

MANAGEMENT'S DISCUSSION AND ANALYSIS

Third Quarters Ended September 30, 2018 and 2017

This Management's Discussion and Analysis of the financial condition and results of operations ("MD&A") of CCL Industries Inc. ("Company") relates to the third quarters ended September 30, 2018 and 2017. The information in this interim MD&A is current to November 6, 2018, and should be read in conjunction with the Company's November 6, 2018, unaudited third quarter consolidated condensed interim financial statements released on November 6, 2018, and the 2017 Annual MD&A and consolidated financial statements, which form part of the CCL Industries Inc.'s 2017 Annual Report, dated February 21, 2018.

Basis of Presentation

The interim and annual financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting and International Financial Reporting Standards ("IFRS"), respectively, and unless otherwise noted, both the financial statements and this interim MD&A are expressed in Canadian dollars as the reporting currency. The primary measurement currencies of the Company's operations are the Canadian dollar, U.S. dollar, euro, Argentine peso, Australian dollar, Bangladeshi taka, Brazilian real, Chilean peso, Chinese renminbi, Danish krone, Hungarian forint, Indian rupee, Japanese yen, Malaysian ringgit, Mexican peso, Philippine peso, Polish zloty, Russian ruble, Singaporean dollar, South African rand, South Korean wan, Swiss franc, Thai baht, Turkish lira, U.K. pound sterling and Vietnamese dong. All per Class B non-voting share ("Class B share") amounts in this document are expressed on an undiluted basis, unless otherwise indicated. The Company's Audit Committee and its Board of Directors have reviewed this interim MD&A to ensure consistency with the approved strategy and the financial results of the Company.

Cautionary Statement Regarding Forward-Looking Statements

This MD&A contains forward-looking information and forward-looking statements, as defined under applicable securities laws, (hereinafter collectively referred to as "forward-looking statements") that involve a number of risks and uncertainties. Forward-looking statements include all statements that are predictive in nature or depend on future events or conditions. Forward-looking statements are typically identified by the words "believes," "expects," "anticipates," "estimates," "intends," "plans" or similar expressions. Statements regarding the operations, business, financial condition, priorities, ongoing objectives, strategies and outlook of the Company, other than statements of historical fact, are forward-looking statements. Specifically, this MD&A contains forward-looking statements regarding the anticipated growth in sales, income and profitability of the Company's segments; the Company's anticipated improvement in market share; the Company's capital spending levels and planned capital expenditures in 2018; the adequacy of the Company's financial liquidity; earnings per share and EBITDA growth rates; the Company's effective tax rate; the Company's ongoing business strategy; the Company's planned restructuring expenditures; the Company's expectations regarding general business and economic conditions; the Company's outlook for strong cash flows in 2018 will be sufficient to fund its expected quarterly dividends; the Company's expectation that available credit capacity will be sufficient for future expansion initiatives; the Company's expectation that the provision for a customer claim in CCL Secure Mexico will be sufficient; the Company's expectation that the Rheinfelden joint venture will be profitable in 2019; the Company's expectation that the acquired Innovia Group and Treofan America Inc. and Tresaphan Mexico Holdings GmbH ("Treofan") will take initiatives to improve results; the Company's expectation that current momentum at CCL Label and CCL Design will carry into the fourth quarter; the Company's expectation that CCL Secure will have a stronger fourth quarter compared to the second and third quarters of 2018; the Company's expectation that the Avery direct-to-consumer businesses will continue to deliver good growth and profitability and become an important leg of the Segment; the Company's expectation that Avery's fourth quarter results will be contingent on a good sales mix; the Company's expectation that it will successfully integrate the Treofan acquisition; the Company's expectation that the Checkpoint restructuring initiatives will drive future profitability improvement; and the Company's expectation that resin costs will remain high and Innovia will be able to raise prices to its customers.

Forward-looking statements are not guarantees of future performance. They involve known and unknown risks and uncertainties relating to future events and conditions including, but not limited to, the uncertainty of the recovery from the global financial crisis and its impact on the world economy and capital markets; the impact of competition; consumer confidence and spending preferences; general economic and geopolitical conditions; currency exchange rates; interest rates and credit availability; technological changes; changes in government regulations; risks associated with operating and product hazards; and the Company's ability to attract and retain qualified employees. Do not unduly rely on forward-looking statements as the Company's actual results could differ materially from those anticipated in these forward-looking statements. Forward-looking statements are also based on a number of assumptions, which may prove to be incorrect, including, but not limited to, assumptions about the following: consumer spending; improved customer demand for the Company's products; continued historical growth trends, market growth in specific sectors and entering into new markets; the Company's ability to provide a wide range of products to multinational customers on a global basis; the benefits of the Company's focused strategies and operational approach; the achievement of the Company's plans for improved efficiency and lower costs, including stable aluminum and resin costs; the availability of cash and credit; fluctuations of currency exchange rates and the Company's continued relations with its customers. Should one or more risks materialize or should any assumption prove incorrect, then actual results could vary materially from those expressed or implied in the forward-looking statements. Further details on key risks can be found throughout this report and particularly in Section 4: "Risks and Uncertainties" of the 2017 Annual MD&A.

