

Q3

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS



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LEADERS

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IPL PLASTICS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the three and nine months ended September 30, 2018

November 9, 2018

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 "Company", "we", "us" or "our" is prepared as of November 9, 2018. It should be read in conjunction with our unaudited condensed consolidated interim financial statements and our accompanying notes as at and for the three and nine months ended September 30, 2018, our audited consolidated annual financial statements and accompanying notes for the year ended December 31, 2017 and the related annual MD&A which is included in the prospectus that was filed on June 21, 2018 (the "**Prospectus**").

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

All references in this MD&A to "**Q3 2018**" are to the three-month period ended September 30, 2018 and to "**Q3 2017**" are to the three-month period ended September 30, 2017. All references in this MD&A to "**YTD 2018**" are to the nine-month period ended September 30, 2018 and to "**YTD 2017**" are to the nine-month period ended September 30, 2017. All references in this MD&A to "**Fiscal 2018**" are to the year ending December 31, 2018, "**Fiscal 2017**" are to the year ended December 31, 2017 and to "**Fiscal 2016**" are to the year ended December 31, 2016.

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**".

Basis of Presentation

We have historically structured our business through two separate segments, being OnePlastics Group and IPL Inc., of which, prior to February 28, 2018, we owned approximately 67%, with the balance being owned by CDP Investissements Inc., a subsidiary of *Caisse de dépôt et placement du Québec* ("**CDPQ**") and Fonds de solidarité des travailleurs du Québec (F.T.Q.) ("**FSTQ**"). In addition, we historically operated our business in three business units: IPL Inc., Macro Plastics, Inc. ("**Macro**") and OnePlastics Group. Effective January 1, 2018, we re-structured the Company and our operating and reporting segments across our three-primary market-facing activities; Consumer Packaging Solutions ("**CPS**"), which serves the North American and European markets, Large Format Packaging and Environmental Solutions ("**LF&E**"), which serves the North American and European markets and Returnable Packaging Solutions ("**RPS**"), which resulted from the acquisition of Macro in June 2017.

The unaudited condensed consolidated interim financial statements and accompanying notes for the three and nine months ended September 30, 2018 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, 2018 have been applied but do not have a significant effect on the interim financial information included in the unaudited condensed consolidated interim financial statements. 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 September 30, 2018 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 including Adjusted EBITDA, Adjusted EBITDA margin, Adjusted EBIT, Adjusted Net Income, Adjusted Basic Earnings per Share, Adjusted Diluted Earnings per Share, Pro Forma Basic, Diluted, Adjusted Basic and Adjusted Diluted Earnings per Share, Pro Forma Total Shareholders' Equity, Net Debt and Adjusted Free Cash Flow 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. We believe that the presentation of these financial measures enhances an investor's understanding of our financial performance and financial condition. We further 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. The definitions of these measures 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 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 the remainder of 2018, expectations regarding securing labor and labor cost inflation and our expected cash outflows for Fiscal 2018 the impact of the RPS division's high order backlog on the Company's Adjusted EBITDA margin for the remainder of 2018. 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 2018 targets are considered forward-looking information. See "Outlook" for additional information concerning our strategies, assumptions and market outlook in relation to these assessments. Management currently believes that the achievement of such financial targets is possible, can be reasonably estimated and is based on underlying assumptions that management believes are reasonable in the circumstances, given the time period for such targets. However, there can be no assurance that the Company's responses to resin and freight costs increases will be successful in generating production efficiencies and improved Adjusted EBITDA margin in future periods, nor that our cash outflows in respect of capital purchases of property, plant and equipment for Fiscal 2018 will be \$52.5 million. 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, which may include, but are not limited to, risks and uncertainties that are discussed in greater detail in the “Risk Factors” section in the Company’s Prospectus and elsewhere in this MD&A, including but not limited to risks related to: our ability to successfully implement our business strategy; our highly competitive marketplace; disruption in the overall economic and the financial market may affect consumer demand; risks relating to Canada — US 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; 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; the pro forma financial information of Macro included in this MD&A may not necessarily reflect what the results of operations, financial condition and cash flows of Macro would have been if operated on a combined basis with our business; our common shares have no prior public market; the market price of our common shares may be volatile; future sales of our securities by existing shareholders or by us could cause the market price for our common shares to fall; lack of contractual lock ups from existing shareholders other than CDPQ and FSTQ and our directors and officers; CDPQ will have 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; risks relating to the fact that the Board, and not shareholders, are responsible for setting our policies; increased expenses as a result of being a public company; regulatory compliance may divert our management’s attention from the day to day management of our business; risks relating to the issuance of Preferred Shares in the future; difficulties enforcing judgments against the Company’s directors and officers who are not resident in Canada; risks relating to dilution and future sales of our common shares; risks relating to claims for indemnification by our directors and officers; risks relating to our forum selection by law; risks relating to unfavorable research from securities or industry analysts and the forward-looking statements contained in this MD&A may prove 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 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. The purpose of the forward-looking statements is to provide the reader with a description of management’s current expectations regarding the Company’s financial performance and may not be appropriate for other purposes; readers should not place undue reliance on forward-looking statements made herein. To the extent any forward-looking information in this MD&A constitutes future-oriented financial information or financial outlook, within the meaning of applicable securities laws, such information is being provided to demonstrate

the potential of the Company and readers are cautioned that this information may not be appropriate for any other purpose. Future-oriented financial information and financial outlook, as with forward-looking information generally, are based on current assumptions and subject to risks, uncertainties and other factors. 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.

Overview

IPLP is a leading sustainable packaging solutions provider. We manufacture specialty packaging products used primarily in the food, consumer, agricultural, logistics and environmental end-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 Fortune 500 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 and material handling containers.

We believe that we have established leadership positions in several of our key product categories, such as in-mold labelled (“**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.

We continue to own a small metals recycling business based in the U.K. The revenue from this business amounts to 3.9% of our consolidated revenues for YTD 2018. This business and our central corporate overhead expenses are included within the “Other” operating segment as analyzed in “Summary Results of Operations” section below.

Initial Public Offering

On July 27, 2018, following on from the initial public offering which closed on June 28, 2018, the Underwriters purchased an additional 1,000,000 common shares at a price of C\$13.50 per common share for further gross proceeds of C\$13.5 million (\$10.3 million), through the over-allotment option. The initial public offering together with the over-allotment option are defined as the “**IPO**” in this document.

The IPO consisted of a total offering of 14,200,000 shares for total gross proceeds of **C\$191.7 million**. The IPO was carried out in connection with a Scheme of Arrangement by IPL Plastics Ltd, which at that time was known as IPL Plastics plc (“**IPL plc**”), under the *Companies Act 2014* of Ireland, pursuant to which all of the existing shareholders of IPL plc exchanged their shares in IPL plc for Class B common shares of IPL Plastics Inc. on the basis of five shares in IPL plc for one Class B common share.

In connection with the IPO, each holder of Class B common shares was entitled to elect to tender for redemption by IPL Plastics Inc. (subject to the tenders made by other shareholders of IPL plc) all or any portion of the Class B common shares they would receive at the time the Scheme of Arrangement became effective at the same price as the initial public offering common share price of C\$13.50 (“**Buy-Back Option**”). An aggregate of 2,085,678 Class B common shares were tendered under the Buy-Back Option representing a total redemption price of C\$28.2 million. On July 11, 2018, the Company used C\$28.2 million (\$21.3 million) of the proceeds from the IPO to redeem Class B common shares pursuant to the Buy-Back Option.

During Q3 2018, the Company used \$104.7 million of the proceeds from the IPO to repay a portion of its U.S. dollar Revolving Credit Facility (refer to “Liquidity and Capital Resources – Senior Secured Facilities”) and \$10.3 million to pay certain costs and expenses (excluding Underwriters fees) related to the IPO, the Scheme of Arrangement and related matters.

The total costs incurred in respect of the IPO and Scheme of Arrangement was \$22.8 million. We have expensed a total of \$9.9 million of these costs in the consolidated statement of income as initial public offering and related costs in YTD 2018 with a further \$12.9 million recognized in

the statement of financial position as share issuance costs against the equity raised as part of the IPO, an increase of \$0.6 million since June 30, 2018 due to the exercise of the over-allotment option.

(\$'000)	Three months to September 30	Nine months to September 30
Statement of income – Initial public offering and related costs	—	9,923
Statement of financial position – Share capital	612	12,861
Total	612	22,784

Summary of Factors Affecting Our Performance

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.

Industry Trends

The segments of the rigid plastic packaging industry in which we operate are subject to shifts in customer trends and preferences, as well as secular 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. As 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.

As a result of our customer-focused product innovation model, we believe that we are well-positioned to respond to secular trends in the industry, but also to more rapid shifts in customer trends and preferences.

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 Q3 2018, approximately 49.0% (Q3 2017: 47.5%) of our cost of sales was attributable to plastic resin. Polypropylene and polyethylene account for greater 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 and have in the recent past exhibited a moderate level of 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 or to reset our prices under short term 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.

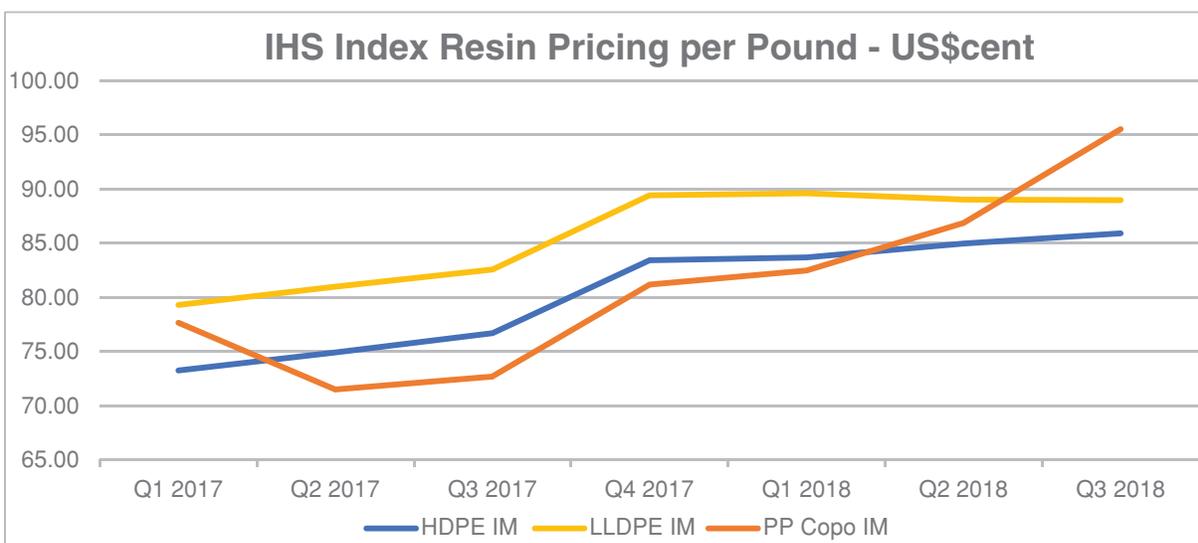
Since July 2017, resin prices in North America have escalated significantly giving rise to increases in resin input costs leading to reductions in our gross margin (which is defined as our gross profit as a percentage of revenue) and in our Adjusted EBITDA margin in the second half of Fiscal 2017 and YTD 2018.

We have responded to the increased resin costs, by passing on those costs where contractual passthrough arrangements are in place with customers and by seeking to negotiate general price adjustments with other customers. General price increases were implemented in Q2 2018 and Q3 2018. However, the positive impact of these price increases has been eroded by further increases in the price of resin during these periods. Where the Company has contractual passthrough arrangements in place, it is important to note that while resin price increases are supported at the gross profit and Adjusted EBITDA level in absolute dollar terms, they result in gross margin and Adjusted EBITDA margin erosion in percentage terms as both revenue and cost of sales are inflated by the same amount as the movement in resin price.

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, one of which is 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 quantity. 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 nine-month periods ended September 30, 2018 and 2017 respectively:

(\$/cent)	Three months ended September 30			Nine months ended September 30		
	2018	2017	% Change	2018	2017	% Change
Polyethylene (HDPE IM)	86.00	76.67	12%	84.89	75.00	13%
Polyethylene (LLDPE IM)	89.00	82.67	8%	89.22	81.00	10%
Polypropylene (PP Copo IM)	95.50	72.67	31%	88.28	73.94	19%



The price of the polypropylene grades of resin have continued to increase in the period from January 1, 2018 to September 30, 2018. When we compare the resin price per pound at the beginning of January 2018 to the price at the end of September 2018, polypropylene (PP Copo IM) has increased by 16% and polyethylene grades, HDPE IM and LLDPE IM, have also increased, by 5% and 1% respectively.

