Q2 2019 – IPL Plastics Inc.

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

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

For the three and six-months ended June 30, 2019

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 August 13, 2019. It should be read in conjunction with our unaudited condensed consolidated interim financial statements and accompanying notes as at and for the three and six-months ended June 30, 2019 and our audited consolidated financial statements and accompanying notes as at and for the year ended December 31, 2018.

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

Corporate Overview

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

IPLP is a leading sustainable packaging solutions provider. We manufacture specialty packaging products used primarily in the food, consumer, agricultural, logistics and environmental end-markets, from our network of 15 manufacturing facilities. Our engineering expertise, particularly in injection molding, allows us to deliver innovative solutions to our highly diversified customer base, which is a mix of blue-chip customers, leading regional and local businesses and large municipalities, most of which have a long-standing relationship with us. We offer products ranging from tamper-evident food containers, pails, bowls, tubs and lids to wheeled containers and material handling containers.

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

On March 28, 2019, we completed the acquisition of 100% of the share capital of Loomans Group N.V. ("**Loomans**"). The total consideration for the acquisition was $54.5 million (EUR €48.5 million) of cash transferred to former owners and $40.0 million (EUR €35.6 million) of borrowings and related party debt repaid on acquisition. This was financed from cash on hand and existing credit facilities. Loomans has its operations and headquarters in Belgium and is being integrated into our Consumer Packaging Solutions ("**CPS**") business. Loomans is a well invested, single site plastic business, operating for over fifty years. The acquisition of Loomans is consistent with IPL Plastics' acquisition strategy. It diversifies our geographic footprint, adding new capacity and capabilities to serve a broader customer base such as the cosmetic/personal care and beverage sectors in the consumer space. Loomans has a well-established, long standing customer base in continental Europe and provides IPL Plastics with a strong platform for future growth in this region enabling us to participate in new and existing customers' growth plans in continental Europe.

We continue to own a small metals recycling business based in the U.K. The revenue from this business amounts to 2.9% of our consolidated revenues for Q2 2019. This business and our central corporate overhead expenses are included within the "Other" operating segment as analyzed in **"Summary Results of Operations"** section below.

Basis of Presentation

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

The unaudited condensed consolidated interim financial statements and accompanying notes for the three and six-months ended June 30, 2019 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, 2019 have been applied in the preparation of these unaudited condensed consolidated interim financial statements and the impact of these IFRS on the financial information is discussed in further detail in the **"Accounting Standards Implemented for Fiscal 2019"** section of this MD&A. All amounts in this MD&A are expressed in U.S. dollars, unless otherwise indicated. All references to "$" and "US$" are to U.S. dollars and all references to "C$", "£" and "€", are to Canadian dollars, Pounds Sterling and euros, respectively. All amounts have been converted to U.S. dollars at the appropriate average or spot rate for the relevant period. Where no period rate is applicable, the spot rate as at June 30, 2019 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 and Diluted Earnings per Share, Pro Forma Adjusted Basic and Adjusted Diluted Earnings per Share, 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 Fiscal 2019, expectations regarding securing labor and labor cost inflation and our expected cash outflows for Fiscal 2019, the impact of the RPS division's order backlog on the Company's Adjusted EBITDA margin for Fiscal 2019, expectations of the Company with respect to the deferred automotive purchase orders and the impact on the Company's results, the Company's expectations with respect to foreign currency volatility and its impact on revenue and Adjusted EBITDA. These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "projects", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions.

In addition, our assessments of, and outlook for Fiscal 2019 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. Furthermore, actual results or performance in the future may vary from our assumptions referred to in "Outlook" below.

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

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

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

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

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

Summary of Factors Affecting our Performance

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 preferences and trends such as increased focus on sustainability and the substitution from non-plastic packaging products to rigid plastic packaging.

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

Sustainability is a key consideration in developing our future business strategy and in Q4 2018, we published our Sustainability Strategy to 2022. At the heart of our Sustainability Strategy are three key focus areas of Innovation and the Circular Economy, Environmental Stewardship and People, Safety and Community Activities. The requirements of our customers and Governments' new regulations, particularly in Europe, is increasingly shifting the importance of sustainability as a key determinant of the long-term success of our business. Conversations with our customers and resin suppliers increasingly involve discussions around use of recycled plastics, design for future circularity and enhanced recyclability through new and innovative product designs.

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

As a result of our customer-focused product innovation model, we believe that we are well-positioned to respond to the current trends in the industry, 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 YTD 2019, approximately 47.7% (YTD 2018: 50.8%) of our cost of sales was attributable to plastic resin. Polypropylene and polyethylene account for more than 90% of our plastic resin purchases based on pounds purchased. Plastic resins are subject to price fluctuations, including those arising from supply shortages and changes in the prices of natural gas, crude oil and other petrochemical intermediates from which resins are produced 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.

In the period from July 2017 to October 2018, resin prices in North America 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 in Fiscal 2018. 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 also responded to the increased resin costs described above, 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 Fiscal 2018 with some further minor increases implemented in Fiscal 2019.

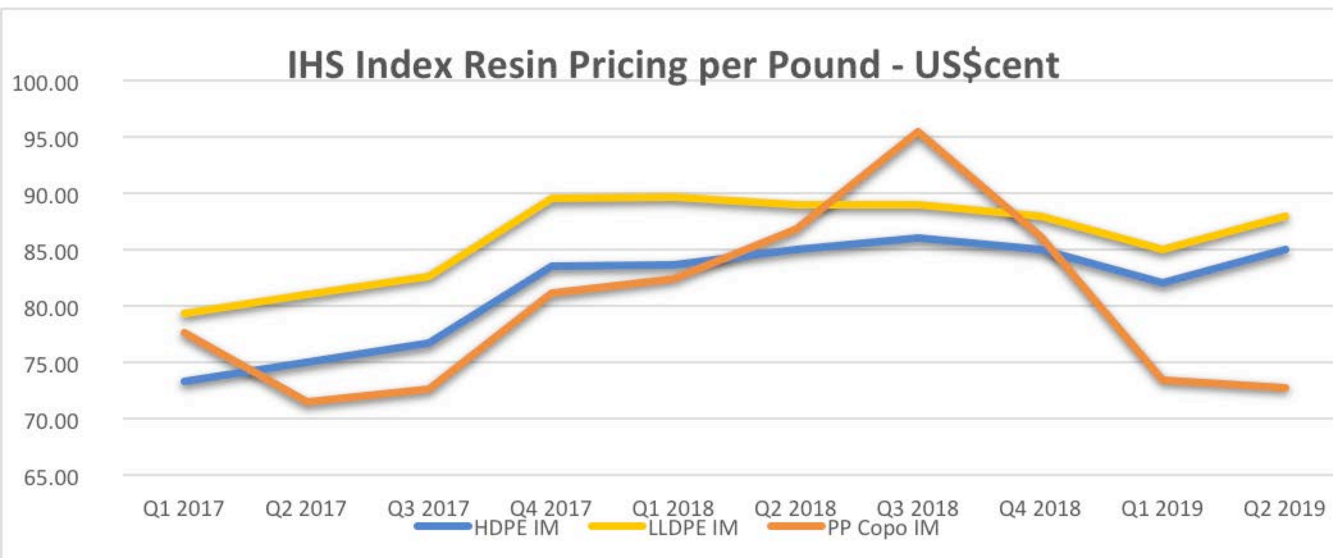
Between Q4 2018 and Q2 2019, the average price of polypropylene resin decreased by approximately 15.5%. Due to the inventory holding levels, cyclicality of demand in our business and the nature of the production process, the impact of the price reductions has positively impacted our Q2 2019 statements of income and we expect will continue to do so in Q3 2019, particularly in the RPS division where we have built up inventory to service the demand in the agricultural market in Q3 2019. Where the Company has contractual passthrough arrangements in place, it is also 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.

During Q1 2019, our RPS business implemented a new resin strategy to hedge a significant portion of the Q2 2019, Q3 2019, and Q4 2019 agricultural related resin purchases. 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 price of resin. A significant portion of the agriculture bin orders are taken in advance of production for planning purposes and to meet demand of market seasonality. This backlog of orders can result in a positive or negative impact on the gross profit margin and Adjusted EBITDA margin depending on price fluctuations in resin during the period from when the order is placed to the time of production. If resin input costs increase, sales prices are typically adjusted where possible to cover some of the increased resin cost. However, these price increases typically take time to be realized as the backlog typically sells through first. As such, this resin procurement strategy partially mitigates against the risk related to resin price movements in Q2 2019 and through to the end of Fiscal 2019.

The resin market is a global market and, based on our experience, we believe that adequate quantities of plastic resins will be available at market prices, but we can give no assurances as to such availability or the prices thereof. The price of resin that is available in North America and Europe can differ, due to a number of factors, including 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. During Q4 2018, we completed a successful resin tender procurement process, securing additional savings for Fiscal 2019 when compared with Fiscal 2018. The Company aims to maintain a number of suppliers of key materials and equipment so as not to become overly dependent on any one supplier. We believe that we have maintained strong relationships with our key suppliers and expect that such relationships will continue into the foreseeable future.

The average North American resin industry prices per pound, as published by the IHS Markit Service ("**IHS**") which is the index primarily used by our divisions in North America, were as follows for the three and six-month periods ended June 30, 2019 and 2018 respectively:

	Three months ended June 30			*Six months ended June 30*		
($'cent)	**2019**	2018	% Change	**2019**	2018	% Change
Polyethylene (HDPE IM)	**85.00**	85.00	0.0%	**83.50**	84.33	(1.0%)
Polyethylene (LLDPE IM)	**88.00**	89.00	(1.1%)	**86.50**	89.33	(3.2%)
Polypropylene (PP Copo IM)	**72.83**	86.83	(16.1%)	**73.17**	84.67	(13.6%)



The average price of polypropylene resin per the IHS index has reduced further in YTD 2019 following the initial reductions in Q4 2018 as can be seen in the chart above. Polyethylene resin prices have remained broadly flat with the price at the end of Fiscal 2018 but remains relatively high when compared with prices prior to Q4 2017 when resin prices began to increase significantly.

In our European business, the average price of polypropylene resin per the index decreased by 1.7% in Q2 2019 compared with Q2 2018, while polyethylene prices decreased by 3.5% in the same period.

Direct and Indirect Labor

Direct and indirect labor costs amounted to approximately 18.0% of cost of sales (YTD 2018: 15.7%) and 69.3% (YTD 2018: 68.0%) of the total labor costs in YTD 2019 and includes those employees involved in the direct manufacturing and engineering of products, machine operations, repairs and maintenance of machinery and molds, and other supply chain activities such as quality control. The Company operates in several markets and regions, particularly North America, which are close to full employment leading to increased cost and reduced availability of labor. Contractual arrangements in certain jurisdictions have also resulted in increased cost 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. We also continue to invest in automation through our capital expenditure program to alleviate the risk of lack of available workers. See "**Risk Factors**".

Freight and Logistics

Freight and logistics costs also represent a significant portion of our cost of sales, amounting to approximately 7.3% in YTD 2019 (YTD 2018: 7.5%) 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 increased during the first half of Fiscal 2018, following the initial price hikes seen in the second half of Fiscal 2017. The increases were driven by increased fuel pricing and the reduced capacity in the freight market, because of changes in truck driver regulations in North America and challenges related to availability of labor in North America due to the levels of employment. These factors added pressure to the Company's operating margins for Fiscal 2019 and Fiscal 2018. During Fiscal 2018, we implemented measures in response to the increases in freight costs which included, (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 the second half of Fiscal 2018, freight costs stabilized across the Company in absolute U.S. dollar terms when compared with the first half of the year. This has continued into Fiscal 2019, where in absolute U.S. dollar terms, freight costs reduced by $1.5 million in Q2 2019 when compared with Q2 2018 and $2.4 million in YTD 2019 when compared with YTD 2018.

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 addition, we have in the past, and will in the future, incur certain costs to achieve efficiency improvements and growth in our business. 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 the Company's strategic plan, we commenced enhanced measures in Q4 2018 to improve the Company's business margins and core profitability levels during Fiscal 2019. This broad-based strategic initiative 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. As these efficiency improvements and growth initiatives are undertaken, our business strategy may change from time to time in light of our ability to implement our new business initiatives arising from these measures.

