contracts or seasonal demand and timing of collection of accounts receivable.

	Three months ended June 30		*Six months ended June 30*	
($'000)	**2020**	2019	**2020**	2019
Net cash flows from operating activities before working capital movements	**25,256**	26,518	**39,562**	42,825
Movements in working capital	**7,639**	(12,000)	**(15,544)**	(33,445)
Net cash flows from operating activities	**32,895**	14,518	**24,018**	9,380

Net cash flows from operating activities increased by $18.4 million from an inflow of $14.5 million in Q2 2019 to an inflow of $32.9 million in Q2 2020 primarily driven by an improvement in working capital management.

The net cash flow from operating activities in YTD 2020 was $24.0 million compared to an inflow of $9.4 million in YTD 2019, an improvement of $14.6 million in operating cash flow performance in YTD 2020. The increase in net cash from operating activities was driven primarily by reduced working capital build up when compared with YTD 2019.

Net Cash Flows used in Investing Activities

	Three months ended June 30		*Six months ended June 30*	
($'000)	**2020**	2019	**2020**	2019
Disposal of subsidiary undertakings	**95**	302	**197**	404
Dividends received from financial assets	**—**	225	**852**	225
Proceeds from disposal of equity-accounted investee	**—**	—	**—**	9,459
Acquisition of property, plant and equipment	**(7,316)**	(15,129)	**(19,681)**	(29,770)
Acquisition of subsidiary undertakings including associated costs and net of cash acquired	**—**	(1,145)	**(4,137)**	(53,623)
Government grant received	**—**	47	**—**	107
Net cash used in investing activities	**(7,221)**	(15,700)	**(22,769)**	(73,198)

Net cash used in investing activities was $7.2 million in Q2 2020 compared to $15.7 million in Q2 2019, a decrease of $8.5 million. The cash outflow in Q2 2020 was primarily driven by $7.3 million of purchases of property, plant and equipment which decreased by $7.8 million from $15.1 million in Q2 2019.

Net cash used in investing activities was $22.8 million in YTD 2020 compared to $73.2 million in YTD 2019, a decrease of $50.4 million. The decrease in cash outflow was primarily driven by a reduction of $10.1 million in cash outflow with respect to purchases of property, plant and equipment in YTD 2020 compared with YTD 2019, and consideration paid for the acquisition of the trade and assets of a U.K. based injection molding company of $4.1 million when compared with cash outflow of $53.6 million related to the acquisition of Loomans in YTD 2019, partially offset by net proceeds of $9.5 million related to the disposal of Rilta.

Capital Expenditures

The table below details the cash outflows with respect to capital purchases of property, plant and equipment for Q2 2020, Q2 2019, YTD 2020 and YTD 2019 by operating segment.

	Three months ended June 30					
	2020			2019		
($'000)	**Development**	**Maintenance**	**Total**	Development	Maintenance	Total
LF&E	**1,369**	**418**	**1,787**	5,071	1,214	6,285
CPS	**803**	**2,059**	**2,862**	4,716	601	5,317
RPS	**1,113**	**1,411**	**2,524**	1,944	915	2,859
Other	**3**	**139**	**142**	659	9	668
Total	**3,288**	**4,027**	**7,315**	12,390	2,739	15,129

	Six months ended June 30					
	2020			2019		
($'000)	**Development**	**Maintenance**	**Total**	Development	Maintenance	Total
LF&E	**3,478**	**2,791**	**6,269**	7,809	3,089	10,898
CPS	**5,567**	**3,316**	**8,883**	7,590	1,380	8,970
RPS	**2,082**	**2,190**	**4,272**	7,491	1,581	9,072
Other	**96**	**161**	**257**	790	40	830
Total	**11,223**	**8,458**	**19,681**	23,680	6,090	29,770

The 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.

Cash outflow with respect to capital purchases of property, plant and equipment in YTD 2020 amounted to $19.7 million (YTD 2019: $29.8 million) with $11.2 million related to strategic and development capital expenditure and $8.5 million of maintenance capital expenditure.

Strategic & Development Capital Expenditure

In addition to investing in the Company's product development programs, investments are made from time to time to respond to customer and market demands in order to ensure that the Company is capable of providing relevant market-leading products.

Maintenance Capital Expenditure

IPLP's maintenance capital expenditure is required to maintain current levels of production and to maintain operational effectiveness of our manufacturing facilities. Revenue and Adjusted EBITDA are generally not affected by maintenance capital expenditure. However, some of the maintenance capital expenditure projects, by their nature, may directly result in cost savings. These include projects such as the replacement of existing machines with newer and more efficient machines and bringing production back in house from sub-contractors, all of which together contribute to lower labor costs, lower operating costs and increased automation.