In our LF&E business in Europe, the price of resin increased in Q3 2018 compared with Q3 2017 as polypropylene increased by 9.3% and polyethylene increased by 4.4%. When we compare YTD 2018 with YTD 2017, polypropylene prices increased by 6.4% while polyethylene decreased by 3.3% in the same period.

We endeavor to maintain flexibility in our relationships with our customers whereby material price input changes can be passed through to the customer on an agreed upon basis. We estimate, that the continued increases in North American resin prices have resulted in a decline of the Company's gross margin by 2.6% and Adjusted EBITDA margin by 2.5% in YTD 2018, assuming revenue and other input costs remained constant year on year.

Direct and Indirect Labor

Direct and indirect labor costs amounted to approximately 15.8% of cost of sales and 68.9% of the total labor costs in the nine-month period to September 30, 2018 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 a number of markets and regions, particularly North America, which are 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 our operations. See “**Risk Factors**”.

Freight and Logistics

Freight and logistics costs also represent a significant portion of our cost of sales, approximately 7.4% in the nine-month period to September 30, 2018 (7.2% in YTD 2017), 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 cost increases or surcharges 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.

Freight and logistics costs continued to increase during the first half of 2018, following the initial price hikes seen in the second half of 2017. The increases have been driven by increased fuel pricing and the reduced capacity in the freight market, as a result of new truck driver regulations in North America and challenges related to availability of labor in North America due to the levels of employment. These factors are adding pressure to the Company’s operating margins for YTD 2018 when compared to YTD 2017.

We responded to the freight costs increases by implementing a number of measures, which include, (i) entering into revised contractual arrangements with new and existing customers; (ii) seeking to negotiate general price increases with customers; and (iii) refining our freight procurement processes.

In Q3 2018, freight costs stabilized across the Company in absolute U.S. dollar terms when compared to Q2 2018. In addition, as a percentage of cost of sales, freight costs reduced to 7.1% when compared with 7.6% in Q3 2017. This is driven in part by the responsive measures we have taken as outlined above, with the reduction as a percentage of cost of sales also arising as a result of the impact of resin price increases on the overall cost of sales number.

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 end-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, including (i) realizing value from our recent significant capital investments; (ii) continuing to drive organic growth in our target end 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 end markets in which we compete, and identify and successfully penetrate new geographical markets, market segments and categories.

In Fiscal 2016 and Fiscal 2017, we began a major capital investment program, underpinned by commitments from select customers, to support our organic growth objectives. These investments will enable the Company to accelerate its geographic expansion and customer reach to meet significant and growing market demand for its products. This program included, among others, growth projects, which amounted to \$80.3 million of planned capital investments, of which approximately \$68.4 million has been spent as of September 30, 2018. In total, the cash outflow in respect of capital purchases of property, plant and equipment in YTD 2018 amounted to \$44.2 million (YTD 2017: \$34.5 million), with \$37.2 million related to strategic and development capital expenditure and \$7.0 million of maintenance capital expenditure.

These projects can disrupt the ongoing business operations at our manufacturing plants for a period of time resulting in inefficiencies in respect of production and operations and additional costs in relation to quality control, warehousing and logistics, among others. We expect this temporary disruption to continue in Q4 2018 and the first half of 2019 until the significant capital programs are complete. The disruption costs related to the start-up and integration of the major capital expansion projects are included within business reorganization and integration costs, which is excluded from our primary performance measures. In the nine-month period to September 30, 2018, \$4.9 million of costs were incurred in relation to the start-up and integration of the major capital expansion projects at our North American facilities, with \$4.0 million incurred at our Forsyth, Georgia, facility and \$0.9 million at our Edmundston, New Brunswick, facility.

Foreign Exchange

The U.S., the U.K. and Canada are our three largest geographical markets in terms of revenue. 53.0% of our YTD 2018 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. As our consolidated financial statements are presented in U.S. dollars, we have foreign exchange exposure primarily with respect to our Canadian and U.K. operations. The U.S. dollar weakened against both the Canadian dollar and Pound Sterling in YTD 2018 compared to YTD 2017 by 1.4% and 5.6% respectively. In Q3 2018, the U.S. dollar strengthened by 4.2% against the Canadian dollar and remained broadly static against the Pound Sterling, when compared with Q3 2017.

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 being utilized. Costs associated with our direct labor are typically denominated based on the location of the plant where the labor is being 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 U.S.-Canadian currency exchange rate 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 into the U.S. market. 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.

Seasonality

IPLP's business exhibits moderate seasonality driven by the seasonal patterns of our customers' end 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 the second and third quarter of the year, which coincides with key produce growing seasons. Certain products in the food and consumer end-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.

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.

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 municipal and public council tenders can impact working capital significantly as the Company builds inventory to satisfy the volume and delivery requirements of the contract.

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 and 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 CPS, LF&E, 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 when control of the products have 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 99% of our YTD 2018 total revenue.

Revenue from services rendered is recognized in the consolidated statements of income 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 83.4%, 79.3%, 83.1% and 79.1% of revenue in Q3 2018, Q3 2017, YTD 2018 and YTD 2017, respectively. The reasons for the increase in cost of sales as a percentage of revenue in Q3 2018 compared to Q3 2017 and YTD 2018 compared to YTD 2017 is detailed in the "**Results of Operations for Q3 2018 compared to Q3 2017**" and "**Results of Operations for YTD 2018 compared to YTD 2017**" sections below respectively.

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 10.5%, 10.7%, 10.9%, and 11.5% of revenue in Q3 2018, Q3 2017, YTD 2018 and YTD 2017, 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.

We are incurring additional general and administrative expenses since becoming a public company, such as additional accounting, insurance and legal expenses, costs for internal control compliance and investor relations, as well as increased board and governance costs and salary and benefit expenses associated with additional employees.

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, Pro Forma Basic, Diluted, Adjusted Basic and Adjusted Diluted Earnings per Share, Pro Forma Total Shareholders' Equity, Net Debt 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 nine-month periods ended September 30, 2018 and 2017 has been derived from our unaudited condensed consolidated interim financial statements and related notes.

(\$'000, unless otherwise stated)	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Statement of Income Data:				
Continuing operations				
Revenue	169,173	157,516	495,786	402,446
Cost of sales	(141,172)	(124,935)	(412,243)	(318,528)
Gross profit	28,001	32,581	83,543	83,918
Operating expenses (net)	(17,721)	(16,909)	(53,995)	(46,185)
Initial public offering and related costs	—	—	(9,923)	—
Business reorganization and integration costs	(2,462)	(2,914)	(5,834)	(7,258)
Operating profit	7,818	12,758	13,791	30,475
Other (expenses)/income (net)	(205)	910	(170)	1,678
Share of profit of equity-accounted investees	1,147	1,448	1,953	2,010
Finance costs (net)	(2,586)	(4,755)	(12,476)	(10,681)
Refinancing transaction costs	(897)	—	(5,658)	—
Income/(loss) before income taxes	5,277	10,361	(2,560)	23,482
Income taxes	(517)	(3,137)	6,165	(6,260)
Income from continuing operations	4,760	7,224	3,605	17,222
Discontinued operations				
Profit/(loss) from discontinued operations	—	257	—	(83)
Net income	4,760	7,481	3,605	17,139
Adjusted EBITDA⁽¹⁾	20,521	25,534	60,373	60,924
Adjusted EBITDA Margin⁽¹⁾	12.1%	16.2%	12.2%	15.1%
Adjusted EBIT⁽¹⁾	10,280	15,672	29,548	37,733
Adjusted Net Income⁽¹⁾	10,537	8,706	24,344	22,081
Earnings per Share from continuing operations (in \$):				
Basic	0.09	0.23	0.08	0.55
Diluted	0.09	0.22	0.08	0.53
Adjusted Basic ⁽¹⁾	0.20	0.27	0.56	0.70
Adjusted Diluted ⁽¹⁾	0.19	0.26	0.54	0.68
Pro Forma Earnings per Share from continuing operations (in \$)⁽¹⁾:				
Basic	0.09	0.14	0.07	0.32
Diluted	0.09	0.13	0.07	0.32
Adjusted Basic	0.20	0.16	0.46	0.42
Adjusted Diluted	0.19	0.16	0.44	0.41
Balance Sheet Data (at period end)⁽²⁾:				
	Q3 2018	Fiscal 2017		
Cash and cash equivalents	56,046	47,609		
Property, plant and equipment	262,400	257,421		
Total assets	789,942	746,358		
Total loans and borrowings, including current portion	274,349	321,751		
Total liabilities	441,411	646,675		
Total shareholders' equity	348,531	99,683		
Pro Forma Total Shareholders' Equity⁽¹⁾	348,531	243,305		
Net Debt⁽¹⁾	219,737	276,341		
Cash Flow Data:				
Net cash flows from/(used in) operating activities	16,621	23,264	(3,165)	15,598
Net cash flows used in investing activities	(7,447)	(3,733)	(40,505)	(108,843)
Net cash flows (used in)/from financing activities	(124,496)	(37,307)	59,373	78,359
Adjusted Free Cash Flow⁽¹⁾	18,432	19,769	(8,962)	5,756

(1) 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, Pro Forma Basic, Diluted, Adjusted Basic and Adjusted Diluted Earnings per Share, Pro Forma Total Shareholders' Equity, Net Debt and Adjusted Free Cash Flow. We have included definitions of each financial measures as part of the reconciliation of IFRS measures, see "Reconciliation of non-IFRS Measures".

(2) Balance Sheet Data is shown as at September 30, 2018 and December 31, 2017.

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 Q3 2018 and YTD 2018 as compared to Q3 2017 and YTD 2017 respectively, include the following:

- Revenue increased 7.4% to \$169.2 million in Q3 2018 following strong performance across all divisions;
- Adjusted EBITDA decreased to \$20.5 million in Q3 2018;
- Gross Profit and Adjusted EBITDA margins were both eroded due primarily to changes in the product mix and input cost pressures from resin and labor;
- Since July 2017, resin index prices in North America have escalated significantly giving rise to increases in resin input costs leading to reductions in our gross margin and Adjusted EBITDA margin in Q3 2018 and YTD 2018. We have responded to the increased resin costs, subject to contractual time lags, by continuing the process of passing through the increased resin costs to customers where contractual passthrough arrangements are in place and by seeking to negotiate general price adjustments with customers;
- Freight and logistics costs have increased from approximately 7.2% of cost of sales in YTD 2017 to 7.4% of cost of sales in YTD 2018. We have responded to the freight costs increases by implementing a number of measures which include, (i) entering into revised contractual arrangements with new and existing customers; (ii) seeking to negotiate general price increases with customers; and (iii) refining our freight procurement processes. The Company's freight costs have begun to stabilize in Q3 2018, as overall costs are in line with Q2 2018 and freight as a percentage of revenue has reduced in Q3 2018 when compared with Q3 2017;
- The Company acquired 100% of the share capital of Macro on June 9, 2017. The RPS operating segment contains the results of Macro;
- Capital expenditure continued in respect of the major capital investment program that began in Fiscal 2016 which provides the Company with an enhanced ability and capacity to serve an expanding business. The cash outflow in respect of capital purchases of property, plant and equipment in YTD 2018 amounted to \$44.2 million (YTD 2017: \$34.5 million), with \$37.2 million related to strategic and development capital expenditure and \$7.0 million of maintenance capital expenditure;
- Net Debt has reduced from \$276.3 million at December 31, 2017 to \$219.7 million at September 30, 2018 as a result of the proceeds raised through the IPO process. The Company's financial leverage ratio for Net Debt to the last twelve months Adjusted EBITDA as at September 30, 2018 was 2.76;
- On July 11, 2018, the company used C\$28.2 million of the proceeds from the IPO to redeem Class B Common Shares pursuant to the buy-back option;
- On April 17, 2018, we entered into a new bank facilities agreement which replaced our two separate existing credit facilities in Canada and Ireland, with committed facilities of €400.0 million (\$494.3 million); and
- On February 28, 2018, the minority shareholders' equity interests in IPL Inc. were exchanged for 47,238,242 shares in IPL plc. The completion of this transaction resulted in the settlement of the Put Liability from February 28, 2018.