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 have and will continue to enable the Company to accelerate its geographic expansion and customer reach to meet significant and growing market demand for its products. The cash outflow with respect to capital purchases of property, plant and equipment in Fiscal 2018 and Fiscal 2017 amounted to approximately $103.4 million in total, with $88.4 million related to strategic and development capital expenditure and $15.0 million of maintenance capital expenditure in the two-year period.

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 Fiscal 2018, $6.5 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 $4.9 million incurred at our Forsyth, Georgia, facility and $1.6 million at our Edmundston, New Brunswick, facility. In YTD 2019, no significant disruption costs were deemed to have arisen in relation to the start-up and integration of the major capital expansion projects at our facilities and as such business reorganization and integration costs for YTD 2019 does not include any disruption costs.

Cash outflow with respect to capital purchases of property, plant and equipment in YTD 2019 amounted to $29.0 million (YTD 2018: $34.5 million) with $22.9 million related to strategic and development capital expenditure and $6.1 million of maintenance capital expenditure. During YTD 2019, our CPS division secured the largest contract in its history with a leading multinational retail corporation in the U.S. that will continue to drive organic growth from Fiscal 2020 onwards. This strategic customer contract requires additional capital investment of $6.5 million during Fiscal 2019 and $2.5 million in Fiscal 2020.

Foreign Exchange

The U.S., the U.K. and Canada are our three largest geographical markets in terms of revenue. Approximately 52% of our YTD 2019 (48% of revenue in 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. As a result of the acquisition of Loomans, there has been an increase in revenue to destinations outside of the U.S. and we expect this to continue throughout the remainder of Fiscal 2019. Both our U.S. and Canadian based operations supply products into the U.S. market.

As our unaudited condensed consolidated interim financial statements are presented in U.S. dollars, we have foreign exchange exposure primarily with respect to our Canadian, Belgian and U.K. operations. The U.S. dollar strengthened against the Canadian dollar, Pound Sterling and euro in Q2 2019 compared to Q2 2018 by approximately 3.7%, 6.0% and 6.1% respectively which has negatively impacted our revenue during Q2 2019 when compared with the prior year. Similarly, the U.S. dollar strengthened against the Canadian dollar, Pound Sterling and euro in YTD 2019 compared to YTD 2018 by approximately 4.5%, 6.4% and 7.2% respectively which has negatively impacted our revenue during YTD 2019 when compared with the prior year.

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 rates where the products sold in Canadian dollars contain materials and inputs purchased in U.S. dollars and where products are sold in U.S. dollars 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 late summer and fall, which coincides with key produce growing seasons. The order backlog and sales mix in the RPS business can also be impacted by weather conditions generally and the introduction of new bin products to the market.

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 contracts.

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 LF&E, CPS and RPS operating segments.

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, volume rebates and sales taxes. Revenue is recognized when control of the products has been transferred to the buyer. This is normally deemed to occur upon shipment or delivery of goods. Revenue from the sale of goods makes up approximately 99% of our Q2 2019 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 77.6%, 82.6%, 79.4% and 83.0% of revenue in Q2 2019, Q2 2018, YTD 2019 and YTD 2018 respectively. The reasons for the reduction in cost of sales as a percentage of revenue in the Fiscal 2019 periods compared to Fiscal 2018 periods is detailed in the **"Summary Results of Operations"** section below.

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

Operating Expenses

Our operating expenses represented 12.7%, 10.4%, 13.3% and 11.1% of revenue in Q2 2019, Q2 2018, YTD 2019 and YTD 2018 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 and Diluted Earnings per Share, Pro Forma Adjusted Basic and Adjusted Diluted Earnings per Share, 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 six-month periods ended June 30, 2019 and 2018 has been derived from our unaudited condensed consolidated interim financial statements and related notes.

	Three months ended June 30		*Six months ended June 30*	
($'000, unless otherwise stated)	**2019**(4)	2018	**2019**(4)	2018
Statement of Income Data:				
Revenue	**168,629**	178,292	**310,410**	326,613
Cost of sales	**(130,809)**	(147,309)	**(246,407)**	(271,071)
Gross profit	**37,820**	30,983	**64,003**	55,542
Gross profit margin	***22.4%***	*17.4%*	***20.6%***	*17.0%*
Operating expenses (net)	**(21,457)**	(18,539)	**(41,194)**	(36,274)
Initial public offering and related costs	**-**	(8,442)	**-**	(9,923)
Business reorganization, acquisition and integration costs	**(667)**	(1,942)	**(3,234)**	(3,372)
Operating profit	**15,696**	2,060	**19,575**	5,973
Other income/(expense) (net)	**314**	(96)	**334**	35
Share of profit of equity-accounted investees	**-**	806	**-**	806
Finance costs (net)	**(4,465)**	(5,719)	**(8,392)**	(9,890)
Refinancing transaction costs	**-**	(4,761)	**-**	(4,761)
Income/(loss) before income taxes	**11,545**	(7,710)	**11,517**	(7,837)
Income tax (expense)/credit	**(3,075)**	5,136	**(1,970)**	6,682
Net income/(loss)	**8,470**	(2,574)	**9,547**	(1,155)
Adjusted EBITDA(1)	**28,521**	22,798	**45,787**	39,852
Adjusted EBITDA Margin(1)	**16.9%**	12.8%	**14.8%**	12.2%
Adjusted EBIT(1)	**16,363**	12,444	**22,809**	19,268
Adjusted Net Income(1)	**10,291**	8,685	**14,719**	13,807
Earnings per Share (in $):				
Basic	**0.16**	(0.06)	**0.18**	(0.03)
Diluted	**0.16**	(0.06)	**0.18**	(0.03)
Adjusted Basic(1)	**0.19**	0.21	**0.27**	0.36
Adjusted Diluted(1)	**0.19**	0.20	**0.27**	0.35
Pro Forma Earnings per Share (in $)(1):				
Basic	**0.16**	(0.05)	**0.18**	(0.02)
Diluted	**0.16**	(0.05)	**0.18**	(0.02)
Adjusted Basic	**0.19**	0.16	**0.27**	0.26
Adjusted Diluted	**0.19**	0.16	**0.27**	0.26
Cash Flow Data:				
Net cash flows used in operating activities	**14,518**	73	**9,380**	(19,786)
Net cash flows used in investing activities	**(15,700)**	(11,711)	**(73,198)**	(33,058)
Net cash flows from financing activities	**6,266**	141,419	**66,055**	174,243
Adjusted Free Cash Flow(1)	**9,398**	(3,653)	**2,104**	(27,382)
Balance Sheet Data (at period end)(2) (4):	**Q2 2019**	Fiscal 2018		
Cash and cash equivalents	**46,707**	49,857		
Property, plant and equipment and right-of-use asset	**331,690**	264,205		
Total assets	**902,998**	751,269		
Total loans and borrowings and lease liabilities	**388,230**	258,975		
Total liabilities	**539,531**	404,387		
Total shareholders' equity	**363,467**	347,242		
Net Debt(1) (3)	**342,934**	210,538		

(1) To supplement our financial information presented in accordance with IFRS, we use additional non-IFRS financial measures. 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 June 30, 2019 and December 31, 2018.

(3) The Net Debt definition has been revised in Q2 2019 to include lease liabilities recognized on adoption of IFRS 16 *Leases*. These lease liabilities are not included in the reported Net Debt at March 31, 2019 or Fiscal 2018 as above and amounts to an additional debt of $21.4 million as at June 30, 2019.

(4) Includes the results of Loomans from the date of acquisition on March 28, 2019.

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

The significant events and transactions impacting the results of the Company in Q2 2019 and YTD 2019 as compared to Q2 2018 and YTD 2018 respectively, include the following:

- Revenue decreased 5.4% to $168.6 million in Q2 2019 due to negative foreign exchange translation impact in our LF&E and CPS divisions from the strengthening U.S. dollar, the timing of passthrough of resin price movements, temporary trading delays experienced in our RPS division, reduced demand from CPS' largest European customer as they manage inventory holding levels, and a reduction in environmental container rollouts offset by the contribution from the acquisition of Loomans, volume growth in our CPS business in North America and the impact of price increases;

- Gross profit, gross profit margin, Adjusted EBITDA, Adjusted EBITDA margins and Adjusted EBIT all increased in Q2 2019 when compared with Q2 2018. The increases were driven primarily by decreases in resin input costs, other operational improvements and the effect of the acquisition of Loomans offset by the impact of revenue reductions and increases in the cost of labor;

- Net income in Q2 2019 was $8.5 million, an increase of $11.1 million from a loss of $2.6 million in Q2 2018 driven primarily by an improved Adjusted EBIT performance, a decrease in finance costs and a reduction in one-off costs in Q2 2018 primarily related to the initial public offering and related costs and refinancing transaction costs, partially offset by an increase in the income tax charge for the period.

- In January 2019, we completed the disposal of our 25% investment in Rilta Environmental Limited ("**Rilta**") and the early settlement of the associated unsecured vendor loan note for total proceeds of €8.25 million ($9.5 million). The results for YTD 2019 include an overall gain of $0.9 million in respect of this transaction included in business reorganization, acquisition and integration costs;

- Cash outflow with respect to capital purchases of property, plant and equipment amounted to $14.5 million in Q2 2019 (Q2 2018: $12.3 million), with $11.8 million related to strategic and development capital expenditure and $2.7 million of maintenance capital expenditure;

- Net cash inflow from operating activities improved by $14.4 million to $14.5 million in Q2 2019 from $0.1 million in Q2 2018. Adjusted Free Cash Flow improved by $13.1 million from an outflow of $3.7 million in Q2 2018 to an inflow of $9.4 million in Q2 2019. The improved cash flows were primarily driven by the improved Adjusted EBITDA performance and reduced build up in working capital;

- Net Debt has increased from $210.5 million at December 31, 2018 to $342.9 million at June 30, 2019 due to the drawdown of a portion of the Company's available credit facilities available to complete the acquisition of Loomans and the recognition of lease liabilities on adoption of IFRS 16 *Leases*. The Company's financial leverage ratio, which is defined as the ratio of Net Debt to the last twelve months Adjusted EBITDA including the pre-acquisition period of Loomans, as at June 30, 2019 was 3.64. On a like for like basis, excluding the impact of the adoption of IFRS 16 *Leases*, our financial leverage ratio has increased from 2.70 at December 31, 2018 to 3.57 at June 30, 2019, primarily driven by the acquisition of Loomans;

- The Company acquired 100% of the share capital of Loomans on March 28, 2019. The CPS operating segment contains the results of Loomans and for YTD 2019 includes the trading activity from the date of acquisition. The results for YTD 2019 include revenue and Adjusted EBITDA contribution from Loomans of approximately $13.6 million and $2.8 million respectively. Business reorganization, acquisition and integration costs for YTD 2019 include acquisition related costs of $1.6 million for the Loomans transaction. The Company's statement of financial position at June 30, 2019 has consolidated net assets of Loomans in the amount of $31.3 million and additional goodwill of $43.0 million in respect of the transaction has also been recorded. This is outlined in further detail in the "**Consolidated Financial Position**" section below;

- 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). On March 13, 2019, we obtained an increase to the Revolving Credit Facility in the amount of €90.0 million ($101.7 million) to fund the acquisition of Loomans, see **"Liquidity and Capital Resources"**;

- The Company closed its Initial Public Offering (“**IPO**”) which consisted of a total offering of 14,200,000 shares for total gross proceeds of C$191.7 million on June 28, 2018. The significant transactions below followed the closing of the IPO in Fiscal 2018; and

    - 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.

    - During Q3 2018, the Company used $104.7 million of the proceeds from the IPO to repay a portion of the U.S. dollar Revolving Credit Facility and subsequently the Company drew down C$45.5 million on its Canadian dollar Revolving Credit Facility to repay in full its obligation under its unsecured subordinated debentures.

    - On December 28, 2018, the 39,363,693 issued and outstanding Class B common shares were automatically converted into common shares, on a one-for-one basis, and were listed for trading on the Toronto Stock Exchange (“**TSX**”).

- In Q4 2018, the Company commenced enhanced measures to improve its business margins and core profitability levels during 2019 and beyond. This broad-based strategic initiative is well underway with satisfactory progress made in YTD 2019. Specific actions with respect to operational improvements and efficiencies have started to contribute to margin enhancement and sustainable profit growth primarily in our LF&E division in North America. These initiatives include an ongoing process to focus our business on core product lines and eliminate those lower margin and lower volume customers and products.