Future Capital Expenditure Commitments

The Company had future capital expenditure commitments of $3.6 million at June 30, 2020 (December 31, 2019: $10.6 million). Contracted capital commitments amounted to $2.6 million as at June 30, 2020 (December 31, 2019: $8.8 million), while authorized but not contracted capital commitments amounted to $1.0 million as at June 30, 2020 (December 31, 2019: $1.8 million).

Net Cash Flows (used in) / from Financing Activities

($'000)	*Three months ended June 30* **2020**	2019	*Six months ended June 30* **2020**	2019
Finance costs paid	**(3,995)**	(4,352)	**(8,465)**	(7,707)
Repayment of lease liabilities	**(839)**	(1,205)	**(1,874)**	(2,218)
Net proceeds from equity issued	**—**	1,084	**—**	2,415
Drawdown of bank borrowings	**7,406**	81,725	**65,204**	182,930
Repayment of bank borrowings	**(3,007)**	(70,986)	**(21,239)**	(109,365)
Net cash (used in)/from financing activities	**(435)**	6,266	**33,626**	66,055

Net cash flow used in financing activities was $0.4 million in Q2 2020 compared to net cash flow from financing activities of $6.3 million in Q2 2019, a decrease of $6.7 million. The primary movements in Q2 2020 relate to a reduction in the drawdown and repayment of borrowings and finance costs paid together with the repayment of lease liabilities related to right-of-use assets.

Net cash flow from financing activities was $33.6 million YTD 2020 compared to net cash flow from financing activities of $66.1 million YTD 2019, a decrease of $32.5 million. The primary movements in YTD 2020 relate to the drawdown and repayment of borrowings and finance costs paid together with the repayment of lease liabilities related to right-of-use assets.

Contractual Obligations

IPLP's contractual obligations primarily consist of long-term debt (principal repayments and interest payments), contracted capital commitments and leases for the rental of property, equipment and automobiles. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Compliance with the Company's debt covenants is monitored continuously based on the management accounts. Sensitivity analysis using various scenarios is applied to forecasts to assess their impact on covenants and Net Debt.

There have been no material movements in our Company's remaining contractual obligations and commitments from the audited consolidated financial statements as at and for the year ended December 31, 2019, that are not detailed in the "**Consolidated Financial Position**" section of this MD&A.

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 we 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 we are seeing positive signs and increasing activity in certain markets as 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, we expect that our 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 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 we manage our way through the COVID-19 crisis, our priorities are unchanged: to protect and preserve at all times the health and safety of our employees, keep our 14 manufacturing facilities operational, deliver quality and safe products to our 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 our 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.

We continue to believe that the overall prospects for IPL 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 our Fiscal 2020 financial outlook in this MD&A is based on management's current views and strategies, our assumptions and expectations concerning our growth opportunities and our assessment of the opportunities for our 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 our business initiatives and growth strategies. The description of our 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 our business and that could cause actual results to vary.

Subsequent Events

Disposal of trade and certain assets

On July 23, 2020, we completed the disposal of the trade and certain assets of a subsidiary of the Metals U.K. recycling business that is included within the 'Other' operating segment. The assets disposed of included property, plant and equipment of $0.5 million (£0.4 million) and inventory of $0.2 million (£0.1 million). The consideration received was $1.6 million (£1.3 million).

Going Private Transaction

On July 29, 2020, IPLP announced that it had entered into the Arrangement Agreement. Under the terms of the Arrangement Agreement, subject to shareholder and other customary approvals, the Purchaser will acquire at the Purchase Price all of the issued and outstanding Shares.

The majority of the outstanding Shares owned by 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.

Quantitative and Qualitative Disclosures about Market and Other Financial Risk

The Company's operations expose it to various financial risks. The Company has a risk management program in place, as approved by the Board of Directors, which seeks to limit the impact of these risks on the financial performance of the Company and it is the policy to manage these risks in a non-speculative manner.

The sections below present information about the Company's exposure to the risks from its use of financial instruments and the Company's objectives, policies and processes for measuring and managing the risk.

Credit Risk

Credit risk arises from credit to customers arising on outstanding receivables and outstanding transactions as well as cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions. The Company has detailed procedures for monitoring and managing the credit risk related to its trade receivables based on experience, customers' track record and historic default rates and the Company uses credit insurance where available on reasonable commercial terms. Individual risk limits are generally set by customer and risk is only accepted above such limits in defined circumstances. The utilization of credit limits is regularly monitored.

Cash and short-term bank deposits are invested with institutions having considered their credit rating, with limits on amounts held with individual banks or institutions at any one time. Regarding the Company's cash and cash equivalents, the credit ratings of the institutions in which cash is deposited was BBB− or above at June 30, 2020 based on Standard & Poor's ratings (Fiscal 2019: BBB− or above).