Summary Results of Operations

The historical financial information for the three and nine-month periods ended September 30, 2018 and September 30, 2017 summarized below is derived from our unaudited condensed consolidated interim financial statements and the related notes for such periods, 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 Q3 2018 compared to Q3 2017

Revenue

(\$'000)	Three months ended September 30			
	2018	2017	Variance	% Variance
Revenue	169,173	157,516	11,657	7.4%
Large Format Packaging and Environmental Solutions	84,780	84,149	631	0.7%
North America	53,949	60,160	(6,211)	(10.3%)
Europe	30,831	23,989	6,842	28.5%
Consumer Packaging Solutions	46,180	40,374	5,806	14.4%
North America	35,797	31,469	4,328	13.8%
Europe	10,383	8,905	1,478	16.6%
Returnable Packaging Solutions	32,544	27,121	5,423	20.0%
Other	5,669	5,872	(203)	(3.5%)

Revenue was \$169.2 million in Q3 2018 compared to \$157.5 million in Q3 2017, an increase of \$11.7 million or 7.4%, with the increase arising mainly from continued organic growth across the CPS and RPS divisions. The volume and price increases in revenue were offset partially by the negative impact from foreign exchange rate movements as the U.S. dollar strengthened in Q3 2018.

Revenue in the LF&E segment was \$84.8 million in Q3 2018 (\$53.9 million in North America and \$30.8 million in Europe), an increase of \$0.6 million or 0.7% on the comparative period in 2017. The revenue decline of \$6.2 million for LF&E in the North American market was primarily attributable to the fact that Q3 2017 included two non-recurring contracts in the environmental and material handling product areas which amounted to \$10.7 million and the impact of unfavorable foreign exchange rate movements in Q3 2018 compared with Q3 2017. We continued to experience organic growth in our bulk packaging product area in North America. The European business contributed revenue of \$30.8 million for Q3 2018, which was \$6.8 million ahead of Q3 2017 revenue of \$24.0 million. The 28.5% increase in revenue in the European LF&E business in Q3 2018 was driven by additional sales related to new environmental container rollouts as a number of new tenders were secured, which typically contribute a lower gross margin relative to other environmental products in LF&E Europe.

Revenue in the CPS segment was \$46.2 million in Q3 2018 (\$35.8 million in North America and \$10.4 million in Europe), an increase of \$5.8 million or 14.4%. CPS revenue growth in the North American market was \$4.3 million in Q3 2018 compared with Q3 2017 with a further \$1.5 million of an increase in Europe. The growth in the North American market is primarily attributable to the rollout of the new dairy business, growth in existing business and resin price increases offset by the impact of foreign exchange movements. The increase of \$1.5 million in revenue from our European business was primarily driven by additional demand from our largest customer in Europe and increased sales volumes in our food packaging and agricultural retail products.

Revenue in the RPS segment was \$32.5 million in Q3 2018, an increase of \$5.4 million, from \$27.1 million in Q3 2017. The increase of 20.0% in the RPS business on the comparative prior year period is primarily driven by the introduction of new specialty bin technology for the automotive market and further penetration into the apple market. This growth was partially offset by lower sales in the Californian citrus markets due to poor weather that reduced crop yields.

Cost of Sales

(\$'000)	Three months ended September 30			
	2018	2017	Variance	% Variance
Cost of Sales	(141,172)	(124,935)	(16,237)	13.0%
Large Format Packaging and Environmental Solutions	(72,771)	(69,974)	(2,797)	4.0%
Consumer Packaging Solutions	(38,224)	(31,979)	(6,245)	19.5%
Returnable Packaging Solutions	(26,156)	(19,023)	(7,133)	37.5%
Other	(4,021)	(3,959)	(62)	1.6%
Cost of Sales (% of Revenue)	(83.4%)	(79.3%)	(4.1%)	5.2%
Large Format Packaging and Environmental Solutions	(85.8%)	(83.2%)	(2.6%)	3.1%
Consumer Packaging Solutions	(82.8%)	(79.2%)	(3.6%)	4.5%
Returnable Packaging Solutions	(80.4%)	(70.1%)	(10.3%)	14.7%
Other	(70.9%)	(67.4%)	(3.5%)	5.2%

Cost of sales was \$141.2 million in Q3 2018 compared to \$124.9 million in Q3 2017, an increase of \$16.2 million or 13.0%. As a percentage of revenue, cost of sales was 83.4% in Q3 2018 compared to 79.3% in Q3 2017. The primary reason for the increase in cost of sales in Q3 2018 compared to Q3 2017 was higher resin prices, labor market and cost challenges, and freight costs. We estimate, that the continued increases in North American resin prices have resulted in a decline in the Company's gross margin by 3.0% and Adjusted EBITDA margin by 2.9% in Q3 2018, assuming revenue and other input costs remained constant year on year. In addition, certain increases in revenue were in product areas with typically lower material margins, thereby increasing our relative cost of sales as a percentage of revenue. Foreign exchange movements in Q3 2018 compared to Q3 2017 resulted in lower cost of sales for our LF&E and CPS divisions as the U.S. dollar strengthened against the Canadian dollar.

Cost of sales in our LF&E business increased by \$2.8 million on an absolute basis and as a percentage of revenue from 83.2% in Q3 2017 to 85.8% in Q3 2018. The division absorbed increased resin costs in North America primarily, which negatively impacted the overall gross margin. It is estimated that increases in resin prices in Q3 2018 compared to the same period in 2017 resulted in a reduction of 1.9% in the gross margin and 1.8% in the Adjusted EBITDA margin of this business, assuming revenue and other input costs remained constant. The increasing price of fuel, labor market challenges and changes in truck driver regulations in the U.S. resulted in further freight price and labor cost increases. These constraints combined with a wider geographical spread of shipments of products to customers resulted in an overall increase in freight costs from 6.4% of revenue in Q3 2017 to 7.1% in Q3 2018 in North America. For LF&E in Europe, the effect of increased sales volume in products with higher resin costs has been the primary driver of its increased cost of sales in Q3 2018. The cost of energy has also impacted LF&E in Europe to a lesser extent.

Cost of sales in our CPS business increased by \$6.2 million during Q3 2018 and cost of sales as a percentage of revenue increased by 3.6%, from 79.2% in Q3 2017 to 82.8% in Q3 2018. This was primarily driven by the North American business, where as a percentage of revenue, cost of sales was 81.3% in Q3 2018 compared to 77.3% in Q3 2017. The increase of 4.0% in cost of sales as a percentage of sales in North America primarily relates to sales and customer mix where Q3 2018 was comprised of a larger relative volume of business with lower gross margin, primarily the dairy market, when compared to the same period in the prior year. Other ancillary costs related to the dairy business rollout such as IML labelling, packaging, freight, warehousing and logistics have increased in Q3 2018 when compared with Q3 2017. Resin as a percentage of revenue also increased in Q3 2018 as a result of the higher resin pricing with an element of this adjusted for in revenue price increases as discussed above. In our European business, cost of sales for Q3 2018 also increased compared with Q3 2017 with increases primarily driven by the growth in volume of sales.

Cost of sales in the RPS segment was \$26.2 million or 80.4% of revenue in Q3 2018 compared with \$19.0 million or 70.1% of revenue in Q3 2017. The increase in cost of sales as a percentage of revenue in Q3 2018 is driven by the impact of resin price increases, change in the sales mix to products with a lower margin due to reductions in citrus market sales, and temporary outsourcing costs for the new automotive specialty bin technology contract. RPS uses polypropylene in its products. There were two consecutive 9.0% monthly increases in polypropylene in May

and June 2018 which significantly impacted the resin costs for Q3 2018. We estimate that increases in the price of polypropylene in Q3 2018, resulted in a reduction of 9.4% in both the gross margin and the Adjusted EBITDA margin of this business, assuming revenue and other input costs remained constant quarter on quarter. The RPS division has no formal passthrough arrangement in place with its agricultural customers as selling prices are generally agreed at the time of order which at that time is based on the current market value of resin. A significant portion of the agriculture 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 margin depending on price fluctuations in resin during the period from when the order is placed to the time of production. If trends show higher resin values, prices are increased to cover some of the resin cost however these price increases typically take time to be realized as the backlog typically sells through first. Due to the high order backlog in place within this business and given the current resin pricing of polypropylene, we expect these factors to continue to drag our gross margin and Adjusted EBITDA margin in Q4 2018.

Operating Expenses (net)

(\$'000)	Three months ended September 30			
	2018	2017	Variance	% Variance
Operating expenses (net)	(17,721)	(16,909)	(812)	4.8%
Large Format Packaging and Environmental Solutions	(7,728)	(7,350)	(378)	5.1%
Consumer Packaging Solutions	(3,318)	(3,525)	207	(5.9%)
Returnable Packaging Solutions	(4,056)	(3,781)	(275)	7.3%
Other	(2,619)	(2,253)	(366)	16.2%
Operating expenses (net) as a % of Revenue	(10.5%)	(10.7%)	0.2%	(1.9%)
Large Format Packaging and Environmental Solutions	(9.1%)	(8.7%)	(0.4%)	4.6%
Consumer Packaging Solutions	(7.2%)	(8.7%)	1.5%	(17.2%)
Returnable Packaging Solutions	(12.5%)	(13.9%)	1.4%	(10.1%)
Other	(46.2%)	(38.4%)	(7.8%)	20.3%

Operating expenses were \$17.7 million in Q3 2018 compared to \$16.9 million in Q3 2017, an increase of \$0.8 million or 4.8%. As a percentage of revenue, operating expenses were 10.5% in Q3 2018 compared to 10.7% in Q3 2017. The reduction in the operating expenses as a percentage of sales is partially explained by the impact of price increases that are included within revenue but which require no additional selling, general and administration costs support. In addition, as the business continues to grow, the operating model is such that the Company can leverage the fixed overhead base so that operating expenses do not increase in line with revenue. Overall, operating expenses have remained relatively flat across our divisions with additional SG&A costs incurred during the quarter following the completion of the IPO.

Transaction, Reorganization and Integration Costs

Transaction, reorganization and integration costs for Q3 2018 and Q3 2017 consists of business reorganization and integration costs and refinancing transaction costs.

(\$'000)	Three months ended September 30			
	2018	2017	Variance	% Variance
Business reorganization and integration costs	(2,462)	(2,914)	452	(15.5%)
Refinancing transaction costs	(897)	—	(897)	100.0%
Total transaction, reorganization and integration costs	(3,359)	(2,914)	(445)	15.3%

Transaction, reorganization and integration costs were \$3.4 million in Q3 2018 compared to \$2.9 million in Q3 2017, an increase of \$0.5 million.

As discussed in the “Implementation of Business Strategy and Growth Strategies” section of this MD&A, \$2.0 million of costs were incurred in relation to the start-up and integration of the major capital expansion projects at our North American facilities in Q3 2018. In Q3

2017, the business reorganization and integration costs related primarily to corporate reorganization, management restructuring and redundancies, and costs related to the acquisition of Macro.

During Q3 2018, the unsecured subordinated debentures of C\$45.0 million were repaid in full. In consideration for the early prepayment of these debentures a premium equal to 1% of the principal amount was paid to the debenture holders, pursuant to the terms of the debentures. In addition, the unamortized finance costs in respect of the unsecured subordinated debentures were expensed to the consolidated statements of income in Q3 2018. Both amounts are recognized within refinancing transaction costs.

Finance Costs (net)

(\$'000)	Three months ended September 30			
	2018	2017	Variance	% Variance
Finance costs (net)	(2,586)	(4,755)	2,169	(45.6%)

Net interest expense decreased by \$2.2 million to \$2.6 million in Q3 2018 (Q3 2017: \$4.8 million) due primarily to the effect of repaying a net amount of approximately \$70.0 million from the Revolving Credit Facility and the C\$45.0 million of unsecured subordinated debentures, which had a coupon of 10%, in Q3 2018. The average interest rate paid by the Company in Q3 2018 was 4.45% (Q3 2017: 4.88%). The movement in the average interest rate paid was driven principally by the repayment of the unsecured subordinated debentures in Q3 2018 and a lower weighting of U.S. dollar denominated debt.