Except as otherwise indicated, forward-looking statements do not take into account the effect that transactions or non-recurring or other special items announced or occurring after the statements are made may have on the Company's business. Such statements do not, unless otherwise specified by the Company, reflect the impact of dispositions, sales of assets, monetizations, mergers, acquisitions, other business combinations or transactions, asset write-downs or other charges announced or occurring after forward-looking statements are made. The financial impact of these transactions and non-recurring and other special items can be complex and depends on the facts particular to each of them and therefore cannot be described in a meaningful way in advance of knowing specific facts.

The forward-looking statements are provided as of the date of this MD&A and the Company does not assume any obligation to update or revise the forward-looking statements to reflect new events or circumstances, except as required by law.

Effective January 1, 2018, the Company changed its reportable segments to incorporate all entities previously reported within the Container Segment in the CCL Segment, to more closely align with the current management structure and reporting. Comparative segment information has been restated to conform to current year presentation.

1. Overview

Third quarter 2018 sales for the Company were solid, with a better than expected 7.5% organic growth rate from the CCL Segment coupled with 2.2% organic growth from Checkpoint driving strong returns for these segments. Avery posted organic sales declines in North America on continuing challenges in traditional office supply channels and significantly reduced sales and profitability in back-to-school ring binders for the mass market channel more than offsetting successes in its digital direct-to-consumer offering. Results for Innovia, included Treofan which was acquired on July 2, 2018, disappointed as higher resin costs persisted and acquisition accounting adjustments to fair market value acquired inventory affected profitability. Consolidated, the Company posted third quarter basic earnings per Class B share of \$0.63 compared to basic earnings per Class B share \$0.60 for the 2017 third quarter. Adjusted basic earnings per Class B share (a non-IFRS financial measure; refer to definition in Section 14) for the third quarters of 2018 and 2017 were \$0.66 and \$0.61, respectively.

2. Review of Consolidated Financial Results

The following acquisitions affected the financial comparisons to 2017 including those announced during the third quarter of 2018:

- In July 2018, Treofan from their ultimate parent, M&C S.p.A., an Italian public company listed on the Milan stock exchange. Treofan, based in Zacapu, Mexico, is a leading producer of bi-axially oriented polypropylene (“BOPP”) film for the North American market. The purchase price, net of cash acquired was approximately \$303.4 million inclusive of \$43.6 million of capital additions incurred between announcement date and closing date for the construction of its new film line. Treofan immediately commenced trading as Innovia Films.
- In May 2018, the remaining 50.0% stake in the CCL-Korsini in-mould label joint venture in the United States from its partner, for \$3.1 million net of cash acquired and \$6.7 million of assumed debt. As a result of the change in control, the financial results were no longer included as an equity investment but fully consolidated with CCL’s Food & Beverage business effective June 2018.
- In May 2018, Nortec International Inc. (“Nortec”), a privately owned company in Israel for approximately \$8.8 million in net cash and assumed debt. Nortec is a manufacturer of high performance labels and marking systems for the high technology sector added to CCL Design within the CCL Segment.
- In April 2018, Imprint Plus, a group of privately owned companies with common shareholders, based in Richmond, British Columbia, Canada for approximately \$24.3 million net of cash acquired. Imprint Plus expanded Avery’s printable media depth in custom name badge systems, signage systems and accessories in North America.
- In January 2018, Fascia Graphics Ltd. (“Fascia”), a privately owned company in the United Kingdom for approximately \$9.3 million, net of cash acquired. Fascia is a manufacturer of graphic overlays, membrane-switch control panels and nameplates for large European OEM customers in the electronics and durables sector added to CCL Design within the CCL Segment.
- In October 2017, acquired the final 37.5% stake in the Acrus-CCL wine label joint venture in Chile from its partner for \$6.3 million. As a result of the change in control, the financial results were no longer included as an equity investment but fully consolidated with CCL’s Food & Beverage business, without a portion of the earnings attributable to a non-controlling interest effective October 2017.