The carrying amount of financial assets, net of impairment provisions, represents the Company's maximum credit exposure.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Compliance with the Company's debt covenants is monitored continuously based on the management accounts. Sensitivity analysis using various scenarios is applied to forecasts to assess their impact on covenants and Net Debt.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of the Company's risk management strategy is to manage and control market risk exposures within acceptable parameters and to manage these risks in a non-speculative manner.

Currency Risk

Foreign exchange risk arises from foreign currency transactions, assets and liabilities. These currency risks are monitored by management on a regular basis. The Company is mainly exposed to the foreign currency exchange rate differences between U.S. dollars and Canadian dollars, Pounds Sterling, Chinese Renminbi and euro.

The Company is also exposed to foreign currency risk on retranslation of its foreign currency operations in the U.K., Canada, Ireland, Belgium and China from their functional currencies of Pounds Sterling, Canadian dollars, euro and Chinese Renminbi into the U.S. dollars presentation currency. The Company seeks to manage on an annual basis a significant amount of the overall foreign currency exposure arising from the conversion of its subsidiaries' Adjusted EBITDA results to the Company's reporting currency through the use of forward foreign currency contracts. This is done in accordance with the Company's internal Treasury Management policy, overseen by the Company's Treasury function, which reports regularly to management and the Audit Committee.

Interest Rate Risk

The Company at different times may hold both interest-bearing assets and interest-bearing liabilities. In general, the approach employed by the Company to manage its interest exposure is to maintain the majority of its cash, short term bank deposits and interest-bearing borrowings on fixed and floating rates. Rates are generally fixed for relatively short periods in order to match funding requirements while being able to benefit from opportunities due to movement in longer term rates.

Commodity Price Risk

The Company is exposed to market risk from changes in plastic resin prices that could impact the Company's results of operations and financial condition. Plastic resins are subject to price fluctuations, including those arising from supply shortages and changes in the prices of natural gas, crude oil and other petrochemical intermediates from which resins are produced and have in the recent past exhibited a moderate level of volatility. The Company's profitability is impacted by resin price volatility, mitigated by its ability to either structure passthrough arrangements (contracted or non-contracted) with a significant portion of its customers, to reset its prices under short term contracts or to manage its exposure using derivative contracts. Due to differences in the timing of passing through resin cost changes to our customers, our profitability is negatively impacted in the short term when plastic resin costs increase and is positively impacted when plastic resin costs decrease. This timing lag in passing through raw material cost changes could affect our results as plastic resin costs fluctuate. In addition, there can be no assurance that we will be able to successfully pass on, or continue to pass on, price fluctuations to our customers. The resin market is a global market and, based on our experience, we believe that adequate quantities of plastic resins will be available at market prices, but we can give no assurances as to such availability or the prices thereof. The price of resin that is available in North America and Europe can differ, due to a number of factors, including import duties, capacity and/or availability due to general market demand.

Off-Balance Sheet Arrangements

The material movements in our Company's contractual obligations and commitments from the annual financial statements are detailed in the "***Contractual Obligations***" section above.

At June 30, 2020, IPLP had letters of credit in place amounting to $0.3 million, in line with the $0.3 million as at December 31, 2019.

Transactions with Related Parties

In connection with the IPO, the Company entered into an Investor Rights Agreement with CDPQ, which became effective on June 28, 2018, the date the IPO closed. Details of this arrangement are included in our Annual Information Form.

Critical Accounting Estimates

The preparation of the unaudited condensed consolidated interim financial statements of IPLP is in accordance with IFRS as issued by the IASB. Preparation of these financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. The areas involving a high degree of judgment, complexity or where assumptions and estimates are significant to the Company's financial statements are discussed in the consolidated financial statements for the year ended December 31, 2019.

Accounting Standards Implemented for Fiscal 2020

New standards and amendments to existing standards and interpretations issued and effective for periods beginning on or after January 1, 2020 have been assessed by the Directors and as a result, no new standards or amendments to existing standards effective January 1, 2020 are expected to have a material impact for the Company.

Future Accounting Standards

There are no IFRS standards or interpretations that are not yet effective that would be expected to have a material impact on the Company.

Risk Factors

The risks and uncertainties that we believe could materially affect business activities, financial condition, cash flows and results of operations were included under the heading "Risk Factors" in our Annual Information Form filed on March 12, 2020. As detailed in the ***"Outlook"*** section above, we continue to evaluate and assess the impact of COVID-19 on our business and operations as new facts and circumstances emerge.

Risks relating to the Going Private Transaction

On July 29, 2020, IPLP announced that it had entered into the Arrangement Agreement. Completion of the Going Private Transaction is subject to customary closing conditions, including court approval, receipt of certain regulatory approvals, the approval of a majority of the minority of the Company's shareholders (which excludes CDPQ) and approval of holders of $66^{2/3}$% of the Shares voted at the special meeting of shareholders to be held to approve the Going Private Transaction.