Summary Results of Operations

The historical financial information for the three and six-month periods ended June 30, 2019 and June 30, 2018 summarized below is derived from the unaudited condensed consolidated interim financial statements and accompanying notes for the period ended June 30, 2019, which were prepared in accordance with IFRS. Our historical results are not necessarily indicative of results to be expected in any future period.

Results of Operations for Q2 2019 compared to Q2 2018

Revenue

	Three months ended June 30			
($'000)	**2019**	2018	**Variance**	**% Variance**
Revenue	**168,629**	178,292	(9,663)	(5.4%)
Large Format Packaging and Environmental Solutions	**77,570**	86,704	(9,134)	(10.5%)
North America	**52,521**	56,619	(4,098)	(7.2%)
Europe	**25,049**	30,085	(5,036)	(16.7%)
Consumer Packaging Solutions	**59,618**	49,379	10,239	20.7%
North America	**38,299**	37,510	789	2.1%
Europe	**21,319**	11,869	9,450	79.6%
Returnable Packaging Solutions	**26,471**	34,707	(8,236)	(23.7%)
Other	**4,970**	7,502	(2,532)	(33.8%)

Revenue was $168.6 million in Q2 2019 compared to $178.3 million in Q2 2018, a decrease of $9.7 million or 5.4%, with the decrease due primarily to a negative foreign exchange translation impact from the strengthening U.S. dollar of approximately $5.4 million, the timing of passthrough of resin price movements, the temporary delays experienced in our RPS division, reduced demand from CPS' largest European customer as they manage inventory holding levels, and a reduction in new environmental container rollouts in the LF&E division in Q2 2019 compared with Q2 2018. These decreases were offset by the contribution of $13.2 million in Q2 2019 from the acquisition of Loomans, continued organic volume growth primarily in our CPS business in North America and price increases.

Revenue in the LF&E segment was $77.6 million in Q2 2019 ($52.5 million in North America and $25.1 million in Europe), a decrease of $9.1 million or 10.5% on Q2 2018. The revenue decline of $4.1 million for LF&E in the North American market was primarily attributable to reductions in sales in the environmental and material handling categories and negative foreign exchange translation impacts offset by the positive impact of a general selling price increase implemented in the second half of Fiscal 2018 and a change in the product mix. Bulk packaging in North America continued its solid performance in Q2 2019. The European business contributed revenue of $25.1 million for Q2 2019, which was $5.0 million below Q2 2018 revenue of $30.1 million. The decrease in revenue in the European LF&E business in Q2 2019 was primarily driven by the unfavorable impact of foreign exchange rate movements in Q2 2019 compared with Q2 2018 and to a lesser extent by a reduction in new environmental container rollouts in the quarter when compared with a particularly high quarter for environmental container tenders in Q2 2018. This was offset by continued growth in bulk packaging.

Revenue in the CPS segment was $59.6 million in Q2 2019 ($38.3 million in North America and $21.3 million in Europe), which is $10.2 million or 20.7% ahead of Q2 2018 revenue of $49.4 million. CPS revenue growth in the European and North American markets was $9.4 million and $0.8 million respectively in Q2 2019 when compared with Q2 2018. The increase in Europe is primarily driven by the contribution of $13.2 million from the acquisition of Loomans. Sales volumes for Loomans for Q2 2019 are broadly in line with those delivered in the pre-acquisition comparative period of Q2 2018 which was positively impacted by the completion of certain tooling projects. The core consumer packaging business delivered volume growth in Q2 2019 when compared with Q2 2018. The increase in the CPS business in Europe due to the Loomans acquisition and increased sales volumes in our food packaging products was offset by a temporary reduction in demand from our largest European customer as they continue to manage their inventory holding levels. The growth in the North American market is primarily attributable to volume growth in existing business and general price increases offset by the impact of reduced revenue due to the passthrough of lower resin pricing. There was an unfavorable impact in both Europe and North America due to foreign exchange rate movements in Q2 2019 compared with Q2 2018.

Revenue in the RPS segment was $26.5 million in Q2 2019, a decrease of $8.2 million, from $34.7 million in Q2 2018. The decrease in the RPS business on Q2 2018 is primarily driven by delays experienced in securing agricultural bin sales due to amongst other factors, the severe adverse weather conditions in the U.S, buying patterns of the Washington apple market, and the continued delay in the roll out of the automotive bins to the primary automotive producer. The RPS division has actively engaged with other automotive producers with a view to diversifying its customer base and accelerating other revenue generating opportunities. The reduction in the automotive and agricultural product areas was offset by volume growth on the MacroTrac product. During Q2 2019, overall sales of agricultural bin units, which typically makes up approximately 65% of the overall RPS revenue, increased by 112% when compared with Q1 2019 and there is a relatively strong order backlog in place for Q3 2019 due to a later than usual citrus and apple crop harvest as a result of the adverse weather conditions.

Cost of Sales

	Three months ended June 30			
($'000)	**2019**	2018	**Variance**	**% Variance**
Cost of Sales	**(130,809)**	(147,309)	16,500	(11.2%)
Large Format Packaging and Environmental Solutions	**(61,844)**	(74,812)	12,968	(17.3%)
Consumer Packaging Solutions	**(46,352)**	(39,880)	(6,472)	16.2%
Returnable Packaging Solutions	**(18,905)**	(27,306)	8,401	(30.8%)
Other	**(3,708)**	(5,311)	1,603	(30.2%)
Cost of Sales (% of Revenue)	**(77.6%)**	(82.6%)	5.0%	(6.1%)
Large Format Packaging and Environmental Solutions	**(79.7%)**	(86.3%)	6.6%	(7.6%)
Consumer Packaging Solutions	**(77.7%)**	(80.8%)	3.1%	(3.8%)
Returnable Packaging Solutions	**(71.4%)**	(78.7%)	7.3%	(9.3%)
Other	**(74.6%)**	(70.8%)	(3.8%)	5.4%

Cost of sales was $130.8 million in Q2 2019 compared to $147.3 million in Q2 2018, a decrease of $16.5 million or 11.2%. As a percentage of revenue, cost of sales was 77.6% in Q2 2019 compared to 82.6% in Q2 2018. The primary reason for the decrease in cost of sales in Q2 2019 compared to Q2 2018 was the reduction in revenue as noted in the section above, the impact of the strengthening U.S. dollar and decreases in resin prices offset by the inclusion of cost of sales from the acquisition of Loomans and increases in labor costs. The reduction in cost of sales as a percentage of revenue was driven by these same factors together with a focus on operational improvements and efficiencies primarily in our LF&E business in North America. Foreign exchange movements in Q2 2019 compared to Q2 2018 resulted in lower cost of sales for our LF&E and CPS divisions as the U.S. dollar strengthened against the Canadian dollar, Pound Sterling and euro.

Cost of sales in our LF&E segment decreased by $13.0 million and as a percentage of revenue from 86.3% in Q2 2018 to 79.7% in Q2 2019. The decrease is primarily driven by the sales decrease in our North American business but also due to the reductions in resin prices and increased resin savings, freight costs and operational improvement measures. Freight costs as a percentage of revenue have decreased from 7.0% in Q2 2018 to 6.0% in Q2 2019. These factors have also contributed to a reduction in our cost of sales as a percentage of revenue and improvement in gross margin. In our European business, cost of sales has broadly decreased in line with the reduction in revenue in the period. The effect of price increases in the quarter has also resulted in a slight reduction in cost of sales as a percentage of revenue. There was a favorable impact in both Europe and North America due to foreign exchange rate movements in Q2 2019 compared with Q2 2018.

Cost of sales in our CPS segment increased by $6.5 million during Q2 2019 and cost of sales as a percentage of revenue decreased by 3.1%, from 80.8% in Q2 2018 to 77.7% in Q2 2019. The increase in cost of sales was primarily driven by $10.5 million of costs from the acquisition of Loomans in Q2 2019. In the rest of our European business, cost of sales for Q2 2019 decreased compared with Q2 2018, driven primarily by the reduction in revenue as detailed in the section above. In our North American business, decreases in the cost of resin in Q2 2019, improved freight management processes and further operational efficiencies related to the dairy business resulted in improved cost of sales as a percentage of revenue which offsets the impact of additional costs driven by organic volume growth. There was a favorable impact in both Europe and North America due to foreign exchange rate movements in Q2 2019 compared with Q2 2018.

Cost of sales in the RPS segment was $18.9 million or 71.4% of revenue in Q2 2019 compared with $27.3 million or 78.7% of revenue in Q2 2018, a decrease of $8.4 million. The decrease in cost of sales is primarily driven by the reduction in revenue in Q2 2019 and the impact of polypropylene resin price reductions since Q4 2018. The decrease as a percentage of revenue in Q2 2019 is also driven by the corrective actions taken in Q1 2019 to streamline our cost base due to the temporary trading issues experienced. The decreases in the price of polypropylene resin, which the RPS business uses in its products is expected to continue to positively impact resin costs for the remainder of Fiscal 2019 as the current raw material and finished goods balances are sold through to the customer.

Operating Expenses

($'000)	Three months ended June 30 2019	2018	Variance	% Variance
Operating expenses	**(21,457)**	(18,539)	(2,918)	15.7%
Large Format Packaging and Environmental Solutions	**(7,665)**	(7,787)	122	(1.6%)
Consumer Packaging Solutions	**(5,210)**	(3,982)	(1,228)	30.8%
Returnable Packaging Solutions	**(3,855)**	(4,374)	519	(11.9%)
Other	**(4,727)**	(2,396)	(2,331)	97.3%
Operating expenses as a % of Revenue	**(12.7%)**	(10.4%)	(2.3%)	22.1%
Large Format Packaging and Environmental Solutions	**(9.9%)**	(9.0%)	(0.9%)	10.0%
Consumer Packaging Solutions	**(8.7%)**	(8.1%)	(0.6%)	7.4%
Returnable Packaging Solutions	**(14.6%)**	(12.6%)	(2.0%)	15.9%
Other	**(95.1%)**	(31.9%)	(63.2%)	198.1%

Operating expenses were $21.5 million in Q2 2019 compared to $18.5 million in Q2 2018, an increase of circa $2.9 million or 15.7%, primarily driven by the acquisition of Loomans on March 28, 2019 and the investment in additional SG&A costs to support and develop the business following the completion of the IPO. As a percentage of revenue, operating expenses were 12.7% in Q2 2019 which is an increase of 2.3% from 10.4% on Q2 2018.

Operating expenses in our LF&E division decreased by $0.1 million to $7.7 million in Q2 2019 driven primarily by the impact of foreign exchange rate movements in Q2 2019 compared with Q2 2018. As a percentage of revenue, operating expenses increased from 9.0% in Q2 2018 to 9.9% in Q2 2019, driven primarily by the reduction in revenue during the period.

Operating expenses in the CPS division increased by $1.2 million in Q2 2019 driven primarily by additional operating expenses of $1.0 million from the acquisition of Loomans and the impact of a foreign exchange gain recognized in Q2 2018.

Operating expenses in the RPS segment decreased by $0.5 million in Q2 2019 to $3.9 million when compared with Q2 2018. This decrease is primarily driven by the restructuring and redundancy measures taken to streamline the RPS fixed overhead SG&A cost base in Q1 2019. For Q2 2019, operating expenses were 14.6% of revenue, compared with 12.6% of revenue in Q2 2018. There has been a significant reduction in operating expenses as a percentage of revenue from 22.2% in Q1 2019 to 14.6% in Q2 2019 as a result of the measures taken to address the cost base and the improved sales performance in Q2 2019.

The increase in operating expenses in our Other segment of $2.3 million is primarily driven by investment in additional SG&A costs to support and develop the business following the completion of the IPO and the impact of a foreign exchange gain in Q2 2018.

Transaction, Reorganization and Integration Costs

Transaction, reorganization and integration costs for Q2 2019 and Q2 2018 consists of business reorganization, acquisition and integration costs, initial public offering and related costs, and refinancing transaction costs.