Income Taxes

(\$'000)	Three months ended September 30			
	2018	2017	Variance	% Variance
Income taxes	(517)	(3,137)	2,620	(83.5%)

The net tax charge for Q3 2018 was \$0.5 million compared with a charge of \$3.1 million in Q3 2017, a decrease of \$2.6 million on the prior year. The reduced tax charge is driven primarily by a reduction in the profit before income taxes of \$5.1 million in Q3 2018 when compared to Q3 2017 and reassessment of tax risk accruals.

Net Income

(\$'000)	Three months ended September 30			
	2018	2017	Variance	% Variance
Net income	4,760	7,481	(2,721)	(36.4%)

The net income for Q3 2018 was \$4.8 million compared to a net income of \$7.5 million in Q3 2017, a decrease of \$2.7 million. The decrease was due primarily to the operating profit reduction as a result of the factors outlined in the cost of sales section above and additional transaction, reorganization and integration costs. This is offset by the improved finance costs in the quarter and a reduction in income tax charge for the period.

Adjusted EBITDA

(\$'000)	Three months ended September 30			
	2018	2017	Variance	% Variance
Adjusted EBITDA⁽¹⁾	20,521	25,534	(5,013)	(19.6%)
Large Format Packaging and Environmental Solutions	8,812	10,957	(2,145)	(19.6%)
Consumer Packaging Solutions	7,815	7,798	17	0.2%
Returnable Packaging Solutions	4,702	6,981	(2,279)	(32.6%)
Other	(808)	(202)	(606)	300.0%
Adjusted EBITDA Margin⁽¹⁾ (% of Revenue)	12.1%	16.2%	(4.1%)	(25.3%)
Large Format Packaging and Environmental Solutions	10.4%	13.0%	(2.6%)	(20.0%)
Consumer Packaging Solutions	16.9%	19.3%	(2.4%)	(12.4%)
Returnable Packaging Solutions	14.4%	25.7%	(11.3%)	(44.0%)

(1) Adjusted EBITDA and Adjusted EBITDA Margin are non-IFRS measures which are reconciled to income from continuing operations as detailed in the "Reconciliation of non-IFRS Measures" section of this MD&A. Note 2 to the unaudited condensed consolidated interim financial statements provides a further reconciliation on a cumulative basis from Adjusted EBITDA to Net income.

Adjusted EBITDA was \$20.5 million in Q3 2018 compared to \$25.5 million in Q3 2017, a decrease of \$5.0 million or 19.6%. The factors driving the reduction are consistent with those outlined in the revenue and cost of sales sections as the positive impact of continued organic growth in all divisions is offset by input cost pressures from resin, freight and labor. As a result, Adjusted EBITDA margins have contracted across our divisions year on year, from 16.2% in Q3 2017 to 12.1% in Q3 2018. In addition, improved revenue performance driven by volume has come in product areas with typically lower gross margins.

Adjusted EBITDA for the LF&E business decreased by \$2.1 million in Q3 2018, primarily driven by the factors outlined in the cost of sales section of this MD&A as Adjusted EBITDA margin reduced to 10.4% in Q3 2018, from 13.0% in Q3 2017. The main factors contributing to the decline in Q3 2018 were resin, freight and labor cost increases in North America as well as reduced Adjusted EBITDA margin in the European region from the changes in product mix.

Adjusted EBITDA for the CPS business in Q3 2018 amounted to \$7.8 million, which was in line with the \$7.8 million achieved in Q3 2017. The reduction in the Adjusted EBITDA margin from 19.3% in Q3 2017 to 16.9% in Q3 2018 is primarily due to the factors outlined in the cost of sales section of this MD&A. The key items impacting the margin compared to Q3 2017 include the sales mix, resin price increases, labor market challenges and incremental freight, logistics and packaging costs arising both from new business and growth in existing business.

Adjusted EBITDA in RPS amounted to \$4.7 million for Q3 2018 compared with \$7.0 million at Q3 2017, a reduction of \$2.3 million. The Adjusted EBITDA margin was 14.4% for Q3 2018, down from 25.7% in Q3 2017. The reduction in Adjusted EBITDA margin is primarily driven by higher resin prices, product mix weighted towards lower margin business and the automotive business temporary outsourcing costs which resulted in an Adjusted EBITDA number in RPS for Q3 2018 that was approximately \$4.0 million behind our expectations. If the same polypropylene resin input prices prevailed in 2018 as those which prevailed in 2017, our Adjusted EBITDA for Q3 2018 would have been higher by \$3.3 million. As noted above, we expect the high order backlog in place within this business and the current resin pricing of polypropylene to continue to drag our Adjusted EBITDA margin for the remainder of 2018.

Adjusted EBIT

(\$'000)	Three months ended September 30			
	2018	2017	Variance	% Variance
Adjusted EBIT⁽¹⁾	10,280	15,672	(5,392)	(34.4%)
Large Format Packaging and Environmental Solutions	4,281	6,826	(2,545)	(37.3%)
Consumer Packaging Solutions	4,638	4,870	(232)	(4.8%)
Returnable Packaging Solutions	2,332	4,318	(1,986)	(46.0%)
Other	(971)	(342)	(629)	183.9%

(1) Adjusted EBIT is a non-IFRS measure which is reconciled to Income from continuing operations as detailed in the "Reconciliation of non-IFRS Measures" section of this MD&A. Note 2 to the unaudited condensed consolidated interim financial statements provides a further reconciliation on a cumulative basis from Adjusted EBIT to Net income.

Adjusted EBIT was \$10.3 million in Q3 2018 compared to \$15.7 million in Q3 2017, a decrease of \$5.4 million driven primarily by the same factors as those outlined in the Adjusted EBITDA commentary. In addition, depreciation and amortization costs increased by \$0.3 million from \$9.9 million in Q3 2017 to \$10.2 million in Q3 2018. The increase is explained by additional depreciation from capital additions in 2017 and YTD 2018 primarily arising from the capital investment program.

Results of Operations for YTD 2018 compared to YTD 2017

Revenue

(\$'000)	Nine months ended September 30			
	2018	2017	Variance	% Variance
Revenue from continuing operations	495,786	402,446	93,340	23.2%
Large Format Packaging and Environmental Solutions	247,076	232,346	14,730	6.3%
North America	161,974	160,140	1,834	1.1%
Europe	85,102	72,206	12,896	17.9%
Consumer Packaging Solutions	140,551	119,017	21,534	18.1%
North America	107,105	92,024	15,081	16.4%
Europe	33,446	26,993	6,453	23.9%
Returnable Packaging Solutions	89,060	34,247	54,813	160.1%
Other	19,099	16,836	2,263	13.4%

Revenue was \$495.8 million in YTD 2018 compared to \$402.4 million in YTD 2017, an increase of \$93.3 million or 23.2%. The acquisition of Macro in June 2017 contributed \$54.8 million of the increase with the remaining movement of \$38.5 million primarily driven by organic growth in the LF&E and CPS divisions.

Revenue in the LF&E segment was \$247.1 million in YTD 2018 (\$162.0 million in North America and \$85.1 million in Europe), an increase of \$14.7 million or 6.3% on the comparative period in 2017. The growth in the North American market of \$1.8 million was attributable to strong organic growth driven by continued increased volume demand, primarily in the bulk packaging and environmental product areas, together with price adjustments driven by resin movements and inflation. As expected, there was a reduction in revenue within the material handling product area of this division in North America due to a completion of a large contract with one customer which had a significant impact on its revenue in YTD 2017. The European business contributed revenue of \$85.1 million in YTD 2018, compared with \$72.2 million in YTD 2017, an increase of \$12.9 million or 17.9%. The European business was positively impacted by growth related to new environmental container rollouts as a number of new tenders were secured, which typically contribute a lower gross margin relative to other LF&E products in Europe. There was a further positive impact from foreign exchange translation movement in both North America and Europe in YTD 2018 compared to YTD 2017 due to a weaker U.S. dollar as compared with the Canadian dollar and Pound sterling respectively.

Revenue in the CPS segment was \$140.6 million in YTD 2018 (\$107.1 million in North America and \$33.4 million in Europe), an increase of \$21.5 million or 18.1%. Revenue growth was strong in both the North American and European markets, with increases of \$15.1 million and \$6.5 million on YTD 2017 respectively. The growth in the North American market is primarily attributable to the rollout of the new dairy business, resin price increases and organic growth in previously existing business. The increase of \$6.5 million in revenue in our European business was primarily driven by additional demand from our largest customer in Europe and increased sales volumes in our food packaging products. Foreign exchange movements also had a positive impact on this division.

Revenue in the RPS segment was \$89.1 million in YTD 2018, an increase of \$54.8 million on YTD 2017, following the acquisition of Macro on June 9, 2017. For the same period in 2017 and prior to joining the Company, Macro recognized revenue of \$72.6 million. The increase in the Macro business of \$16.5 million or 22.7% on YTD 2017 is primarily driven by the introduction of new bin technology products for both the automotive market and the apple market, primarily in the Pacific Northwest region of the U.S. This growth was partially offset by lower sales in the Californian cherry and citrus markets due to poor weather that reduced crop yields. Overall, bin sales in units were up 25.4% in YTD 2018 when compared with YTD 2017 driven primarily by the automotive market sales, while units of bin sales to the agricultural market were also up 8.0% in the same comparative periods.

Cost of Sales

(\$'000)	Nine months ended September 30			
	2018	2017	Variance	% Variance
Cost of Sales	(412,243)	(318,528)	(93,715)	29.4%
Large Format Packaging and Environmental Solutions	(212,183)	(191,070)	(21,113)	11.0%
Consumer Packaging Solutions	(115,152)	(93,381)	(21,771)	23.3%
Returnable Packaging Solutions	(71,532)	(23,229)	(48,303)	207.9%
Other	(13,376)	(10,848)	(2,528)	23.3%
Cost of Sales (% of Revenue)	(83.1%)	(79.1%)	(4.0%)	5.1%
Large Format Packaging and Environmental Solutions	(85.9%)	(82.2%)	(3.7%)	4.5%
Consumer Packaging Solutions	(81.9%)	(78.5%)	(3.4%)	4.3%
Returnable Packaging Solutions	(80.3%)	(67.8%)	(12.5%)	18.4%
Other	(70.0%)	(64.4%)	(5.6%)	8.7%

Cost of sales was \$412.2 million in YTD 2018 compared to \$318.5 million in YTD 2017, an increase of \$93.7 million or 29.4%. As a percentage of revenue, cost of sales was 83.1% in YTD 2018 compared to 79.1% in YTD 2017. The acquisition of Macro in June 2017 contributed to a \$48.3 million increase in the overall cost of sales with the remaining increase of \$45.4 million mainly arising across the LF&E and CPS divisions. The primary reason for the increase in cost of sales in YTD 2018 compared to YTD 2017 was the significantly higher resin prices, labor market and labor cost challenges in North America, and increases in freight costs. We estimate that the increase in resin costs resulted in reductions in our gross margin, and consequently increases in our cost of sales as a percentage of revenue, of approximately 2.6%. In addition, the growth in revenue was primarily in product areas with typically lower material margins, thereby increasing our relative cost of sales as a percentage of revenue. Foreign exchange movements in YTD 2018 compared to YTD 2017 also resulted in higher cost of sales for the current quarter. Depreciation and amortization increased in YTD 2018 as compared with YTD 2017 following the significant capital investments during 2017 and the acquisition of Macro in June 2017.

Cost of sales in our LF&E business increased by \$21.1 million on an absolute basis and as a percentage of revenue from 82.2% in YTD 2017 to 85.9% in YTD 2018. The division incurred increased resin and freight costs primarily in North America. It is estimated that increases in resin prices in YTD 2018 compared to the same period in 2017 resulted in a reduction of 2.9% in the gross margin and 2.8% in the Adjusted EBITDA margin of this business in North America, assuming revenue and other input costs remained constant. The increasing price of fuel, labor market challenges and new truck driver regulations in the U.S. resulted in further freight price increases. These constraints combined with a wider geographical spread of shipments of products to customers resulted in an overall increase in freight costs from 5.9% of revenue in YTD 2017 to 7.1% in YTD 2018 in North America. The costs have stabilized in Q3 2018 when compared with the first half of 2018. In the European

business, revenue increases were in product areas with typically higher resin costs resulting in an increase in cost of sales as a percentage of revenue. The cost of energy has impacted LF&E in Europe to a lesser extent. Foreign exchange movements in YTD 2018 resulted in a further cost of sales increase in the North American and European markets compared to YTD 2017.