There can be no guarantee that these conditions precedent will be met, these approvals granted or that the Going Private Transaction will be completed in a timely manner or at all.

If the Arrangement is not completed for any reason, including as a result of our shareholders failing to approve the Going Private Transaction, we will remain an independent public company. Our ongoing business may be materially and adversely affected and we would be subject to a number of risks, including the following:

- we may experience negative reactions from the financial markets, including negative impacts on trading prices of our stock and other securities, and from our customers, collaborators, suppliers, regulators and employees;

- we may be required to pay a break fee of (i) approximately $8.3 million if the Company terminates the Arrangement Agreement to enter into a Superior Proposal for a period of 30 days (with the possibility of a further 10 day extension) from the date of the Arrangement Agreement (the "**Go Shop Period**") or (ii) $19.4 million if the Arrangement Agreement is terminated in certain circumstances including if the Company terminates the Arrangement Agreement to enter into a Superior Proposal following the Go Shop Period;

- the Arrangement Agreement contains customary representations and warranties made by the Company and the Purchaser and customary covenants, including, among others, agreements by the Company to, and to cause its subsidiaries to, conduct its business in the ordinary course of business, and to not engage in certain kinds of transactions or take certain actions between the execution of the Arrangement Agreement and the closing of the Going Private Transaction;

- matters relating to the Arrangement Agreement will require substantial commitments of time and resources by our management and the expenditure of significant funds in the form of fees and expenses, which would otherwise have been devoted to day-to-day operations and other opportunities that may have been beneficial to us as an independent company; and

- if the Going Private Transaction is not completed and the Company decides to seek another transaction, there can be no assurance that it will be able to find a party willing to pay an equivalent or more attractive price than the Purchase Price to be paid pursuant to the Arrangement Agreement.

Other than risks relating to COVID-19, and the Going Private Transaction as described above, there were no other significant changes to the risks and uncertainties included under the heading "Risk Factors" in our Annual Information Form filed on March 12, 2020 during the six month period ended June 30, 2020.

If any of these risks, or any additional risks and uncertainties presently unknown to management or that are currently considered as being not material, actually occur or become material risks, our business activities, financial condition, cash flows and results of operations could be materially adversely affected.

Disclosure Controls and Procedures and Internal Control Over Financial Reporting

Disclosure controls and procedures within the Company have been designed to provide reasonable assurance that all relevant information is identified to its Chief Executive Officer ("**CEO**") and Chief Financial Officer ("**CFO**") to ensure appropriate and timely decisions are made regarding public disclosure.

Internal controls over financial reporting have been designed by management, under the supervision of, and with the participation of the Company's CEO and CFO, to provide reasonable assurance regarding the reliability of the Company's financial reporting and its preparation of financial statements for external purposes in accordance with IFRS.

In the Company's filings, the Company's CEO and CFO certify, as required by National Instrument 52-109 respecting Certification of Disclosure in Issuers' Annual and Interim Filings ("**NI 52-109**"), the appropriateness of the financial disclosure, the design and effectiveness of the Company's disclosure controls and procedures and the design of internal controls over financial reporting. The Company's Audit Committee reviewed this MD&A and unaudited condensed consolidated interim financial statements and accompanying notes as at and for the three and six-month periods ended June 30, 2020, and the Company's Board of Directors approved these documents prior to their release.

While the CEO continues to act in a dual capacity as both CEO and Interim CFO of the Company, the Chief Risk Officer has stepped into the shoes of the CFO in terms of providing any financial approvals required with respect to the Company's Internal Control Framework and Delegation of Authority Guidelines.

Changes in Internal Control Over Financial Reporting

There have been no changes to the Company's internal controls over financial reporting during the financial period beginning January 1, 2020 and ended June 30, 2020 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

Current Share Information

As at August 10, 2020, an aggregate of 54,417,125 common shares and no preferred shares are issued and outstanding. There was a total of 1,691,826 outstanding equity-settled share options and units. This was split between 1,327,052 equity-settled share options and 364,774 Restricted Share Units ("**RSUs**"), Deferred Share Units ("**DSUs**") and Performance Share Units ("**PSUs**").

As at June 30, 2020, an aggregate of 54,382,125 common shares and no preferred shares are issued and outstanding. There was a total of 1,726,826 outstanding equity settled share options, which includes RSUs, DSUs, PSUs and share options, as at June 30, 2020.

Reconciliation of non-IFRS Measures

The tables below show a reconciliation of all non-IFRS measures used in this MD&A to the IFRS results for the period.

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 transaction, reorganization, and integration costs, amortization of acquisition related intangibles, other income (net), share of loss of equity-accounted investee 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 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

Additional Information

Additional information relating to our Company, including our most recent quarterly report and the annual and quarterly reports filed on August 11, 2020, is available on SEDAR at www.sedar.com and on the Company's website at www.iplpgroup.com.

August 11, 2020