($'000)	Three months ended June 30 2019	2018	Variance	% Variance
Acquisition related costs	**(181)**	(109)	(72)	66.1%
Business reorganization costs	**(486)**	(1,833)	1,347	(73.5%)
Business reorganization, acquisition and integration costs	**(667)**	(1,942)	1,275	(65.7%)
Initial public offering and related costs	**-**	(8,442)	8,442	(100%)
Refinancing transaction costs	**-**	(4,761)	4,761	(100%)
Transaction, reorganization and integration costs	**(667)**	(15,145)	14,478	(95.6%)

Transaction, reorganization and integration costs were $0.7 million in Q2 2019 compared to $15.1 million in Q2 2018, a decrease of $14.4 million. Q2 2019 business reorganization, acquisition and integration costs include $0.2 million of Loomans integration related acquisition costs and additional business reorganization costs of $0.5 million primarily related to the ongoing project to improve the Company's business margins and core profitability levels with specific focus on our LF&E division in North America.

As discussed in the "**Implementation of Business Strategy and Growth Strategies**" section of this MD&A, no significant disruption costs were deemed to have arisen in Q2 2019 in relation to the start-up and integration of the major capital expansion projects. In Q2 2018, $1.8 million of costs were incurred in relation to these projects at our North American facilities.

Q2 2018 includes $8.4 million of costs incurred in respect of the IPO and Scheme of Arrangement process. In addition, as part of the bank refinancing that was completed in April 2018, the unamortized finance costs in respect of the repaid indebtedness of the Company under the previously existing Irish bank facility agreement and under the previously existing Canadian credit agreement which amounted to $4.8 million were expensed to the consolidated statements of income in Q2 2018 and recognized within refinancing transaction costs.

Finance Costs (net)

	Three months ended June 30			
($'000)	**2019**	2018	**Variance**	**% Variance**
Finance costs (net)	**(4,465)**	(5,719)	1,254	(21.9%)

Net interest expense decreased by $1.2 million to $4.5 million in Q2 2019 (Q2 2018: $5.7 million) due primarily to the repayment in Q3 2018 of the unsecured subordinated debentures and from the effect of repaying a net amount of $70.0 million from the Group's bank borrowings in Q3 2018 and replacing it with the drawdown of less expensive euro denominated debt to fund the acquisition of Loomans in March 2019. The average interest rate paid by the Company in Q2 2019 was 4.46% (Q2 2018: 5.26%). The movement in the average interest rate paid was driven principally by the repayment of the unsecured subordinated debentures in Q3 2018 and the higher weighting of interest expense in Q2 2019 related to euro denominated borrowings as a result of the drawdown in respect of the acquisition of Loomans, as compared to the higher underlying interest rates payable in respect of U.S. and Canadian borrowings.

Income Taxes

	Three months ended June 30			
($'000)	**2019**	2018	**Variance**	**% Variance**
Income tax (expense)/credit	**(3,075)**	5,136	(8,211)	(159.9%)

The net income tax expense for Q2 2019 was $3.1 million compared with a credit of $5.1 million in Q2 2018, an increase of the net tax charge of $8.2 million on the prior year. The increased tax expense is primarily driven by an increase of $19.3 million in the income before tax to $11.5 million in Q2 2019 and as a result of the recognition of revisions to prior year estimates and the reassessment of the tax risk accruals due to closure of tax audits on Q2 2018.

Net Income

	Three months ended June 30			
($'000)	**2019**	2018	**Variance**	**% Variance**
Net Income	**8,470**	(2,574)	11,044	(429.1%)

Net income for Q2 2019 was $8.5 million compared to a net loss of $2.6 million in Q2 2018, an increase of $11.0 million. The increase was due primarily to improved Adjusted EBIT in Q2 2019, a decrease in finance costs and the reduction in one-off costs from Q2 2018 related to the initial public offering and related costs and refinancing transaction costs offset by an increase in the income tax charge for the quarter.

Adjusted EBITDA

($'000)	*Three months ended June 30* **2019**	2018	**Variance**	**% Variance**
Adjusted EBITDA[(1)]	**28,521**	22,798	5,723	25.1%
Large Format Packaging and Environmental Solutions	**12,809**	8,623	4,186	48.5%
Consumer Packaging Solutions	**12,308**	8,697	3,611	41.5%
Returnable Packaging Solutions	**6,453**	5,552	901	16.2%
Other	**(3,049)**	(74)	(2,975)	(4020.3%)
Adjusted EBITDA Margin[(1)] (% of Revenue)	**16.9%**	12.8%	4.1%	32.0%
Large Format Packaging and Environmental Solutions	**16.5%**	9.9%	6.6%	66.7%
Consumer Packaging Solutions	**20.6%**	17.6%	3.0%	17.0%
Returnable Packaging Solutions	**24.4%**	16.0%	8.4%	52.5%

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

Adjusted EBITDA was $28.5 million in Q2 2019 compared to $22.8 million in Q2 2018, an increase of $5.7 million or 25.1%. The increase in Adjusted EBITDA was achieved despite a reduction in revenue during Q2 2019 and was driven by the decreases in resin input costs and increased resin savings, other operational improvements, contribution from the acquisition of Loomans and the positive impact resulting from the adoption of IFRS 16 *Leases*. These improvements were offset by increases in the cost of labor, negative foreign exchange rate movements in Q2 2019 compared with Q2 2018 and additional operating expenses following completion of the IPO. As a result, Adjusted EBITDA margins have improved overall, from 12.8% in Q2 2018 to 16.9% in Q2 2019, with significant improvements across all divisions. The adoption of IFRS 16 *Leases* resulted in improvement in Adjusted EBITDA of $1.0 million which was offset by increases in depreciation of $0.8 million and finance costs of $0.2 million in Q2 2019.

Adjusted EBITDA for the LF&E business increased by $4.2 million in Q2 2019, primarily driven by the factors outlined in the revenue and cost of sales sections of this MD&A as Adjusted EBITDA margin improved to 16.5% in Q2 2019, from 9.9% in Q2 2018. The main factors contributing to the improvement in Q2 2019 were reductions in resin input costs, the impact of price increases implemented following underlying cost base increases in Fiscal 2018, reduced freight costs, other operational improvement measures in North America and the positive impact to Adjusted EBITDA of the adoption of the new accounting standard IFRS 16 *Leases*.

Adjusted EBITDA for the CPS business in Q2 2019 amounted to $12.3 million, an increase of $3.6 million on the $8.7 million achieved in Q2 2018. The acquisition of Loomans contributed $2.8 million in Q2 2019. Adjusted EBITDA for Loomans for Q2 2019 is marginally ahead of the Adjusted EBITDA delivered in the pre-acquisition comparative period of Q2 2018, which had a strong performance from the tooling business. The core consumer packaging business has delivered Adjusted EBITDA growth in Q2 2019 when compared with Q2 2018. The remaining increase in Adjusted EBITDA is primarily driven by continued organic growth in the North American market, the impact of price increases implemented following cost base increases, resin price reductions, the impact of the new accounting standard IFRS 16 *Leases* and operational efficiencies, somewhat offset by the temporary reduction in demand from our largest customer in Europe, increases in the cost of labor and the unfavorable impact in both Europe and North America due to foreign exchange rate movements in Q2 2019 compared with Q2 2018. Adjusted EBITDA margin has improved from 17.6% in Q2 2018 to 20.6% in Q2 2019 driven primarily due to these aforementioned factors.

Adjusted EBITDA in RPS amounted to $6.5 million for Q2 2019 compared with $5.6 million at Q2 2018, an increase of $0.9 million. Adjusted EBITDA margin was 24.4% for Q2 2019, an increase from 16.0% in Q2 2018. The improvement in Adjusted EBITDA and Adjusted EBITDA margin was achieved despite an overall reduction in sales volumes and is primarily driven by decreases in resin input costs, the impact of price increases implemented following cost base increases and the impact of the corrective action taken in Q1 2019 to restructure and streamline the division's cost base.

The Other segment includes Adjusted EBITDA contribution of $1.0 million in Q2 2019 (Q2 2018: $1.8 million) from the metals recycling business based in the U.K. offset by central overhead costs of $4.0 million (Q2 2018: $1.9 million). The increased central overhead costs is driven by investment in additional SG&A costs to support and develop the business following the completion of the IPO and the impact of a foreign exchange gain in Q2 2018.

Adjusted EBIT

($'000)	*Three months ended June 30* **2019**	2018	**Variance**	**% Variance**
Adjusted EBIT[(1)]	**16,363**	12,444	3,919	31.5%
Large Format Packaging and Environmental Solutions	**8,061**	4,105	3,956	96.4%
Consumer Packaging Solutions	**8,058**	5,517	2,541	46.1%
Returnable Packaging Solutions	**3,712**	3,027	685	22.6%
Other	**(3,468)**	(205)	(3,263)	1591.7%

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

Adjusted EBIT was $16.4 million in Q2 2019 compared to $12.4 million in Q2 2018, an increase of $3.9 million driven primarily by the same factors as those outlined in the Adjusted EBITDA commentary offset by an increase in depreciation and amortization costs of $1.8 million from $10.4 million in Q2 2018 to $12.2 million in Q2 2019 driven primarily by the impact of the adoption of the new accounting standard IFRS 16 *Leases* which was effective from January 1, 2019 and additional depreciation and amortisation from the acquisition of Loomans.

Results of Operations for YTD 2019 compared to YTD 2018

Revenue

($'000)	*Six months ended June 30* **2019**	2018	**Variance**	**% Variance**
Revenue	**310,410**	326,613	(16,203)	(5.0%)
Large Format Packaging and Environmental Solutions	**151,762**	162,296	(10,534)	(6.5%)
North America	**98,962**	108,025	(9,063)	(8.4%)
Europe	**52,800**	54,271	(1,471)	(2.7%)
Consumer Packaging Solutions	**104,902**	94,371	10,531	11.2%
North America	**73,125**	71,308	1,817	2.5%
Europe	**31,777**	23,063	8,714	37.8%
Returnable Packaging Solutions	**43,059**	56,516	(13,457)	(23.8%)
Other	**10,687**	13,430	(2,743)	(20.4%)

Revenue was $310.4 million in YTD 2019 compared to $326.6 million in YTD 2018, a decrease of $16.2 million or 5.0%. The decrease is due primarily to timing of passthrough of lower resin prices, negative foreign exchange translation impact from the strengthening U.S. dollar of approximately $9.9 million, the temporary delays experienced in our RPS division, reduced demand from CPS' largest European customer as they manage inventory holding levels and a reduction in new environmental container rollouts in the LF&E division in North America. These decreases were offset by the contribution of $13.6 million in YTD 2019 from the acquisition of Loomans, continued organic volume growth primarily in our LF&E business in Europe and the CPS business in North America, certain changes in the product mix, and price increases across all divisions.

Revenue in the LF&E segment was $151.8 million in YTD 2019 ($99.0 million in North America and $52.8 million in Europe), a decrease of $10.5 million or 6.5% on the comparative period in YTD 2018. The revenue decline of $9.1 million for LF&E in the North American market was primarily attributable to reductions in sales volumes in the environmental and material handling areas, and negative foreign exchange impact offset by the positive impact of a general selling price increase implemented in the second half of Fiscal 2018. Bulk packaging sales volumes in North America have stayed broadly in line with the prior year. The European business contributed revenue of $52.8 million in YTD 2019, compared with $54.3 million in YTD 2018, a decrease of $1.5 million driven by the negative foreign exchange translation impact from the strengthening U.S. dollar, partially offset by continued organic volume growth in bulk packaging and a steady performance in the industrial products category.

Revenue in the CPS segment was $104.9 million in YTD 2019 ($73.1 million in North America and $31.8 million in Europe), an increase of $10.5 million or 11.2%. The increase is primarily driven by the contribution of $13.6 million from the acquisition of Loomans to our CPS business in Europe. The increase in the CPS business in Europe was due to the contribution of Loomans and increased sales volumes in our food packaging products offset by a temporary reduction in demand from our largest European customer as they continue to manage their inventory holding levels. The growth in the North American market is primarily attributable to volume growth in existing business and general price increases offset by the impact of reduced revenue due to the timing of passthrough of lower resin prices. There was an unfavorable impact in both Europe and North America due to foreign exchange rate movements in YTD 2019 compared with YTD 2018.