Cost of sales in our CPS business increased by \$21.8 million or 23.3% during YTD 2018 and cost of sales as a percentage of revenue increased by 3.4%, from 78.5% in YTD 2017 to 81.9% in YTD 2018, primarily driven by the North American business. The sales mix in the North American market in YTD 2018 was comprised of a larger relative volume of business with lower material margin when compared to the same period in the prior year, primarily as a result of the rollout of the dairy business. Other ancillary costs related to the dairy business rollout such as IML labelling, packaging, freight, warehousing and logistics have increased in YTD 2018 when compared with YTD 2017. In YTD 2018, the trends from the second half of Fiscal 2017 in respect of higher resin pricing resulted in increases in this cost as a percentage of revenue in our North American business, with an element of this adjusted for in revenue price increases as discussed above. Typically, the CPS segment in North America has passthrough arrangements in place with all of its customers, but there can be a lag in applying resin price adjustments. Foreign exchange movements in YTD 2018 also resulted in a further cost of sales increase in the CPS division compared to YTD 2017.

Cost of sales in the RPS segment was \$71.5 million or 80.3% of revenue for YTD 2018, with depreciation and amortization included in cost of sales amounting to \$4.7 million. For YTD 2017, including the period prior to the acquisition of Macro, cost of sales restated for the pro forma acquisition adjustments amounted to \$53.0 million for the quarter and 72.9% of revenue. The increase in cost of sales as a percentage of revenue for YTD 2018 is driven by the impact of resin price increases, change in the sales mix to products with a lower margin due to reductions in citrus and cherry market sales, and temporary outsourcing costs related to the new automotive specialty bin technology contract. We estimate that increases in the price of polypropylene in YTD 2018, resulted in a reduction of 7.0% in the gross margin and 6.9% in the Adjusted EBITDA margin of this business, assuming revenue and other input costs remained constant. Due to the high order backlog in place within this business and given the current resin pricing of polypropylene, we expect these factors to continue to drag our gross margin and Adjusted EBITDA margin for the remainder of 2018.

Depreciation and amortization costs in total (included in cost of sales and operating expenses) continued to increase across the Company following significant capital investment in Fiscal 2017 as they amounted to \$30.8 million in YTD 2018 compared with \$23.2 million in YTD 2017, an increase of \$7.6 million. The acquisition of Macro contributed \$4.4 million of this increase with the remaining \$3.2 million resulting from the capital investment in Fiscal 2017.

Operating Expenses (net)

(\$'000)	Nine months ended September 30			
	2018	2017	Variance	% Variance
Operating expenses (net)	(53,995)	(46,185)	(7,810)	16.9%
Large Format Packaging and Environmental Solutions	(22,708)	(22,121)	(587)	2.7%
Consumer Packaging Solutions	(11,313)	(11,618)	305	(2.6%)
Returnable Packaging Solutions	(11,535)	(4,610)	(6,925)	150.2%
Other	(8,439)	(7,836)	(603)	7.7%
Operating expenses (net) as a % of Revenue	(10.9%)	(11.5%)	0.6%	(5.2%)
Large Format Packaging and Environmental Solutions	(9.2%)	(9.5%)	0.3%	(3.2%)
Consumer Packaging Solutions	(8.0%)	(9.8%)	1.8%	(18.4%)
Returnable Packaging Solutions	(13.0%)	(13.5%)	0.5%	(3.7%)
Other	(44.2%)	(46.5%)	2.3%	(4.9%)

Operating expenses were \$54.0 million in YTD 2018 compared to \$46.2 million in YTD 2017, an increase of \$7.8 million or 16.9%. As a percentage of revenue, operating expenses were 10.9% in YTD 2018 compared to 11.5% in YTD 2017. The reduction in the operating expenses as a percentage of sales is partially explained by the impact of price increases that are included within revenue but which require no

additional selling, general and administration costs support. In addition, as the business continues to grow, the operating model is such that the Company can leverage the fixed overhead base so that operating expenses do not increase in line with revenue.

Operating expenses in the LF&E division in YTD 2018 have increased slightly by \$0.6 million or 2.7% when compared with YTD 2017. This increase is primarily driven by the impact of foreign exchange movements as the U.S. dollar weakened against both the Canadian dollar and Pound Sterling in YTD 2018 compared to YTD 2017 by 1.4% and 5.6% respectively. Operating expenses as a percentage of sales has decreased from 9.5% in YTD 2017 to 9.2% in YTD 2018.

Operating expenses for YTD 2018 in the CPS division declined by \$0.3 million when compared with YTD 2017 with operating expenses as a percentage of revenue decreasing from 9.8% in YTD 2017 to 8.0% in YTD 2018, in line with the factors outlined above in respect of pricing and the operating model.

The acquisition of Macro in the RPS segment resulted in additional operating expenses of \$6.9 million. This business has traditionally had higher operating expenses as a percentage of revenue than our other businesses. For YTD 2018, operating expenses were 13.0% of revenue, compared with 13.5% for the post acquisition period in June 2017. Depreciation and amortization costs included in operating expenses amounted to \$2.5 million for YTD 2018. The operating expenses of Macro for YTD 2017, including the period prior to its acquisition by IPLP, amounted to \$9.1 million or 12.6% of revenue.

Transaction, Reorganization and Integration Costs

Transaction, reorganization and integration costs consists of initial public offering and related costs, business reorganization and integration costs and transaction fees.

(\$'000)	Nine months ended September 30			
	2018	2017	Variance	% Variance
Initial public offering and related costs	(9,923)	—	(9,923)	100.0%
Business reorganization and integration costs	(5,834)	(7,258)	1,424	(19.6%)
Refinancing transaction costs	(5,658)	—	(5,658)	100.0%
Transaction, reorganization and integration costs	(21,415)	(7,258)	(14,157)	195.1%

Transaction, reorganization and integration costs were \$21.4 million in YTD 2018 compared to \$7.3 million in YTD 2017, an increase of \$14.2 million. YTD 2018 includes \$9.9 million of costs incurred in respect of the IPO and Scheme of Arrangement process.

In YTD 2018, business reorganization and integration costs incurred in relation to the start-up and integration of the major capital expansion projects at our Forsyth, Georgia, facility and at our Edmundston, New Brunswick, facility amounted to \$4.0 million and \$0.9 million respectively. In YTD 2017, the business reorganization and integration costs related primarily to the acquisition of Macro, with the remaining amount made up of corporate reorganization, management restructuring and redundancy related costs.

Following the completion of the bank refinancing and the repayment of unsecured subordinated debentures, the unamortized finance costs in respect of the repaid indebtedness of the Company under the previously existing Irish banking facility agreement, under the previously existing Canadian credit agreement and under the unsecured subordinated debentures, which in total amounted to \$5.4 million were expensed to the consolidated statements of income in Q2 and Q3 2018 and recognized within refinancing transaction costs. In consideration for the early prepayment of the debentures, a premium of \$0.3 million which was equal to 1% of the principal amount was paid to the debenture holders, pursuant to the terms of the debentures.

Other Income/(expenses) (net)

(\$'000)	Nine months ended September 30			
	2018	2017	Variance	% Variance
Other income/(expenses) (net)	(170)	1,678	(1,848)	(110.1%)

Other income amounted to \$1.7 million in YTD 2017, which was primarily derived from \$1.2 million of dividend income from Pioneer Green Energy LLC ("Pioneer"), a US wind and solar energy development company, where IPLP continues to hold its 13.7% stake. We received a further \$0.4 million from Pioneer in Q4 2017, which is expected to be the final dividend income receipt.

Share of Profit of Equity-Accounted Investees

(\$'000)	Nine months ended September 30			
	2018	2017	Variance	% Variance
Share of profit of equity-accounted investees	1,953	2,010	(57)	(2.8%)

This amount is the Company's share of profit in its equity-accounted investee, Altas Investments plc ("Altas"), an Irish investment company operating in the road and energy sectors, in which IPLP holds a 23.6% shareholding interest. The Company's interest in Altas is carried at \$2.2 million at September 30, 2018. Limited future profits are expected on this investment.

Finance Costs (net)

(\$'000)	Nine months ended September 30			
	2018	2017	Variance	% Variance
Finance costs (net)	(12,476)	(10,681)	(1,795)	16.8%

Net interest expense increased by \$1.8 million to \$12.5 million in YTD 2018 (YTD 2017: \$10.7 million) due primarily to the effect of the drawdown of bank borrowings for the purposes of acquiring Macro in June 2017 offset in part by the impact of repaying a net amount of approximately \$70.0 million from the Revolving Credit Facility and the C\$45.0 million of unsecured subordinated debentures in Q3 2018. The average interest rate paid by the Company in YTD 2018 was 4.86% (YTD 2017: 4.48%). The movement in the average interest rate paid was driven by an increase in base interest rates in both the U.S. and Canada throughout both 2017 and 2018 year to date. In addition, there was a higher weighting of interest expense in the first half of 2018 to the U.S. market as a result of the drawdown in respect of the acquisition of Macro, as compared to the lower underlying interest rates in Ireland and the U.K.

Income Taxes

(\$'000)	Nine months ended September 30			
	2018	2017	Variance	% Variance
Income taxes	6,165	(6,260)	12,425	(198.5%)

The net tax credit for YTD 2018 was \$6.2 million compared with a charge of \$6.3 million in YTD 2017, a decrease of \$12.4 million on the prior year. The reduced tax charge is driven primarily by a loss before income taxes of \$2.6 million in YTD 2018, which was primarily driven by the additional transaction reorganization and integration costs, compared to an income before income taxes of \$23.5 million in YTD 2017, adjustments related to the prior year estimates and reassessment of tax risk accruals.

Net Income

(\$'000)	Nine months ended September 30			
	2018	2017	Variance	% Variance
Net income	3,605	17,139	(13,534)	(79.0%)

The net income for YTD 2018 was \$3.6 million compared to a net income of \$17.1 million in YTD 2017, a decrease of \$13.5 million. The decrease was due primarily to increased transaction, reorganization and integration costs of \$14.2 million, increased depreciation and amortization costs of \$7.6 million, and additional finance costs of \$1.8 million offset by a reduction in income tax charge for the period of \$12.4 million.

Adjusted EBITDA

(\$'000)	Nine months ended September 30			
	2018	2017	Variance	% Variance
Adjusted EBITDA⁽¹⁾	60,373	60,924	(551)	(0.9%)
Large Format Packaging and Environmental Solutions	25,755	30,675	(4,920)	(16.0%)
Consumer Packaging Solutions	23,706	22,428	1,278	5.7%
Returnable Packaging Solutions	13,216	9,283	3,933	42.4%
Other	(2,304)	(1,462)	(842)	57.6%
Adjusted EBITDA Margin (% of Revenue)⁽¹⁾	12.2%	15.1%	(2.9%)	(19.2%)
Large Format Packaging and Environmental Solutions	10.4%	13.2%	(2.8%)	(21.2%)
Consumer Packaging Solutions	16.9%	18.8%	(1.9%)	(10.1%)
Returnable Packaging Solutions	14.8%	27.1%	(12.3%)	(45.4%)

(1) Adjusted EBITDA and Adjusted EBITDA Margin are non-IFRS measures which are reconciled to income from continuing operations as detailed in the "Reconciliation of non-IFRS Measures" section of this MD&A. Note 2 to the unaudited condensed consolidated interim financial statements provides a further reconciliation on a cumulative basis from Adjusted EBITDA to Net income.

Adjusted EBITDA was \$60.4 million in YTD 2018 compared to \$60.9 million in YTD 2017, a decrease of \$0.5 million or 0.9%. The factors driving the reduction are consistent with those outlined in the revenue and cost of sales sections as the positive impact of continued organic growth in all divisions and the contribution of an additional \$3.9 million from Macro following its acquisition in June 2017, is offset by input cost pressures from resin, freight and labor. As a result, Adjusted EBITDA margins have contracted across our divisions year on year, from 15.1% in YTD 2017 to 12.2% in YTD 2018. In addition, improved revenue performance driven by volume has come in product areas with typically lower gross margins.

Adjusted EBITDA for the LF&E business decreased by \$4.9 million driven by the factors outlined in the cost of sales section of this MD&A but primarily due to the sales mix in Europe and increases in resin, labor and freight costs in North America. These factors contributed to a decline in the Adjusted EBITDA margin from 13.2% in YTD 2017 to 10.4% in YTD 2018.