Revenue in the RPS segment was $43.1 million in YTD 2019, a decrease of $13.4 million from $56.5 million in YTD 2018. The decrease in the RPS business is primarily driven by the temporary delays experienced in Q1 2019 in securing agricultural bin sales due to amongst other factors, the severe adverse weather conditions in the U.S., buying patterns of the Washington apple market, and the continued delay in the roll out of the automotive bins to the primary automotive producer. The RPS division have actively engaged with other automotive producers with a view to diversifying its customer base and accelerating other revenue generating opportunities. The reduction in the automotive and agricultural product areas was offset by volume growth on the MacroTrac product.

Cost of Sales

	Six months ended June 30			
($'000)	**2019**	2018	**Variance**	**% Variance**
Cost of Sales	**(246,407)**	(271,071)	24,664	(9.1%)
Large Format Packaging and Environmental Solutions	**(122,204)**	(139,411)	17,207	(12.3%)
Consumer Packaging Solutions	**(82,888)**	(76,928)	(5,960)	7.7%
Returnable Packaging Solutions	**(33,584)**	(45,376)	11,792	(26.0%)
Other	**(7,731)**	(9,356)	1,625	(17.4%)
Cost of Sales (% of Revenue)	**(79.4%)**	(83.0%)	3.6%	(4.3%)
Large Format Packaging and Environmental Solutions	**(80.5%)**	(85.9%)	5.4%	(6.3%)
Consumer Packaging Solutions	**(79.0%)**	(81.5%)	2.5%	(3.1%)
Returnable Packaging Solutions	**(78.0%)**	(80.3%)	2.3%	(2.9%)
Other	**(72.3%)**	(69.7%)	(2.6%)	3.7%

Cost of sales was $246.4 million in YTD 2019 compared to $271.1 million in YTD 2018, a decrease of $24.7 million or 9.1%. As a percentage of revenue, cost of sales was 79.4% in YTD 2019 compared to 83.0% in YTD 2018. The acquisition of Loomans in March 2019 and increases in labor costs due to the challenges of a full employment market contributed to a $10.6 million increase in the overall cost of sales with the offsetting reduction in YTD 2019 as compared to YTD 2018 primarily driven by the declines in revenue as noted in the section above, the impact of the strengthening U.S. dollar and decreases in resin prices. The reduction in cost of sales as a percentage of revenue was driven by these same factors together with a focus on operational improvements and efficiencies primarily in our LF&E business in North America. Foreign exchange movements in YTD 2019 compared to YTD 2018 resulted in lower cost of sales for our LF&E and CPS divisions as the U.S. dollar strengthened against the Canadian dollar, Pound Sterling and euro. Depreciation and amortization increased in YTD 2019 as compared with YTD 2018 driven primarily by the acquisition of Loomans and the significant capital investments in previous years where assets came into use in the second half of Fiscal 2018 and Fiscal 2019.

Cost of sales in our LF&E business decreased by $17.2 million on an absolute basis and as a percentage of revenue from 85.9% in YTD 2018 to 80.5% in YTD 2019. The decrease on an absolute basis is primarily driven by the sales decrease in our North American business but also due to the reductions in resin prices and increased resin savings, freight costs and operational improvement measures. Freight costs as a percentage of revenue has decreased from 7.1% in YTD 2018 to 6.1% in YTD 2019. These factors have also contributed to a reduction in our cost of sales as a percentage of revenue and improvement in gross margin. In the European business, cost of sales has broadly decreased in line with the reduction in revenue in the period and the impact of price increases in the six months has also resulted in a slight reduction in cost of sales as a percentage of revenue. There was a favorable impact in both Europe and North America due to foreign exchange rate movements in YTD 2019 compared with YTD 2018.

Cost of sales in our CPS business increased by $6.0 million or 7.7% during YTD 2019 and cost of sales as a percentage of revenue decreased by 2.5%, from 81.5% in YTD 2018 to 79.0% in YTD 2019. The increase in cost of sales was primarily driven by $10.6 million of costs from the acquisition of Loomans in YTD 2019. In the rest of our European business, cost of sales for YTD 2019 decreased compared with YTD 2018, driven primarily by the reduction in revenue as detailed in the section above. In our North American business, decreases in the cost of resin in YTD 2019, improved freight management processes and further operational efficiencies related to the dairy business resulted in improved cost of sales as a percentage of revenue which offset the additional costs from organic volume growth. There was a favorable impact in both Europe and North America due to foreign exchange rate movements in YTD 2019 compared with YTD 2018.

Cost of sales in the RPS segment was $33.6 million or 78.0% of revenue for YTD 2019, compared with $45.4 million or 80.3% of revenue in YTD 2018, a decrease of $11.8 million. The decrease in cost of sales is primarily driven by the reduction in revenue in YTD 2019 and the impact of polypropylene resin price reductions since Q4 2018. The decrease as a percentage of revenue in YTD 2019 is also driven by the resin price decreases and the corrective actions taken in Q1 2019 to streamline our cost base due to the temporary trading issues experienced. The decreases in the price of polypropylene resin, which the RPS business uses in its products is expected to continue to positively impact resin costs for the remainder of Fiscal 2019 as the current raw material and finished goods balances are sold through to the customer.

Depreciation and amortization costs in total (included in cost of sales and operating expenses) increased by $2.4 million from $20.6 million in YTD 2018 to $23.0 million in YTD 2019, driven primarily by the impact of the adoption of the new accounting standard IFRS 16 *Leases* which was effective from January 1, 2019 and additional depreciation and amortisation from the acquisition of Loomans.

Operating Expenses (net)

	Six months ended June 30			
($'000)	**2019**	2018	**Variance**	**% Variance**
Operating expenses (net)	**(41,194)**	(36,274)	(4,920)	13.6%
Large Format Packaging and Environmental Solutions	**(15,185)**	(14,980)	(205)	1.4%
Consumer Packaging Solutions	**(9,467)**	(7,995)	(1,472)	18.4%
Returnable Packaging Solutions	**(7,543)**	(7,479)	(64)	0.9%
Other	**(8,999)**	(5,820)	(3,179)	54.6%
Operating expenses (net) as a % of Revenue	**(13.3%)**	(11.1%)	(2.2%)	19.8%
Large Format Packaging and Environmental Solutions	**(10.0%)**	(9.2%)	(0.8%)	8.7%
Consumer Packaging Solutions	**(9.0%)**	(8.5%)	(0.5%)	5.9%
Returnable Packaging Solutions	**(17.5%)**	(13.2%)	(4.3%)	32.6%
Other	**(84.2%)**	(43.3%)	(40.9%)	94.5%

Operating expenses were $41.2 million in YTD 2019 compared to $36.3 million in YTD 2018, an increase of $4.9 million or 13.6%. As a percentage of revenue, operating expenses were 13.3% in YTD 2019 compared to 11.1% in YTD 2018. The increase in the operating expenses as a percentage of sales is partially explained by the impact of revenue reductions both due to sales volumes and timing of resin passthrough which would not have seen an equivalent reduction in selling, general and administration costs support. In addition, following the completion of the IPO, there was investment in additional SG&A costs to support and develop the business.

Operating expenses in the LF&E division in YTD 2019 have increased slightly by $0.2 million or 1.4% when compared with YTD 2018 driven primarily by the impact of a foreign exchange gain in YTD 2018. Operating expenses as a percentage of sales has increased from 9.2% in YTD 2018 to 10.0% in YTD 2019 driven by the reduction in revenue as discussed in the sections above.

Operating expenses for YTD 2019 in the CPS division increased by $1.5 million when compared with YTD 2018 driven primarily by additional operating expenses of $1.2 million from the acquisition of Loomans and the positive impact of a foreign exchange gain recognized in YTD 2018.

Operating expenses in the RPS segment increased by $0.1 million or 0.9% in YTD 2019 to $7.5 million when compared with YTD 2018. For YTD 2019, operating expenses were 17.5% of revenue, compared with 13.2% of revenue in YTD 2018. The minor increase is primarily driven by additional international sales costs and foreign exchange losses incurred in Q1 2019 offset by savings from the restructuring and redundancy measures taken to streamline the RPS fixed overhead SG&A cost base towards the end of Q1 2019.

The increase in operating expenses in our Other segment of $3.2 million is primarily driven by investment in additional SG&A costs to support and develop the business following the completion of the IPO and the impact of a foreign exchange gain in YTD 2018.

Transaction, Reorganization and Integration Costs

($'000)	Six months ended June 30 2019	2018	Variance	% Variance
Business reorganization, acquisition and integration costs	**(3,234)**	(3,372)	138	(4.1%)
Initial public offering and related costs	**-**	(9,923)	9,923	(100.0%)
Refinancing transaction costs	**-**	(4,761)	4,761	(100.0%)
Transaction, reorganization and integration costs	**(3,234)**	(18,056)	14,822	(82.1%)

Transaction, reorganization and integration costs were $3.2 million in YTD 2019 compared to $18.1 million in YTD 2018, a decrease of $14.8 million.

During YTD 2019, the Company recognized $1.4 million of business reorganization costs with respect to restructuring and redundancy costs related to the streamlining of the RPS fixed overhead cost base following the temporary trading issues experienced by that division in Q1 2019, $0.7 million related to other management restructuring and additional business reorganization costs of $0.4 million primarily related to the ongoing project to improve the Company's business margins and core profitability levels with specific focus on our LF&E division in North America. Acquisition related costs of $1.6 million were recognized in YTD 2019, which is primarily related to the purchase of Loomans. These costs were offset by a gain of $0.9 million related to the early settlement of an unsecured vendor loan note and the release of potential liabilities following the disposal of our 25% investment in Rilta in Q2 2019.

In YTD 2018 we recognized $9.9 million of costs in respect of the IPO and Scheme of Arrangement process. Business reorganization and integration costs in YTD 2018 includes $3.2 million of costs incurred in relation to the start-up and integration of the major capital expansion projects at our North American facilities, which are discussed in the "**Implementation of Business Strategy and Growth Strategies**" section of this MD&A.

As part of the bank refinancing that was completed in April 2018, the unamortized finance costs in respect of the repaid indebtedness of the Company under the previously existing Irish banking facility agreement and under the previously existing Canadian credit agreement which amounted to $4.8 million were expensed to the consolidated statements of income in Q2 2018 and recognized within refinancing transaction costs.

Finance Costs (net)

($'000)	Six months ended June 30 2019	2018	Variance	% Variance
Finance costs (net)	**(8,392)**	(9,890)	1,498	(15.1%)

Net interest expense decreased by $1.5 million to $8.4 million in YTD 2019 (YTD 2018: $9.9 million), due primarily to the repayment in Q3 2018 of the unsecured subordinated debentures and from the effect of repaying a net amount of $70.0 million from IPLP's bank borrowings in Q3 2018 and replacing it with the drawdown of less expensive euro denominated debt to fund the acquisition of Loomans in March 2019. The average interest rate paid by the Company in YTD 2019 was 4.53% (YTD 2018: 5.06%). The movement in the average interest rate paid was driven principally by the repayment of the unsecured subordinated debentures in Q3 2018 and the higher weighting of interest expense in YTD 2019 related to euro denominated borrowings, as compared to the higher underlying interest rates payable in respect of U.S. and Canadian denominated borrowings in YTD 2018.

Income Taxes

($'000)	Six months ended June 30 2019	2018	Variance	% Variance
Income taxes	(1,970)	6,682	(8,652)	(129.5%)

The net tax charge for YTD 2019 was $2.0 million compared with a credit of $6.7 million in YTD 2018, an increase of $8.7 million on the prior year. The increased tax charge is driven primarily by a net income before income taxes of $11.5 million in YTD 2019 compared with a net loss before income tax of $7.8 million in YTD 2018. The YTD 2018 loss was driven primarily by the additional refinancing transaction costs, business reorganization and integration costs and initial public offering and related costs incurred during that period.

Net Income/(Loss)

($'000)	Six months ended June 30 2019	2018	Variance	% Variance
Net income/(loss)	9,547	(1,155)	10,702	(926.6%)

Net income for YTD 2019 was $9.5 million compared to a net loss of $1.2 million in YTD 2018, an increase of $10.7 million. The increase was due primarily to improved Adjusted EBIT in YTD 2019, a decrease in finance costs and one-off costs in YTD 2018 related to the initial public offering and related costs and refinancing transaction costs offset by an increase in the income tax charge for the period.

Adjusted EBITDA

($'000)	Six months ended June 30 2019	2018	Variance	% Variance
Adjusted EBITDA(1)	**45,787**	39,852	5,935	14.9%
Large Format Packaging and Environmental Solutions	**23,657**	16,943	6,714	39.6%
Consumer Packaging Solutions	**19,964**	15,891	4,073	25.6%
Returnable Packaging Solutions	**7,406**	8,514	(1,108)	(13.0%)
Other	**(5,240)**	(1,496)	(3,744)	250.3%
Adjusted EBITDA Margin (% of Revenue)(1)	**14.8%**	12.2%	2.6%	21.3%
Large Format Packaging and Environmental Solutions	**15.6%**	10.4%	5.2%	50.0%
Consumer Packaging Solutions	**19.0%**	16.8%	2.2%	13.1%
Returnable Packaging Solutions	**17.2%**	15.1%	2.1%	13.9%

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

Adjusted EBITDA was $45.8 million in YTD 2019 compared to $39.9 million in YTD 2018, an increase of $5.9 million or 14.9%. The increase in Adjusted EBITDA was achieved despite a reduction in revenue during YTD 2019 and was primarily driven by the decreases in resin input costs and increased resin savings, other operational improvements, the contribution from the acquisition of Loomans at the end of Q1 2019 and positive impact resulting from the adoption of IFRS 16 offset by increases in the cost of labor, negative foreign exchange rate movements in YTD 2019 compared with YTD 2018 and additional operating expenses following completion of the IPO. As a result, Adjusted EBITDA margins have improved overall, from 12.2% in YTD 2018 to 14.8% in YTD 2019, with significant individual improvements in each of the divisions. The adoption of IFRS 16 *Leases* resulted in improvement in Adjusted EBITDA of approximately $1.9 million which was offset by increases in depreciation of $1.6 million and finance costs of $0.3 million in YTD 2019.

Adjusted EBITDA for the LF&E business increased by $6.7 million in YTD 2019, primarily driven by the factors outlined in the revenue and cost of sales sections of this MD&A as Adjusted EBITDA margin improved to 15.6% in YTD 2019, from 10.4% in YTD 2018. There was an unfavorable impact in both Europe and North America due to foreign exchange rate movements in YTD 2019 compared with YTD 2018. The main factors contributing to the improvement in the Adjusted EBITDA margin in YTD 2019 were reductions in resin input costs, the impact of price increases implemented following underlying cost base increases in Fiscal 2018, reduced freight costs, other operational improvement measures in North America and the positive impact to Adjusted EBITDA of the adoption of the new accounting standard IFRS 16 *Leases*.

Adjusted EBITDA for the CPS business in YTD 2019 amounted to $20.0 million, an increase of $4.1 million on the $15.9 million achieved in YTD 2018. The acquisition of Loomans contributed $2.8 million in YTD 2019. The remaining increase in Adjusted EBITDA is primarily driven by continued organic growth in the North America market, the impact of price increases implemented following cost base increases, resin price reductions, impact of the new accounting standard IFRS 16 *Leases* and operational efficiencies, somewhat offset by the temporary reduction in demand from our largest customer in Europe, increases in the cost of labor and the unfavorable impact in both Europe and North America of foreign exchange rate movements in YTD 2019 compared with YTD 2018. Adjusted EBITDA margin has improved from 16.8% in YTD 2018 to 19.0% in YTD 2019 primarily due to these aforementioned factors.

Adjusted EBITDA in RPS amounted to $7.4 million for YTD 2019 compared with $8.5 million at YTD 2018, a decrease of $1.1 million. The Adjusted EBITDA margin was 17.2% for YTD 2019, an increase from 15.1% in YTD 2018. The improvement in Adjusted EBITDA margin is primarily driven by decreases in resin input costs, price increases implemented following cost base increases and the impact of the corrective action taken in Q1 2019 to restructure and streamline the division's cost base. As noted in the cost of sales section of this MD&A we expect the current resin pricing of polypropylene to continue to positively impact resin costs for the remainder of Fiscal 2019 as the current raw material and finished goods balances are sold through to the customer.

The Other segment includes Adjusted EBITDA contribution of $2.3 million in YTD 2019 (YTD 2018: $3.3 million) from the metals recycling business based in the U.K. offset by central overhead costs of $7.5 million (YTD 2018: $4.8 million). The increased central overhead cost is driven by investment in additional SG&A costs to support and develop the business following the completion of the IPO and the impact of a foreign exchange gain in YTD 2018.

Adjusted EBIT

	Six months ended June 30			
($'000)	**2019**	2018	**Variance**	**% Variance**
Adjusted EBIT(1)	**22,809**	19,268	3,541	18.4%
Large Format Packaging and Environmental Solutions	**14,374**	7,898	6,476	82.0%
Consumer Packaging Solutions	**12,549**	9,442	3,107	32.9%
Returnable Packaging Solutions	**1,932**	3,642	(1,710)	(47.0%)
Other	**(6,047)**	(1,714)	(4,333)	252.8%

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

Adjusted EBIT was $22.8 million in YTD 2019 compared to $19.3 million in YTD 2018, an increase of $3.5 million or 18.4% driven primarily by the same factors as those outlined in the Adjusted EBITDA commentary offset by an increase in depreciation and amortization costs. Depreciation and amortization costs have increased by $2.4 million from $20.6 million in YTD 2018 to $23.0 million in YTD 2019, driven primarily by the impact of the adoption of the new accounting standard IFRS 16 *Leases* which was effective from January 1, 2019 and additional depreciation and amortisation from the acquisition of Loomans.

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 and trends outlined in the "***Significant Financial and Operational Highlights and Transactions Impacting the Results of the Period***" and "***Summary Results of Operations***" sections of this MD&A which have driven changes to the results in various quarters. For example, on March 28, 2019, the CPS division acquired Loomans, which has had a positive impact on our results from the acquisition date. In addition, we incurred significant costs and issued additional shares as part of the IPO process which has had a negative impact on our net income during Fiscal 2018 and on our Earnings per Share metrics since Q2 2018.

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

($'000)	**Q2 2019**	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Revenue	**168,629**	141,781	161,987	169,173	178,292	148,321	133,441	157,516
Net income/(loss)	**8,470**	1,077	(1,830)	4,760	(2,574)	1,417	5,529	7,481
Basic Earnings per Share	**0.16**	0.02	(0.03)	0.09	(0.06)	0.04	0.19	0.24
Diluted Earnings per Share	**0.16**	0.02	(0.03)	0.09	(0.06)	0.04	0.19	0.23
Net income/(loss)– Continuing Operations	**8,470**	1,077	(1,830)	4,760	(2,574)	1,417	6,116	7,224
Basic Earnings per Share – Continuing Operations	**0.16**	0.02	(0.03)	0.09	(0.06)	0.04	0.19	0.23
Diluted Earnings per Share – Continuing Operations	**0.16**	0.02	(0.03)	0.09	(0.06)	0.04	0.19	0.22
Adjusted EBITDA	**28,521**	17,266	17,668	20,521	22,798	17,054	19,149	25,534
Adjusted Net Income	**10,291**	4,428	5,749	10,537	8,685	5,121	1,582	8,706
Pro Forma Adjusted Diluted Earnings per Share	**0.19**	0.08	0.11	0.19	0.16	0.09	0.03	0.16

Liquidity and Capital Resources

Overview

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

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

Senior Secured Facilities

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

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

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

The Facilities are available in euros, Pounds Sterling, U.S. dollars or Canadian dollars and subject to agreement with the lenders, some or all of the Facilities will be available in one or more alternative currencies. Subject to the terms of the New Facilities Agreement, the Facilities are available for five years from the date of the New Facilities Agreement or, if all of the lenders agree, following their receipt of an extension request from IPLP within one month of the second anniversary of the New Facilities Agreement, six years.

Term Facility

The Term Facility matures on April 17, 2023, and as of August 12, 2019, a principal amount of $124.9 million was outstanding. Repayment of the Term Facility must be made in quarterly installments of €2.75 million ($3.3 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 an extension period of one year and the lenders' 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 August 12, 2019, the Company had $237.8 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 an extension period of one year and the lenders' acceptance of any such request.

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 Agreements 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 June 30, 2019, 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.

Unsecured Subordinated Debentures

On August 31, 2018, the unsecured subordinated debentures of C$45.0 million were repaid in full following the drawdown of C$45.5 million on our Revolving Credit Facility. 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.

Consolidated Financial Position

Consolidated Financial Position as at June 30, 2019 and December 31, 2018

The following table shows the significant asset and liability balances extracted from the consolidated statements of financial position of the Company at June 30, 2019 and December 31, 2018, and the related net variance:

($'000)	**June 30, 2019**	Fiscal 2018	Variance
Assets			
Cash and cash equivalents	46,707	49,857	(3,150)
Total current and non-current trade and other receivables	137,321	113,521	23,800
Inventories	93,885	84,373	9,512
Property, plant and equipment and right-of-use asset	331,690	264,205	67,485
Goodwill and intangible assets	291,791	233,834	57,957
Total Assets	***902,998***	***751,629***	***151,369***
Liabilities			
Total current and non-current loans and borrowings and lease liabilities	388,230	258,975	129,255
Total current and non-current trade and other payables	100,222	105,890	(5,668)
Total Liabilities	***539,531***	***404,387***	***135,144***
Total shareholders' equity	**363,467**	**347,242**	**16,225**

Acquisition of Loomans Group N.V.

On March 28, 2019, we completed the acquisition of 100% of the share capital of Loomans. The total consideration for the acquisition was $54.5 million (EUR €48.5 million) of cash transferred to former owners and $40.0 million (EUR €35.6 million) of borrowings and related party debt repaid. This was financed from the Company's cash on hand and existing credit facilities. The Company's statement of financial position at June 30, 2019 includes consolidated net assets of Loomans in the amount of $31.3 million together with goodwill of $43.0 million in respect of the transaction.

Cash and Cash Equivalents

The cash and cash equivalents balance decreased by $3.2 million to $46.7 million as at June 30, 2019 compared to $49.9 million as at December 31, 2018. The integration of the Loomans statement of financial position has resulted in an additional $6.8 million in cash and cash equivalents at June 30, 2019. A full reconciliation and explanation of the movements in the Company's cash flows during the period is detailed in the "Cash Flows" section.

Trade and Other Receivables

The trade and other receivables balance increased by $23.8 million to $137.3 million as at June 30, 2019 compared to $113.5 million as at December 31, 2018. The integration of the Loomans statement of financial position has resulted in an increase of $14.6 million in trade and other receivables at June 30, 2019. During Fiscal 2018, there was 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. This has resulted in an increase in our trade receivables balance as at June 30, 2019 despite the revenue reduction. On January 11, 2019, the Group sold its 25% shareholding in Rilta for total proceeds of €8.25 million ($9.5 million). The total proceeds include the settlement of both the 25% equity investment in the amount of €2.75 million ($3.2 million) and the vendor loan note instrument in the amount of €5.5 million ($6.3 million).

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 an increase in this balance at Q2 2019 when compared with Q1 2019 and Q4 2018.

Inventories

The inventories balance increased by $9.5 million to $93.9 million as at June 30, 2019 compared to $84.4 million as at December 31, 2018. The integration of the Loomans statement of financial position has resulted in an increase of $5.1 million in inventories at June 30, 2019. The primary driver of the remaining increased inventory balance is the buildup of inventory to service the demand in the third quarter and delayed demand in RPS' agricultural market which is expected to go into the fourth quarter of the year. Demand is typically strongest during the second and third quarters of the year.

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

The property, plant and equipment balance and right-of-use asset balance increased by $67.5 million to $331.7 million as at June 30, 2019 compared to $264.2 million as at December 31, 2018. The increase is driven primarily by the acquisition of Loomans and the adoption of IFRS 16 *Leases.* The completion of the preliminary fair value assessment of Loomans tangible assets has resulted in the addition of $35.3 million to property plant and equipment. In addition, the adoption of IFRS 16 effective January 1, 2019 has resulted in the recognition of right-of-use assets of approximately $21.3 million, which were previously treated as operating leases, in the consolidated statement of financial position as at January 1, 2019. Capital additions during the period amounted to $24.4 million. During the period, the Group recognized depreciation charges of $19.0 million. The remaining movements during the period were foreign exchange and other movements of $5.5 million.