Adjusted EBITDA in the CPS business grew by 5.7% to \$23.7 million in YTD 2018, with growth in both the North American and European regions. The reduction in the Adjusted EBITDA margin from 18.8% in YTD 2017 to 16.9% in YTD 2018 is primarily due to the growth as a result of the rollout of the new dairy business, which is typically at a lower Adjusted EBITDA margin relative to the existing business, the incremental freight, logistics and packaging costs arising from the new business and to a lesser extent the resin factors outlined above.

Adjusted EBITDA in RPS amounted to \$13.2 million for YTD 2018, compared with \$9.3 million for YTD 2017. For the same period in 2017 and prior to the acquisition of Macro by IPLP, Adjusted EBITDA restated for pro forma acquisition adjustments amounted to \$14.9 million. The Adjusted EBITDA margin for YTD 2018 was 14.8%, compared to YTD 2017, including the period prior to acquisition by IPLP, Adjusted EBITDA margin of 20.5%. The decline is primarily driven by higher resin prices, mix of product and temporary outsourcing costs, as previously discussed. As noted above, we expect the high order backlog in place within this business and the current resin pricing of polypropylene to continue to drag our Adjusted EBITDA margin for the remainder of 2018.

Adjusted EBIT

(\$'000)	Nine months ended September 30			
	2018	2017	Variance	% Variance
Adjusted EBIT⁽¹⁾	29,548	37,733	(8,185)	(21.7%)
Large Format Packaging and Environmental Solutions	12,179	19,155	(6,976)	(36.4%)
Consumer Packaging Solutions	14,080	14,019	61	0.4%
Returnable Packaging Solutions	5,974	6,408	(434)	(6.8%)
Other	(2,685)	(1,849)	(836)	45.2%

(1) Adjusted EBIT is a non-IFRS measure which is reconciled to Income from continuing operations as detailed in the "Reconciliation of non-IFRS Measures" section of this MD&A. Note 2 to the unaudited condensed consolidated interim financial statements provides a further reconciliation on a cumulative basis from Adjusted EBIT to Net income.

Adjusted EBIT was \$29.5 million in YTD 2018 compared to \$37.7 million in YTD 2017, a decrease of \$8.2 million or 21.7%. Depreciation and amortization costs have increased significantly from \$23.2 million in YTD 2017 to \$30.8 million in YTD 2018. The increase is explained by additional depreciation and amortization arising on the acquisition of Macro of \$4.4 million and additional depreciation of \$3.2 million arising on increased capital additions in 2017 and YTD 2018 primarily arising from the capital investment program. The remaining decrease is explained by the \$0.5 million reduction in Adjusted EBITDA in YTD 2018.

Seasonal Trend Analysis

Quarterly operating net income and revenue are affected by seasonality. The second and third quarters typically generate the greatest contribution to revenue and earnings as detailed in the "Seasonality" section of this MD&A. In addition, there are a number of significant transactions outlined in the "Significant Financial and Operational Highlights and Transactions Impacting the Results of the Period" section of this MD&A which have driven changes to the results in various quarters. On June 9, 2017, the RPS division was formed following the acquisition of Macro which has a positive impact on our results since Q2 2017. As outlined in the "Initial Public Offering" section of this MD&A, we incurred significant costs and issued additional shares as part of the IPO process which has a negative impact on our net income and Earnings per Share metrics from Q2 2018.

The following table shows the consolidated financial performance of the Company by quarter over the last seven quarters. The quarterly trend could be impacted by certain significant transactions as explained above.

(\$'000)	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Revenue	169,173	178,292	148,321	133,441	157,516	132,338	112,592
Net income/(loss)	4,760	(2,574)	1,417	5,528	7,481	10,890	(1,232)
Basic Earnings per Share	0.09	(0.06)	0.01	0.17	0.24	0.34	(0.01)
Diluted Earnings per Share	0.09	(0.06)	0.01	0.17	0.23	0.34	(0.01)
Net income/(loss) – Continuing Operations	4,760	(2,574)	1,417	6,115	7,224	6,040	3,958
Basic Earnings per Share – Continuing Operations	0.09	(0.06)	0.01	0.19	0.23	0.19	0.02
Diluted Earnings per Share – Continuing Operations	0.09	(0.06)	0.01	0.19	0.22	0.19	0.02
Adjusted EBITDA	20,521	22,798	17,054	19,150	25,534	20,772	14,617
Adjusted Net Income	10,537	8,685	5,121	1,582	8,706	8,799	4,578
Pro Forma Adjusted Diluted Earnings per Share	0.19	0.16	0.12	0.03	0.16	0.17	0.11

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 operating expenses, working capital and capital expenditures (together, the "**Funding Requirements**").

IPLP believes that cash generated from operations, together with amounts available under the Facilities will be sufficient to meet its future funding requirements. However, IPLP's ability to fund future requirements and its ability to make scheduled payments of interest on the 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.

Senior Secured Facilities

On April 17, 2018, IPL plc (as parent of a group of borrowers including IPL plc and certain of its subsidiaries) 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 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 Facility, the "**Facilities**"). The New Facilities Agreement contains an accordion feature allowing IPL plc 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.

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 euros, Pounds Sterling, U.S. dollars or Canadian dollars and subject to agreement with the lenders, some or all 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 or, if all the lenders agree, following their receipt of an extension request from IPLP within one month of the first anniversary of the New Facilities Agreement and/or one month of the second anniversary of the New Facilities Agreement, six years or seven years, as the case may be.

Term Facility

The Term Facility matures on April 17, 2023, and as of November 8, 2018, a principal amount of \$133.2 million was outstanding. Repayment of the Term Facility must be made in installments of €2.75 million (\$3.2 million), the first of which will occur on October 17, 2019, being 18 months after the date of the New Facilities Agreement, with subsequent installments at three-month intervals thereafter. The balance must be repaid in full on April 17, 2023, subject to the right of IPLP to request two extension periods of one year each and the lender acceptance of any such request.

Revolving Credit Facility

The Revolving Credit Facility matures on April 17, 2023, subject to any extension period consented to by the lenders, and as of November 8, 2018, the Company had \$136.9 million drawn under the Revolving Credit Facility. The outstanding balance under the Revolving Credit Facility must be repaid in full on April 17, 2023, subject to the right of IPLP to request two extension periods of one year each and the lender acceptance of any such request.

On August 30, 2018, the Company drew down C\$45.5 million on our Canadian dollar Revolving Credit Facility in order to repay in full its obligation under its unsecured subordinated debentures.

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 net facilities as agreed).

As of September 30, 2018, 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. The financial leverage as at September 30, 2018 was 2.76x Net Debt to the last twelve months Adjusted EBITDA;

Unsecured Subordinated Debentures

On August 31, 2018, the unsecured subordinated debentures of C\$45.0 million were repaid in full. In consideration for the early prepayment of these debentures a premium equal to 1% of the principal amount was paid to the debenture holders, pursuant to the terms of the debentures.

Put Liability in Respect of IPL Inc. 33.33% Minority Shareholding

The Company previously recorded a liability in respect of the Company's exchange obligation for the 33.33% of IPL Inc. held by CDPQ and FSTQ referred to as the "Put Liability". As at December 31, 2017, the Put Liability amounted to \$143.6 million (2016: \$76.1 million). On February 28, 2018, we acquired the remaining 33.33% of IPL Inc. held by CDPQ and FSTQ in exchange for ordinary shares of IPL plc thereby settling the Put Liability, see "Deferred Contingent Consideration" explanation in "**Consolidated Financial Position**" section below.

Consolidated Financial Position

Consolidated Financial Position for the period ended September 30, 2018 and December 31, 2017

The following table shows the significant asset and liability balances extracted from the consolidated statements of financial position of the Company at September 30, 2018 and December 31, 2017, and the related net variance:

(\$'000)	Period ended September 30, 2018	Fiscal 2017	Variance
Assets			
Cash and cash equivalents	56,046	47,609	8,437
Total current and non-current trade and other receivables	131,785	93,022	38,763
Inventories	88,680	82,833	5,847
Property, plant and equipment	262,400	257,421	4,979
Goodwill and intangible assets	238,579	248,640	(10,061)
Liabilities			
Total current and non-current loans and borrowings	274,349	321,751	(47,402)
Total current and non-current trade and other payables	115,064	121,249	(6,185)
Deferred contingent consideration	—	143,683	(143,683)

Cash and Cash Equivalents

The cash and cash equivalents balance increased by \$8.4 million to \$56.0 million as at September 30, 2018 compared to December 31, 2017. This increase is primarily driven by the proceeds raised by the Company through the IPO of \$144.8 million (C\$191.7 million) prior to the payments in respect of the Buy-Back Option redemption, debt repayment and fees related to the IPO and Scheme of Arrangement. A full reconciliation and explanation of the movements in the Company's cash flows during the year is detailed in the "Cash Flows" section.

The cash balance decreased significantly in Q3 2018 compared with Q2 2018, as the Company used the IPO proceeds to redeem 2,085,678 Class B common shares pursuant to the Buy-Back Option in the amount of C\$28.2 million, repay \$104.7 million of debt outstanding under the U.S. Revolving Credit Facility and pay costs and expenses related to the IPO, Scheme of Arrangement and related matters.

Trade and Other Receivables

The trade and other receivables balance increased by \$38.8 million to \$131.8 million as at September 30, 2018 compared to \$93.0 million at December 31, 2017. The sales increase of 23.2% in the nine-month period to September 30, 2018 is driving an increase in the trade receivables balance. There has also been a small change in the profile of our trade receivables book as we secured significant contracts with leading multi-national companies which in some cases have longer payment terms.

As explained in the "Seasonality" section of this MD&A, our investment in working capital typically peaks during the first half of the year and then unwinds over the remainder of the year. As such, we have seen a decrease in this balance when compared with Q2 2018.

Inventories

The inventories balance increased by \$5.8 million to \$88.7 million as at September 30, 2018 compared to \$82.8 million at December 31, 2017. The primary driver of the increased inventory holdings is the buildup of inventory to service new business wins and continued high demand in all our divisions but primarily the RPS agricultural market, which are typically busiest through the second and third quarter of the year, which coincides with key produce growing seasons. The increase in resin prices, primarily in polypropylene, that we have seen since January 1, 2018, also result in a higher inventory valuation.

Property, Plant and Equipment

The property, plant and equipment balance increased by \$5.0 million to \$262.4 million as at September 30, 2018 compared to \$257.4 million as at December 31, 2017. Capital additions in YTD 2018 amounted to \$36.8 million offset by a depreciation charge of \$25.8 million. The remaining reduction is related to disposals of \$1.6 million and foreign exchange of \$4.4 million. The carrying amount of property, plant and equipment that relate to assets under construction was \$37.7 million at September 30, 2018 (December 31, 2017: \$31.0 million).

Goodwill and Intangible Assets

The goodwill and intangible assets balance decreased by \$10.1 million to \$238.6 million as at September 30, 2018 compared to \$248.6 million as at December 31, 2017. This decrease primarily relates to amortization of intangible assets of \$5.0 million and foreign exchange translation differences of \$5.2 million.

Loans and Borrowings

The loans and borrowings balance decreased by \$47.4 million to \$274.3 million as at September 30, 2018 compared to the December 31, 2017 balance of \$321.8 million. During Q3 2018, the Company used \$104.7 million of the proceeds from the IPO to repay a portion of its U.S. dollar Revolving Credit Facility and subsequently the Company drew down C\$45.5 million on our Canadian dollar Revolving Credit Facility in order to repay in full its obligation under its unsecured subordinated debentures.

Trade and Other Payables

The trade and other payables balance decreased by \$6.1 million to \$115.1 million as at September 30, 2018 compared to the December 31, 2017 balance of \$121.2 million. The decrease is primarily driven by the timing of payments.

Deferred Contingent Consideration

Deferred contingent consideration balance decreased to \$Nil at September 30, 2018 from \$143.7 million as at December 31, 2017 as explained in the "Liquidity and Capital Resources" section of this MD&A above.

Cash Flows

The following tables and discussion shows the significant cash transactions impacting the cash flows of the Company for the three and nine months ended September 30, 2018 and September 30, 2017:

(\$'000)	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Net cash flows from/(used in) operating activities	16,621	23,264	(3,165)	15,598
Net cash flows used in investing activities	(7,447)	(3,733)	(40,505)	(108,843)
Net cash flows (used in)/from financing activities	(124,496)	(37,307)	59,373	78,359
Net (decrease)/increase in cash and cash equivalents	(115,322)	(17,776)	15,703	(14,886)
Cash and cash equivalents at beginning of period	170,624	47,425	47,609	41,479
Effect of movements in exchange rates on cash held	744	1,721	(7,266)	4,777
Cash and cash equivalents at end of the period	56,046	31,370	56,046	31,370

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 and nine months ended September 30, 2018 and September 30, 2017.