Goodwill and Intangible Assets

The goodwill and intangible assets balance increased by $58.0 million to $291.8 million as at June 30, 2019 compared to $233.8 million as at December 31, 2018. This increase primarily relates to the acquisition of Loomans with intangible assets valued at $16.2 million following completion of a preliminary fair value assessment and goodwill of $42.4 million recognized at the acquisition date. The amortization charge during the period was $4.0 million. The remaining movement is driven by additions to intangible assets and foreign exchange translation differences.

Loans and Borrowings and Lease Liabilities

The loans and borrowings balance increased by $129.2 million to $388.2 million as at June 30, 2019 compared to the December 31, 2018 balance of $259.0 million. The increase relates primarily to the drawdown of funds in YTD 2019 for working capital purposes and to fund the acquisition of Loomans. The increase also reflects the recognition of lease liabilities arising from the adoption of IFRS 16 *Leases* of $21.3 million in the consolidated statement of financial position as at January 1, 2019.

Trade and Other Payables

The trade and other payables balance decreased by $5.7 million to $100.2 million as at June 30, 2019 compared to the $105.9 million as at December 31, 2018. The integration of the Loomans statement of financial position has resulted in an increase of $12.7 million in trade and other payables at June 30, 2019. The remaining movement of $18.4 million is primarily driven by the timing of payments and utilization of accruals since December 31, 2018.

Cash Flows

The following tables and discussion show the significant cash transactions impacting the cash flows of the Company for the three and six-month periods ended June 30, 2019 and June 30, 2018.

	Three months ended June 30		*Six months ended June 30*	
($'000)	**2019**	2018	**2019**	2018
Net cash flows from/(used in) operating activities	**14,518**	73	**9,380**	(19,786)
Net cash flows used in investing activities	**(15,700)**	(11,711)	**(73,198)**	(33,058)
Net cash flows from financing activities	**6,266**	141,419	**66,055**	174,243
Net increase in cash and cash equivalents	**5,084**	129,781	**2,237**	121,399
Cash and cash equivalents at beginning of period	**47,052**	39,806	**49,857**	47,609
Effect of movements in exchange rates on cash held	**(5,429)**	1,037	**(5,387)**	1,616
Cash and cash equivalents at end of the period	**46,707**	170,624	**46,707**	170,624

Reconciliation of Adjusted EBITDA to Net Cash Flows used in Operating Activities

The table below provides a reconciliation of the adjusting items to reconcile Adjusted EBITDA to net cash flows used in operating activities for the three and six months ended June 30, 2019 and June 30, 2018.

	Three months ended June 30		*Six months ended June 30*	
($'000)	**2019**	2018	**2019**	2018
Adjusted EBITDA	**28,521**	22,798	**45,787**	39,852
Net foreign exchange (losses)/gains	**(445)**	(1,700)	**764**	(833)
Business reorganization, acquisition and integration costs paid	**(1,914)**	(443)	**(6,381)**	(3,108)
Other expenses paid	**(57)**	—	**(140)**	55
Income taxes (paid)/received	**(1,195)**	(38)	**(1,434)**	236
Working capital movements	**(12,000)**	(20,646)	**(33,445)**	(55,806)
Other	**1,608**	102	**4,229**	(182)
Net cash flows from/(used in) operating activities	**14,518**	73	**9,380**	(19,786)

Net Cash Flows 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.

	Three months ended June 30		*Six months ended June 30*	
($'000)	**2019**	2018	**2019**	2018
Net cash flows from operating activities before working capital movements	**26,518**	20,719	**42,825**	36,020
Movements in working capital	**(12,000)**	(20,646)	**(33,445)**	(55,806)
Net cash flows from/(used in) operating activities	**14,518**	73	**9,380**	(19,786)

The net cash flow from operating activities for Q2 2019 was $14.5 million, an increase of $14.4 million on the Q2 2018 inflow of $0.1 million. The Q2 2019 increase is primarily driven by improved Adjusted EBITDA performance and the decrease in working capital build up when compared with Q2 2018.

The net cash flow from operating activities in YTD 2019 was $9.4 million compared to an outflow of $19.8 million in YTD 2018, an improvement of $29.2 million in operating cash flow performance in YTD 2019. The increase in net cash from operating activities was driven primarily by improved Adjusted EBITDA performance and reduced working capital build up when compared with YTD 2018.

Net Cash Flows used in Investing Activities

	Three months ended June 30		*Six months ended June 30*	
($'000)	**2019**	2018	**2019**	2018
Proceeds from sale of property, plant and equipment and intangible assets	**—**	604	**—**	1,766
Disposal/discontinuation of subsidiary undertakings	**302**	—	**404**	112
Dividends received from equity-accounted investees and available-for-sale assets	**225**	—	**225**	—
Proceeds from disposal of equity-accounted investee and associated vendor loan note	**—**	—	**9,459**	—
Acquisition of property, plant and equipment	**(14,470)**	(12,258)	**(28,980)**	(34,456)
Acquisition of subsidiary undertakings, including associated costs and net of cash acquired	**(1,145)**	(57)	**(53,623)**	(401)
Other	**(612)**	—	**(683)**	(79)
Net cash used in investing activities	**(15,700)**	(11,711)	**(73,198)**	(33,058)

Net cash used in investing activities was $15.7 million in Q2 2019 compared to $11.7 million in Q2 2018, an increase of $4.0 million. The increase in cash outflow was primarily driven by a cash outflow of $1.1 million in costs related to the acquisition of Loomans and an increase of $14.5 million in cash outflow with respect to purchases of property, plant and equipment in Q2 2019 compared with Q2 2018.

Net cash used in investing activities was $73.2 million in YTD 2019 compared to $33.1 million in YTD 2018, an increase of $40.1 million. The increase in cash outflow was primarily driven by a cash outflow of $53.6 million related to the acquisition of Loomans partially offset by net proceeds of $9.5 million related to the disposal of Rilta and a reduction of $28.9 million in cash outflow with respect to purchases of property, plant and equipment in YTD 2019 compared with YTD 2018.

Capital Expenditures

The table below details the cash outflows with respect to capital purchases of property, plant and equipment amounts for Q2 2019, Q2 2018, YTD 2019 and YTD 2018 by operating segment.

	Three months ended June 30					
	2019			2018		
($'000)	**Development**	**Maintenance**	**Total**	Development	Maintenance	Total
LF&E	**5,071**	**1,214**	**6,285**	4,127	1,095	5,222
CPS	**4,716**	**601**	**5,317**	2,797	459	3,256
RPS	**1,944**	**915**	**2,859**	2,911	599	3,510
Other	**—**	**9**	**9**	86	184	270
Total	**11,731**	**2,739**	**14,470**	9,921	2,337	12,258

	Six months ended June 30					
	2019			2018		
($'000)	**Development**	**Maintenance**	**Total**	Development	Maintenance	Total
LF&E	**7,809**	**3,089**	**10,898**	17,190	1,612	18,802
CPS	**7,590**	**1,380**	**8,970**	8,419	1,333	9,752
RPS	**7,491**	**1,581**	**9,072**	3,848	1,707	5,555
Other	**-**	**40**	**40**	108	239	347
Total	**22,890**	**6,090**	**28,980**	29,565	4,891	34,456

The cash outflow with respect to capital purchases of property, plant and equipment amounted to $14.5 million in Q2 2019 (Q2 2018: $12.3 million), with $11.8 million related to strategic and development capital expenditure and $2.7 million of maintenance capital expenditure. The increase was driven by initial capital spend in Q2 2019 in respect of the strategic customer contract that was secured by our CPS division.

Cash outflow with respect to capital purchases of property, plant and equipment in YTD 2019 amounted to $29.0 million (YTD 2018: $34.5 million) with $22.9 million related to strategic and development capital expenditure and $6.1 million of maintenance capital expenditure. The decrease in cash outflows with respect to capital expenditure in YTD 2019 compared to YTD 2018, is as a result of the major capital investment program that began in Fiscal 2016 and Fiscal 2017, which have deferred payment terms nearing completion.

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 contracted capital expenditure amounts of $8.9 million at Fiscal 2018.

We expect, in the absence of new capital investment growth opportunities underpinned by further customer contracts, our total cash outflow with respect to capital purchases of property, plant and equipment for Fiscal 2019 to be in the range of $39.0 million to $44.0 million, the increase of $6.5 million from Q1 2019 due to the strategic customer contract that was secured by our CPS division as discussed in the **"Implementation of Business Strategy and Growth Strategies"** section. This estimate is based on the following assumptions, among others: (i) our major capital investment projects are completed on time and on budget; (ii) no significant fluctuations in foreign exchange rates; and (iii) interest and inflation rates remain consistent with historical levels.

Net Cash Flows from Financing Activities

	Three months ended June 30		*Six months ended June 30*	
($'000)	**2019**	2018	**2019**	2018
Finance costs paid	**(4,352)**	(1,832)	**(7,707)**	(5,758)
Repayment of lease liabilities	**(1,205)**	—	**(2,218)**	—
Net proceeds from equity issued	**1,084**	126,549	**2,415**	127,029
Drawdown of borrowings	**81,725**	347,572	**182,930**	389,338
Repayment of bank borrowings	**(70,986)**	(330,870)	**(109,365)**	(336,366)
Net cash flow from financing activities	**6,266**	141,419	**66,055**	174,243

Net cash flow from financing activities was $6.3 million in Q2 2019 compared to net cash flow from financing activities of $141.4 million in Q2 2018, a decrease of $135.1 million. The movements in Q2 2019 relate to the drawdown of bank borrowings for the purposes of supporting working capital and capital expenditure requirements in the quarter. Net cash flow from financing activities in Q2 2018 was primarily related to the net proceeds of $126.5 million received from the initial public offering on June 28, 2018. In Q3 2018, we used the proceeds to redeem 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 Revolving Credit Facility and pay certain costs and expenses related to the Scheme of Arrangement and IPO. In addition, the significant drawdown and repayment of borrowings amounts in Q2 2018 relate to the bank refinancing which took place in April 2018.

Net cash flows from financing activities was $66.1 million in YTD 2019 compared to net cash flow from financing activities of $174.2 million in YTD 2018, a decrease of $108.1 million. Net cash flow from financing activities in YTD 2019 is predominately related to the drawdown of debt to fund the acquisition of Loomans offset by the repayment of debt acquired. The reasons for the significant cash flow from financing activities in YTD 2018 are consistent with those identified in the Q2 2019 commentary above.

Contractual Obligations

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

There have been no material movements in our Company's remaining contractual obligations and commitments from the audited consolidated financial statements as at and for the year ended December 31, 2018, that are not detailed in the "**Consolidated Financial Position**" section of this MD&A.

Outlook

Our results for Q2 2019 and YTD 2019 showed increases in our gross profit, gross profit margin, Adjusted EBITDA, Adjusted EBITDA margin and Adjusted EBIT when compared with Q2 2018 and YTD 2018.

The CPS division is positioned well for growth as underpinned by the new IML contract in North America which is expected to begin to generate revenue in early 2020. Revenue from our largest European CPS customer is expected to return to normal levels in the second half of 2019. In LF&E, there has been a reduction in new environmental container rollouts in Q2 2019 when compared with a particularly high quarter for environmental container tenders in Q2 2018. The number and timing of municipal and public council environmental tenders fluctuates by year and is dependent on local micro economic conditions. As communicated in the Q1 2019 results, the decrease in revenues in RPS is primarily driven by the temporary delays experienced in securing agricultural bin sales due to severe adverse weather conditions in the U.S and the continued delay in the roll out of the automotive bins. It is expected that trading conditions and market dynamics for agricultural bin sales will return to more normalized levels in the second half of 2019. In addition, it is also expected that the balance of the deferred automotive purchase order will be received in the second half of 2019.

The U.S. dollar has strengthened in Q2 2019 and YTD 2019 when compared to the Canadian dollar, Pound Sterling and euro giving rise to adverse impacts on revenue and Adjusted EBITDA in Q2 2019 and YTD 2019 when compared with the same periods in 2018. It is expected that foreign currency volatility headwinds will continue for the remainder of 2019 particularly with respect to the Pound Sterling as uncertainty remains on the outlook for the U.K. economy depending on the final agreed terms of Britain's proposed exit from the European Union on October 31, 2019.

In North America, average IHS resin index prices for polypropylene were 16.1% lower in Q2 2019 compared with Q2 2018 while HDPE polyethylene prices remained broadly in line with the prior year. In Europe, average ICIS resin index prices for polypropylene were 1.7% lower in Q2 2019 compared with Q2 2018 while polyethylene prices were 3.5% lower. The near-term outlook is that resin prices are expected to remain relatively stable for the remainder of Q3 2019.

Adjusted EBITDA in the RPS division in YTD 2019 was $7.4 million (Q2 2019: $6.5 million) compared with YTD 2018 of $8.5 million (Q2 2018: $5.6 million). The extent of the pick-up in performance in Q2 2019 compared with Q1 2019 and Q2 2018 supports our belief that Adjusted EBITDA for our RPS division in Fiscal 2019 is expected to be at least in line with Fiscal 2018.

With good success to date in Fiscal 2019, management is focused on delivering an overall improvement in operating and financial performance in Fiscal 2019 when compared with Fiscal 2018. This goal, which does not include the impact of the Loomans acquisition, is supported by the recently completed significant capital expenditure program, advances in our resin procurement strategies, stabilization of freight costs and improved Adjusted EBITDA performance in the LF&E division in North America as the operational improvement program progresses.

The description of our Fiscal 2019 financial outlook in this MD&A is based on management's current views and strategies, our assumptions and expectations concerning our growth opportunities and our assessment of the opportunities for our business and the global packaging industry and the rigid plastic packaging market 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 2019 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 June 30, 2019 on Standard & Poor’s ratings (Fiscal 2018: 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, Belgium and China from their functional currencies of Pounds Sterling, Canadian dollar, euro and Chinese Renminbi into the U.S. dollars 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 its 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 the North American operations. This approach allows each of its manufacturing facilities to maintain responsibility for its own raw material costs but leverages IPLP’s international 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. dollars. 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

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

At June 30, 2019, IPLP had letters of credit in place amounting to $0.3 million, in line with the $0.3 million as at December 31, 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. Details of this arrangement are included in our Annual Information Form which was filed on March 15, 2019.

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 and are discussed in the unaudited condensed consolidated interim financial statements for the period and primarily related to: Impairment testing of intangibles and Business Combinations.

Accounting Standards Implemented for Fiscal 2019

New standards and amendments to standards and interpretations effective for annual periods beginning on or after January 1, 2019 have been applied in preparing the unaudited condensed consolidated interim financial statements for Q2 2019.

On January 1, 2019, the IPLP adopted IFRS 16 *Leases*, which sets out the principles for recognition, measurement, presentation and disclosure of leases for both lessee and lessor. The adoption of IFRS 16 *Leases*, eliminates 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. The Company performed an assessment of the impact of IFRS 16 and availed 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 resulted in the recognition of right-of-use assets of approximately $21.3 million and lease liabilities of the same value in the consolidated statement of financial position as at January 1, 2019.

Future Accounting Standards

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 Annual Information Form filed on March 15, 2019. There was no significant change to these risks and uncertainties during the six months ended June 30, 2019.

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

Disclosure Controls and Procedures and Internal Control Over Financial Reporting

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

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

In the Company's filings, the Company's CEO and CFO certify, as required by National Instrument 52-109 respecting Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the appropriateness of the financial disclosure, the design and effectiveness of the Company's disclosure controls and procedures and the design of internal controls over financial reporting. The Company's Audit Committee reviewed this MD&A and the unaudited condensed consolidated interim financial statements and accompanying notes as at and for the three and six months ended June 30, 2019, and the Company's Board of Directors approved these documents prior to their release.

In accordance with the provisions of NI 52-109, the CEO and CFO have limited the scope of their design of disclosure controls and procedures and internal control over financial reporting to exclude controls, policies and procedures of the activities of Loomans Group N.V. acquired on March 28, 2019.

The contribution of the acquired activities of Loomans Group N.V. to our consolidated revenues for the six-month period ended June 30, 2019 was 4.4% of consolidated revenues and 12.3% of consolidated net income. Additionally, at June 30, 2019, the current assets of the acquired activities of Loomans Group N.V. represented approximately 10.0% of consolidated current assets and its current liabilities represented approximately 11.6% of consolidated current liabilities. The non-current assets of the acquired activities of Loomans Group N.V. represented approximately 15.1% of consolidated non-current assets and their non-current liabilities represented approximately 8.3% of consolidated non-current liabilities. The design of the disclosure controls and procedures and internal control over financial reporting of the acquired activities of Loomans Group N.V. will be completed by the end of the financial period to March 31, 2020.

Changes in Internal Control Over Financial Reporting

There have been no changes to the Company's internal controls over financial reporting during the financial period beginning April 1, 2019 and ended June 30, 2019 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

Current Share Information

As at August 12, 2019, an aggregate of 54,130,776 common shares and no preferred shares are issued and outstanding. There was a total of 2,327,251 outstanding share options as at August 12, 2019. This was split between 1,860,397 equity settled share options and 466,854 Restricted Share Units ("**RSUs**"), Deferred Share Units ("**DSUs**") and Performance Share Units ("**PSUs**").

As at June 30, 2019, an aggregate of 54,130,776 common shares and no preferred shares are issued and outstanding. There was a total of 2,327,251 outstanding equity settled share options, which includes RSUs, DSUs, PSUs and share options, as at June 30, 2019.

Reconciliation of non-IFRS Measures

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

Reconciliation of Adjusted EBIT and Adjusted EBITDA to Net Income/(loss):

Adjusted EBITDA consists of net income/(loss) before income taxes, net finance costs, share of profit of equity-accounted investees, refinancing transaction costs, business reorganization, acquisition 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 June 30 2019	Three months ended June 30 2018	Six months ended June 30 2019	Six months ended June 30 2018
Net income/(loss)	**8,470**	(2,574)	**9,547**	(1,155)
Income tax expense/(credit)	**3,075**	(5,136)	**1,970**	(6,682)
Refinancing transaction costs	**—**	4,761	**—**	4,761
Finance costs (net)	**4,465**	5,719	**8,392**	9,890
Other (income)/expenses (net)	**(314)**	96	**(334)**	(35)
Share of profit of equity-accounted investees	**—**	(806)	**—**	(806)
Operating Profit	**15,696**	2,060	**19,575**	5,973
Business reorganization, acquisition and integration costs	**667**	1,942	**3,234**	3,372
Initial public offering and related costs	**—**	8,442	**—**	9,923
Adjusted EBIT	**16,363**	12,444	**22,809**	19,268
Depreciation and amortization	**12,158**	10,354	**22,978**	20,584
Adjusted EBITDA	**28,521**	22,798	**45,787**	39,852

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 net income/(loss) before share of profit of equity-accounted investees, business reorganization, acquisition 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 June 30 2019	Three months ended June 30 2018	Six months ended June 30 2019	Six months ended June 30 2018
Net income/(loss)	**8,470**	(2,574)	**9,547**	(1,155)
Refinancing transaction costs	**—**	4,761	**—**	4,761
Business reorganization, acquisition and integration costs	**667**	1,942	**3,234**	3,372
Initial public offering and related costs	**—**	8,442	**—**	9,923
Amortization of acquisition related intangibles	**2,036**	1,658	**3,670**	3,333
Other (income)/expenses (net)	**(314)**	96	**(334)**	(35)
Share of profit of equity-accounted investees	**—**	(806)	**—**	(806)
Taxes related to the above noted items	**(568)**	(4,834)	**(1,398)**	(5,586)
Adjusted Net Income	**10,291**	8,685	**14,719**	13,807
Weighted-average number of common shares	**53,980**	41,553	**53,802**	38,298
Adjusted basic earnings per share (in $)	**0.19**	0.21	**0.27**	0.36
Equity instruments with a dilutive effect – share options	**608**	1,536	**607**	1,040
Weighted-average number of common shares (diluted)	**54,588**	43,089	**54,409**	39,338
Adjusted diluted earnings per share (in $)	**0.19**	0.20	**0.27**	0.35

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 Plastics Ltd ("**IPL Ltd**"). 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 Ltd for one Class B common share in IPL Plastics Inc. Finally, the Pro Forma Earnings per Share gives effect to the 14,200,000 common shares issued on closing of the initial public offering and the number of shares redeemed with respect to the Buy-Back Option.

($'000, unless otherwise stated)	Three months ended June 30 2019	2018	Six months ended June 30 2019	2018
Net income/(loss)	**8,470**	(2,574)	**9,547**	(1,155)
Weighted-average number of common shares	53,980	41,553	53,802	38,298
Pro-forma adjustment for shares issued on share reorganization	—	—	—	2,782
Pro-forma adjustment for shares issued on initial public offering	—	13,907	—	14,053
Pro-forma adjustment for shares redeemed with respect to the Buy-Back Option	—	(2,039)	—	(2,063)
	53,980	53,421	53,802	53,070
Pro Forma Basic earnings per share (in $)	**0.16**	(0.05)	**0.18**	(0.02)
Equity instruments with a dilutive effect – share options(1)	608	1,536	607	1,040
Weighted-average number of common shares (diluted)	54,588	54,957	54,409	54,110
Pro Forma Diluted earnings per share (in $)	**0.16**	(0.05)	**0.18**	(0.02)

(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 Ltd 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 June 30 2019	2018	Six months ended June 30 2019	2018
Adjusted Net Income	**10,291**	8,685	**14,719**	13,807
Weighted-average number of common shares	**53,980**	41,553	**53,802**	38,298
Pro-forma adjustment for shares issued on share reorganization	**—**	—	**—**	2,782
Pro-forma adjustment for shares issued on initial public offering	**—**	13,907	**—**	14,053
Pro-forma adjustment for shares redeemed with respect to the Buy-Back Option	**—**	(2,039)	**—**	(2,063)
	53,980	53,421	**53,802**	53,070
Pro Forma Adjusted basic earnings per share (in $)	**0.19**	0.16	**0.27**	0.26
Equity instruments with a dilutive effect – share options(1)	**608**	1,536	**607**	1,040
Weighted-average number of common shares (diluted)	**54,588**	54,957	**54,409**	54,110
Pro Forma Adjusted diluted earnings per share (in $)	**0.19**	0.16	**0.27**	0.26

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

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, lease liabilities and convertible loan notes less cash and cash equivalents. The Net Debt definition has been revised in Q2 2019 to include lease liabilities recognized on adoption of IFRS 16 *Leases*. These lease liabilities are not included in the reported Net Debt at March 31, 2019 or Fiscal 2018 and amounts to additional debt of $21.4 million as at June 30, 2019.

($'000)	*As at June 30* **2019**	*As at December 31* 2018
Loans and Borrowings including bank loans	**364,698**	258,431
Lease liabilities	**23,532**	544
Convertible loan notes	**1,411**	1,420
Cash and cash equivalents	**(46,707)**	(49,857)
Net Debt	**342,934**	210,538

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 used in operating activities, less finance costs and maintenance capital expenditure amounts paid, adding back business reorganization, acquisition and integration costs paid which excludes investing and financing related costs and in prior periods includes the payment of initial public offering and related costs and other (income)/expenses (received)/paid.

	Three months ended June 30		*Six months ended June 30*	
($'000)	**2019**	2018	**2019**	2018
Net cash flows used in operating activities	**14,518**	73	**9,380**	(19,786)
Business reorganization, acquisition and integration costs paid (excluding investing and financing related costs)	**1,914**	443	**6,381**	3,108
Other income (net)	**57**	—	**140**	(55)
Adjusted net cash flow used in operating activities	**16,489**	516	**15,901**	(16,733)
Maintenance capital expenditure	**(2,739)**	(2,337)	**(6,090)**	(4,891)
Finance costs paid	**(4,352)**	(1,832)	**(7,707)**	(5,758)
Adjusted Free Cash Flow	**9,398**	(3,653)	**2,104**	(27,382)

Additional Information

Additional information relating to our Company, including our most recent quarterly report as filed on August 13, 2019 and the annual and quarterly reports filed on March 15, 2019, is available on SEDAR at www.sedar.com and on the Company's website at www.iplpgroup.com.

August 13, 2019