(\$'000)	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Adjusted EBITDA	20,521	25,534	60,373	60,924
Net foreign exchange gains/(losses)	(297)	181	(1,130)	223
Initial public offering and related costs paid	(6,070)	—	(7,360)	—
Business reorganization and integration costs paid	(2,324)	(3,740)	(4,130)	(4,413)
Other income (expense)/received	—	(6)	55	(169)
Income taxes paid	(400)	(838)	(163)	(1,181)
Working capital movements	5,199	1,905	(50,607)	(38,991)
Other	(8)	228	(203)	(795)
Net cash flows from/ (used in) operating activities	16,621	23,264	(3,165)	15,598

Net Cash Flows from/ (used in) Operating Activities

The rigid plastic packaging industry is generally characterized by relatively high sales volume and reasonably fast turnover of inventories and accounts receivable. In general, accounts receivable and inventories are readily convertible into cash. 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.

(\$'000)	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Net cash flows from operating activities before working capital movements	11,422	21,359	47,442	54,589
Movements in working capital	5,199	1,905	(50,607)	(38,991)
Net cash flows from/ (used in) operating activities	16,621	23,264	(3,165)	15,598

The net cash inflow from operating activities for Q3 2018 was \$16.6 million, a decrease of \$6.7 million or 28.6% on the Q3 2017 inflow of \$23.3 million. The Q3 2018 reduction is primarily driven by amounts paid in respect of the IPO, Scheme of Arrangement and related matters as the reduction in Adjusted EBITDA of \$5.0 million is offset by the increased unwind noted in working capital.

The net cash outflow from operating activities in YTD 2018 was \$3.2 million compared to an inflow of \$15.6 million in YTD 2017, a decrease of \$18.8 million. The decrease in net cash from operating activities was driven primarily by a net increase in working capital of \$11.6 million due to higher trade receivables from the growth in revenue and additional inventory built up in respect of continued demand and the payments referred to in respect of the Q3 2018 reduction.

Net Cash Flows used in Investing Activities

(\$'000)	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Proceeds from sale and disposal of property, plant and equipment and intangible assets	520	—	2,286	252
Disposal/discontinuation of subsidiary undertakings, net of cash disposed	205	1,051	317	43,033
Share redemption proceeds and distributions received from equity-accounted investees and available-for-sale assets	1,112	7,139	1,112	7,452
Acquisition of property, plant and equipment and intangible assets	(9,705)	(11,685)	(44,161)	(34,488)
Acquisition of subsidiaries, including associated costs and net of cash acquired	(135)	(145)	(536)	(125,845)
Other	556	(93)	477	753
Net cash used in investing activities	(7,447)	(3,733)	(40,505)	(108,843)

Net cash used in investing activities was \$7.4 million in Q3 2018 compared to \$3.7 million in Q3 2017, an increase of \$3.7 million. The increase was primarily driven by distributions received from Altas and Pioneer in Q3 2017.

Net cash used in investing activities was \$40.5 million in YTD 2018 compared to \$108.8 million in YTD 2017, a decrease of \$68.3 million. The decrease was primarily due to the acquisition of Macro in June 2017 and disposal of the Irish and U.K. SES businesses as outlined above which resulted in a net outflow of \$82.8 million in YTD 2017, offset by an increase in investment in capital infrastructure of \$9.7 million in YTD 2018.

Capital Expenditures

The table below details the cash outflows in respect of capital expenditure amounts for Q3 2018, Q3 2017, YTD 2018 and YTD 2017 by operating segment.

(\$'000)	Three months ended September 30			2017		
	2018					
	Development	Maintenance	Total	Development	Maintenance	Total
LF&E	3,834	1,215	5,049	3,752	1,184	4,936
CPS	1,287	559	1,846	5,289	557	5,846
RPS	2,436	192	2,628	359	163	522
Other	28	154	182	149	232	381
Total	7,585	2,120	9,705	9,549	2,136	11,685

(\$'000)	Nine months ended September 30			2017		
	2018					
	Development	Maintenance	Total	Development	Maintenance	Total
LF&E	21,024	2,827	23,851	14,818	2,303	17,121
CPS	9,706	1,892	11,598	15,083	1,381	16,464
RPS	6,284	1,899	8,183	359	163	522
Other	136	393	529	149	232	381
Total	37,150	7,011	44,161	30,409	4,079	34,488

The cash outflow in respect of capital purchases of property, plant and equipment in Q3 2018 amounted to \$9.7 million (Q3 2017: \$11.7 million), with \$7.6 million related to strategic and development capital expenditure and \$2.1 million of maintenance capital expenditure.

The cash outflow in respect of capital purchases of property, plant and equipment in YTD 2018 amounted to \$44.2 million (YTD 2017: \$34.5 million), with \$37.2 million related to strategic and development capital expenditure and \$7.0 million of maintenance capital expenditure. The increase in cash outflows in respect of capital expenditure in YTD 2018 compared to YTD 2017, is as a result of the major capital

investment program that began in 2016 and 2017, which have deferred payment terms. We expect to incur total cash outflow in respect of capital purchases of property, plant and equipment for Fiscal 2018 of approximately \$52.5 million.

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 or 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 amounts approved of \$55.1 million at Fiscal 2017, of which \$25.2 million was contracted with the remaining \$29.9 million authorized but not contracted. The total amount of authorized capital expenditure represents the budgeted capital expenditure for 2018. We do not anticipate that capital expenditure for 2018 will exceed the budgeted amount of \$55.1 million for 2018, as discussed above.

Net Cash Flows (used in)/from Financing Activities

(\$'000)	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Finance costs paid	(4,463)	(5,105)	(10,221)	(10,345)
Net proceeds from equity issued	(15,720)	60	111,309	296
Net drawdown of bank borrowings	35,151	29,376	430,715	170,830
Repayment of borrowings	(139,464)	(61,638)	(472,430)	(82,422)
Net cash flow (used in)/from financing activities	(124,496)	(37,307)	59,373	78,359

Net cash flows used in financing activities was \$124.5 million in Q3 2018 compared to net cash flow from financing activities of \$37.3 million in Q3 2017, an increase of \$87.2 million. During Q3 2018, the Underwriters purchased an additional 1,000,000 common shares at a price of C\$13.50 per common share for further gross proceeds of C\$13.5 million (\$10.3 million), through the over-allotment option. The Company used \$104.7 million of the proceeds from the IPO to repay a portion of its U.S. dollar Revolving Credit Facility and subsequently the Company drew down C\$45.4 million on its Canadian dollar Revolving Credit Facility in order to repay in full its obligation under the unsecured subordinated debentures. In addition, C\$28.2 million (\$21.3 million) of the proceeds from the IPO were used to redeem Class B common shares pursuant to the Buy-Back Option. In Q3 2017, the net cash outflow from financing activities was primarily related to the drawdown of bank borrowings for the purposes of capital expenditure offset by the repayment of bank borrowings due to the unwind of working capital.

Net cash flow from financing activities was \$59.4 million in YTD 2018 compared to net cash flow from financing activities of \$78.4 million in YTD 2017, a decrease of \$19.0 million. The reasons for the decrease in the net cash flow from financing activities in YTD 2018 compared with YTD 2017 are consistent with those identified in the Q3 2018 commentary as the Company used the funds raised through the IPO to settle a portion of the debt. In addition to the drawdowns and repayments noted in the Q3 2018 commentary, Q2 2018 also contained significant drawdown and repayment of borrowings amounts that related to the bank refinancing which took place in April 2018, see "**Liquidity and Capital Resources – Senior Secured Facilities**" section of this MD&A. Other drawdowns in the nine-month period relate primarily to capital

expenditure outflow of \$44.2 million and supporting the working capital requirements of the divisions. In YTD 2017, net cash flow from financing activities was primarily related to the drawdown of bank borrowings for the purposes of acquiring Macro in June 2017.

Contractual Obligations

IPLP's contractual obligations primarily consist of long-term debt (principal repayments and interest payments), contracted capital commitments and operating 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.

Other than the settlement of the deferred contingent consideration liability, the repayment of the unsecured subordinated debentures and the payment of \$104.7 million of the U.S. Revolving Credit Facility, as discussed in the "**Liquidity Capital Resources**" section of this MD&A, there have been no other material movements in the Company's remaining contractual obligations and commitments from the annual financial statements included in the Prospectus, as at and for the year ended December 31, 2017, that are not detailed in the "**Consolidated Financial Position**" section of this MD&A.

Contractual Obligations as at December 31, 2017

(\$'000)	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Debt					
Senior secured bank borrowings ⁽¹⁾	327,458	27,715	110,696	188,974	73
Unsecured subordinated debt	49,090	6,179	12,812	30,099	—
Convertible loan notes	2,743	160	319	320	1,944
Finance lease liabilities	353	116	237	—	—
Other					
Deferred contingent consideration	201,383	61	—	201,322	—
Contracted capital commitments	25,191	22,320	2,871	—	—
Operating leases	23,894	3,795	5,473	5,472	9,154
Total contractual obligations	630,112	60,346	132,408	426,187	11,171

(1) The senior secured bank borrowings balance shown in the table is prior to the global bank refinancing that was completed on April 17, 2018.

Outlook

The Company continues to experience strong growth in demand for its products across all three operating segments and to organically grow revenues, capitalizing on the significant customer and market opportunities available to us.

The results for YTD 2018 were adversely impacted by, amongst other factors, changes in product mix and increases in resin prices, logistics, and labor costs. During Q3 2018, polyethylene prices increased by 3.5%, polypropylene pricing has remained flat and freight costs have stabilized when compared to the prior quarter. IPLP responded to the increases in resin costs in 2018 by passing on those costs where contractual pass-through arrangements are in place with customers and by seeking to negotiate general price adjustments with other customers. General price increases were implemented in Q2 2018 and Q3 2018. However, the positive impact of these price increases has been eroded by further increases in the price of resin during these periods. The near-term outlook for resin prices is for polyethylene to remain relatively stable with perhaps some movement downwards in polypropylene input prices.

Over the last number of years, the Company has experienced very significant levels of organic growth, completed a number of acquisitions, completed a complex corporate restructuring in preparation for the initial public offering, realigned its operating divisions and significantly

advanced a large-scale capital investment program which is nearing completion. In line with its strategic plan, the Company has more recently commenced enhanced measures to improve our business margins and core profitability levels during 2019 and beyond. This broad based strategic initiative which is in its early stages of formulation is designed to drive margin enhancement and sustainable profit growth across all divisions, but with specific focus on our LF&E division in North America.

We expect to incur total cash outflow in respect of capital purchases of property, plant and equipment for Fiscal 2018 of approximately \$52.5 million. This estimate is based on the following assumptions, among others: (i) our major capital investment projects are completed on time and on budget; (ii) a U.S. Dollar to Canadian dollar exchange rate of 1:1.27; and (iii) interest and inflation rates consistent with historical levels.

We will also continue to consider complementary acquisitions that make sound strategic sense, that fit within our disciplined acquisition parameters and that are accretive to shareholder value.

The description of our Fiscal 2018 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 category, and has been calculated using accounting policies that are generally consistent with our current accounting policies. 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 2018 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.

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 September 30, 2018 on Standard & Poor's ratings (2017: 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. dollar and the Canadian dollar, Pound Sterling and euro.

The Company is also exposed to foreign currency risk on retranslation of its foreign currency operations in the U.K., Canada, Ireland and China from their functional currencies of Pound Sterling, Canadian dollar, euro and Chinese Renminbi into the U.S. dollar presentation currency.

Interest Rate Risk

The Company holds 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 our results of operations and financial condition. IPLP has historically adopted a hybrid resin purchasing strategy which has proved to be successful over time in the U.K., Ireland and China and is now being rolled out in its North American operations. This approach allows each of its manufacturing facilities to maintain responsibility for its own raw material costs, but leverages IPLP's global purchasing power in order to reduce prices. 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 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. IPLP's purchases of resin are primarily in U.S. dollar. If the price of resin increased or decreased by 5% this would result in a material change to our cost of goods sold. Historically, we generally had the ability to pass on resin price fluctuations to certain of our customers, but this ability is, to some extent, dependent upon market conditions and the timing of fluctuations in resin prices, and in any event, may tend to lag behind the price input movements. There can be no assurance that we will be able to successfully pass on, or continue to pass on, price fluctuations to our customers.

Off Balance Sheet Arrangements

IPLP has entered into operating lease commitments related to land, buildings, plant and machinery, equipment and vehicles. The expiry dates of these leases range from less than one year to 13 years. Contractual obligations in respect of these operating leases are described in the “**Contractual Obligations**” subsection under the “**Liquidity and Capital Resources**” of this MD&A. 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 September 30, 2018, the Group had letters of credit in place amounting to \$0.3 million, reduced from \$1.1 million as at December 31, 2017. There has been no change since June 30, 2018.

Transactions with Related Parties

IPL Inc., a Canadian subsidiary of the Company had previously drawn down subordinated term debt of C\$45.0 million from CDPQ, FSTQ and Investissement Québec (“IQ”). On August 31, 2018 the unsecured subordinated debentures of C\$45.0 million were repaid in full. In consideration for the early prepayment of these debentures a premium equal to 1% of the principal amount was paid to the debenture holders, pursuant to the terms of the debentures. See “**Liquidity and Capital Resources – Unsecured Subordinated Debentures**”.

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.

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 our previous MD&A and primarily related to; Goodwill and Intangibles, Business Combinations, Deferred Tax Assets and Measurement of Fair Value.

Accounting Standards Implemented for the Three and Nine Months Ended September 30, 2018

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2018 and have been applied in preparing the unaudited condensed consolidated interim financial statements for Q3 2018, Q3 2017, YTD 2018 and YTD 2017.

The Company adopted IFRS 9 *Financial Instruments*, which addresses the classification, measurement and recognition of financial assets and liabilities, effective January 1, 2018. The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. IPLP has elected to adopt an accounting policy to record gains and losses on quoted investments in other comprehensive income. Adoption of the IFRS 9 *Financial Instruments* has resulted in no significant change to the financial position. The change in the fair value of the cash flow hedges have been recorded in equity.

The Company adopted IFRS 15 *Revenue from Contracts with Customers*, which specifies how and when an IFRS reporter will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures, effective

January 1, 2018. The Standard provides a single, principles based five-step model to be applied to all contracts with customers. The standard does not have a significant impact on the Company's financial statements.

Future Accounting Standards

IFRS 16 *Leases* sets out the principles for recognition, measurement, presentation and disclosure of leases for both lessee and lessor. The adoption of IFRS 16 *Leases*, will eliminate the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model where the recognition of a right-of-use asset and a lease liability measured at the present value of the future lease payments on the Statement of Financial Position is required for all material leases that have a term of greater than a year. IFRS 16 is effective for annual periods beginning on or after 1 January 2019, and the Group will apply IFRS 16 from its effective date.

The Group have performed an initial assessment of the potential impact of IFRS 16 and will avail of the practical expedient allowing leases previously classified as operating leases, and ending within 12 months of the date of transition, to be accounted for as short-term leases. The application of IFRS 16 will result in the recognition of additional assets and liabilities in the Consolidated Statement of Financial Position and additional lease interest and depreciation charges will impact profit in the Consolidated Statement of Income. It will have a positive impact on non-IFRS financial measure, Adjusted EBITDA, which will improve from the removal of the lease rental charge.

There are no other 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 Prospectus which was filed on June 21, 2018. There was no significant change to these risks and uncertainties during the three and nine months ended September 30, 2018.

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 Q2 2018 and Q3 2018 filings, the Company's CEO and CFO certified, as required by National Instrument 52-109, the appropriateness of the financial disclosure, the design 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 our accompanying notes as at and for the three and nine months ended September 30, 2018, and the Company's Board of Directors approved these documents prior to their release.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting in Q3 2018 that materially affected, or are reasonably likely to materially affect our internal controls over financial reporting.

Current Share Information

As at November 8, 2018, an aggregate of 53,563,693 common shares, of which 14,200,000 are common shares and 39,363,693 are Class B common shares, and no preferred shares are issued and outstanding. There is a total of 2,272,851 outstanding share options at the end of the quarter.

As a result of the closing of the IPO, on the date that is six months following closing, all of the issued and outstanding Class B common shares will be automatically converted into common shares, on a one for one basis, and will be listed for trading.

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 Income from continuing operations:

Adjusted EBITDA consists of income from continuing operations before income taxes, net finance costs, share of profit of equity-accounted investees, refinancing transaction costs, business reorganization and integration costs, initial public offering and related costs, depreciation and amortization, and other income/(expenses). Adjusted EBIT is Adjusted EBITDA less depreciation and amortization.

(\$'000)	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Income from continuing operations	4,760	7,224	3,605	17,222
Income taxes	517	3,137	(6,165)	6,260
Refinancing transaction costs	897	—	5,658	—
Finance costs (net)	2,586	4,755	12,476	10,681
Other expenses/(income) (net)	205	(910)	170	(1,678)
Share of profit of equity-accounted investees	(1,147)	(1,448)	(1,953)	(2,010)
Operating profit	7,818	12,758	13,791	30,475
Business reorganization and integration costs	2,462	2,914	5,834	7,258
Initial public offering and related costs	—	—	9,923	—
Adjusted EBIT	10,280	15,672	29,548	37,733
Depreciation and amortization	10,241	9,862	30,825	23,191
Adjusted EBITDA	20,521	25,534	60,373	60,924

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

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

Adjusted Net Income consists of income from continuing operations before share of profit of equity-accounted investees, refinancing transaction costs, business reorganization and integration costs, initial public offering and related costs, amortization of acquisition-related intangibles, other income/(expenses), income tax related to the above noted items and the effects of change in tax rates. 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.

(\$'000, unless otherwise stated)	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Income from continuing operations	4,760	7,224	3,605	17,222
Refinancing transaction costs	897	—	5,658	—
Business reorganization and integration costs	2,462	2,914	5,834	7,258
Initial public offering and related costs	—	—	9,923	—
Amortization of acquisition related intangibles	1,645	1,772	4,978	3,404
Other expenses/(income) (net)	205	(910)	170	(1,678)
Share of profit of equity-accounted investees	(1,147)	(1,448)	(1,953)	(2,010)
Taxes related to the above noted items	1,715	(846)	(3,871)	(2,115)
Adjusted Net Income	10,537	8,706	24,344	22,081
Weighted-average number of common shares	53,190	31,680	43,332	31,455
Adjusted basic earnings per share (in \$)	0.20	0.27	0.56	0.70
Equity instruments with a dilutive effect – share options	1,430	1,244	1,488	1,192
Weighted-average number of common shares (diluted)	54,620	32,924	44,820	32,647
Adjusted diluted earnings per share (in \$)	0.19	0.26	0.54	0.68

Pro Forma Basic and Diluted Earnings per Share

Pro Forma Earnings per Share reflects historical earnings per share recast using the number of common shares outstanding for the relevant period end dates, after giving effect to the share reorganization transaction on February 28, 2018 where the minority shareholders' equity interests in IPL Inc. were exchanged for 47,238,242 shares in IPL plc. It also gives effect to the Scheme of Arrangement pursuant to which the holders of ordinary shares exchanged their shares for Class B common shares on the basis of five shares of IPL plc for one Class B common share in IPL Plastics Inc. Finally, the Pro Forma Earnings per Share gives effect to the number of common shares issued on closing of the initial public offering and the number of shares redeemed in respect of the Buy-Back Option.

(\$'000, unless otherwise stated)	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Income from continuing operations	4,760	7,224	3,605	17,222
Weighted-average number of common shares	53,190	31,680	43,332	31,455
Pro-forma adjustment for shares issued on share reorganization	—	9,448	2,015	9,448
Pro-forma adjustment for shares issued on initial public offering	286	14,200	9,399	14,200
Pro-forma adjustment for shares redeemed in respect of the Buy-Back Option	—	(2,086)	(1,346)	(2,086)
	53,476	53,242	53,400	53,017
Pro Forma Basic earnings per share (in \$)	0.09	0.14	0.07	0.32
Equity instruments with a dilutive effect – share options ⁽¹⁾	1,430	1,244	1,488	1,192
Weighted-average number of common shares (diluted)	54,906	54,486	54,888	54,209
Pro Forma Diluted earnings per share (in \$)	0.09	0.13	0.07	0.32

(1) After giving effect to the Scheme of Arrangement pursuant to which the holders of ordinary shares exchanged their shares for Class B common shares on the basis of five shares of IPL plc for one Class B common share in IPL Plastics Inc.

Pro Forma Adjusted Basic and Adjusted Diluted Earnings per Share

The Pro Forma Adjusted Earnings per Share is defined as the Adjusted Net Income divided by the same pro forma number of common shares outstanding. In the case of the Pro Forma Diluted Earnings per Share and the Pro Forma Adjusted Diluted Earnings per Share, the number of outstanding common shares is adjusted for the effects of options with a dilutive impact.

(\$'000, unless otherwise stated)	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Adjusted Net Income	10,537	8,706	24,344	22,081
Weighted-average number of common shares	53,190	31,680	43,332	31,455
Pro-forma adjustment for shares issued on share reorganization	—	9,448	2,015	9,448
Pro-forma adjustment for shares issued on initial public offering	286	14,200	9,399	14,200
Pro-forma adjustment for shares redeemed in respect of the Buy-Back Option	—	(2,086)	(1,346)	(2,086)
	53,476	53,242	53,400	53,017
Pro Forma Adjusted basic earnings per share (in \$)	0.20	0.16	0.46	0.42
Equity instruments with a dilutive effect – share options ⁽¹⁾	1,430	1,244	1,488	1,192
Weighted-average number of common shares (diluted)	54,906	54,486	54,888	54,209
Pro Forma Adjusted diluted earnings per share (in \$)	0.19	0.16	0.44	0.41

(1) After giving effect to the Scheme of Arrangement pursuant to which the holders of ordinary shares of IPL plc exchanged their shares for Class B common shares on the basis of five ordinary shares of IPL plc for one Class B common share.

Reconciliation of Pro Forma Total Shareholders' Equity:

The table below details the Pro Forma Total Shareholders' Equity position of the Company at the various period ends. Pro Forma Total Shareholders' Equity is defined as the Total Shareholders' Equity giving effect to the settlement of the Put Liability.

(\$'000)	As at September 30	As at December 31
	2018	2017
Total shareholders' equity	348,531	99,683
Put Liability arising on Equity investments by Non-Controlling Interests	—	143,622
Pro Forma Total Shareholders' Equity	348,531	243,305

Reconciliation of Net Debt:

The table below sets out the Net Debt position of the Company at the various period ends. Net Debt is defined as loans and borrowings and convertible loan notes less cash and cash equivalents, and excludes the Put Liability arising on equity investment by non-controlling interests in IPL Inc.

(\$'000)	As at September 30	As at December 31
	2018	2017
Bank loans	274,020	286,118
Subordinated term borrowings	—	35,280
Finance lease liabilities	329	353
Convertible loan notes	1,434	2,199
Cash and cash equivalents	(56,046)	(47,609)
Net Debt	219,737	276,341

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 excluding discontinued operations, less finance costs and

maintenance capital expenditure amounts paid, adding back business reorganization and integration costs paid, excluding investing and financing related cost, the payment of initial public offering and relates costs and other income/(expenses) amounts (received)/paid.

(\$'000)	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Net cash flows from/ (used in) operating activities	16,621	23,264	(3,165)	15,598
Initial public offering and related costs paid	6,070	—	7,360	—
Business reorganization and integration costs paid (excluding investing and financing related costs)	2,324	3,740	4,130	4,413
Other (income)/ expenses (net)	—	6	(55)	169
Adjusted net cash flow from/ (used in) operating activities	25,015	27,010	8,270	20,180
Maintenance capital expenditure ⁽¹⁾	(2,120)	(2,136)	(7,011)	(4,079)
Finance costs paid	(4,463)	(5,105)	(10,221)	(10,345)
Adjusted Free Cash Flow	18,432	19,769	(8,962)	5,756

(1) Maintenance capital expenditure is the minimum capital expenditure that a business must spend to maintain current output and continue to exist in its current state.

Additional Information

Additional information relating to our Company, including our most recent quarterly report and the annual and quarterly reports filed with the Prospectus, is available on SEDAR at www.sedar.com.