- In April 2017, badgepoint GmbH, badgetech GmbH and Name Tag Systems Inc. (“Badgepoint”), privately owned companies with common shareholders, based near Hamburg, Germany, for \$5.6 million. Badgepoint expanded Avery’s printable media offering with patented, premium badge systems and accessories for the German market.
- In April 2017, Goed Gemeerkt B.V. and Goed Gewerkt B.V. (“GGW”), privately owned companies with common shareholders, based near Utrecht in the Netherlands for \$23.0 million. GGW is a manufacturer of durable, personalized “kids’ labels” for the Benelux and German markets, expanding Avery’s printable media platform.
- In February 2017, the Innovia Group, headquartered in Wigton, U.K., for \$1.15 billion, debt free and net of cash acquired from a consortium of U.K.-based private equity investors. Innovia is a leading global producer of specialty high-performance, multi-layer, surface engineered BOPP films for label, packaging and security applications. The business has film extrusion, coating and metallizing facilities across the U.K., Belgium and Australia, which now form the basis of the Innovia Segment. In the U.K., Australia and Mexico, the business has high-security, specialized polymer banknote operations since added to CCL Secure within the CCL Segment.

Sales for the third quarter of 2018 were \$1,337.2 million, an increase of 10.8% compared to \$1,206.8 million recorded in the third quarter of 2017. Organic growth of 2.4%, acquisition-related growth of 6.3% and the positive impact from foreign currency translation of 2.1% drove the sales increase. For the nine-month period ended September 30, 2018, sales were \$3,828.7 million, an increase of 8.7% compared to \$3,521.2 million for the same nine-month period a year ago. Organic growth of 2.3%, a 5.9% impact of the nine aforementioned acquisitions drove the sales increase with a negligible impact from foreign currency translation

Selling, general and administrative expenses (“SG&A”) were \$198.1 million and \$583.9 million for the three-month and nine-month periods ended September 30, 2018, compared to \$191.0 million and \$561.0 million for same periods in the prior year, respectively. The increase in SG&A expenses for the comparative three-month periods is attributable to the acquisition of Treofan.

The Company recorded an expense of \$1.3 million (\$1.3 million after tax) for restructuring and other items in the third quarter of 2018 compared to \$2.9 million (\$2.4 million after tax) for the third quarter of 2017. For the third quarter of 2018, restructuring and other items were principally acquisition-related transaction costs. Restructuring and other items for the 2017 third quarter were mainly restructuring and transaction costs related to the 2016 acquisition of Checkpoint and the 2017 acquisition of Innovia. For the nine-month period ending September 30, 2018, the Company recorded \$8.2 million (\$7.2 million after tax) in restructuring and other items primarily related to the Checkpoint acquisition and other transaction costs. For the nine-month period of 2017,

restructuring and other items were \$15.5 million (\$12.3 million after tax), primarily related to the Checkpoint and Innovia acquisitions.

Operating income (a non-IFRS financial measure; refer to definition in Section 14) for the third quarter of 2018 was \$186.2 million, compared to \$185.3 million for the third quarter of 2017. Excluding the \$4.3 million non-cash acquisition accounting adjustment expensed to cost of goods sold to fair value the inventory for the acquisition of Treofan, operating income improved to \$190.5 million. Foreign currency translation had a 2.2% positive impact on operating income for the comparable three-month periods. For the nine months ended September 30, 2018, operating income increased 7.9%, excluding the 2018 and 2017 non-cash acquisition accounting adjustments related to inventory for the Treofan and Innovia acquisitions, respectively. The three-month and nine-month increases were due to the improved results for the CCL and Checkpoint Segments partially offset by declines in the Avery and Innovia Segments compared to the same periods in 2017. Foreign currency translation had a negligible impact on operating income for the comparable nine-month periods.

Earnings before net finance cost, taxes, earnings in equity accounted investments, depreciation and amortization, non-cash acquisition accounting adjustments to inventory expensed to cost of goods sold, restructuring and other items (“EBITDA,” a non-IFRS financial measure; refer to definition in Section 14) was \$246.7 million for the third quarter of 2018, an increase of 2.7% compared to \$240.1 million for the third quarter of 2017. Foreign currency translation had a 2.0% positive impact on EBITDA for the comparative third quarters. For the nine months ended September 30, 2018, EBITDA was \$751.0 million, an increase of 7.3% compared to \$700.2 million in the comparable 2017 nine-month period driven principally by the newly acquired businesses and organic improvements in the legacy operations. Foreign currency translation had a negligible impact for the comparable nine-month periods.

Net finance cost was \$21.1 million and \$60.9 million for the three-month and nine-month periods ended September 30, 2018, compared to \$18.9 million and \$51.4 million for the same periods in the prior year, respectively. The increase in net finance cost for the three-month and nine-month periods ended September 30, 2018, was attributable to a higher average interest cost compared to the 2017 periods and the primarily debt-financed acquisitions of Treofan and Innovia on July 2, 2018, and February 28, 2017.

The overall effective income tax rate was 25.6% and 25.7% for the three-month and nine-month periods ended September 30, 2018, compared to 29.9% and 28.9% for the same periods in the prior year, respectively. The decrease in the effective tax rate for the three-month and nine-month periods ended September 30, 2018, was primarily driven by the impact of the U.S. Tax Cuts and Jobs Act which is expected to reduce the overall consolidated effective tax rate for the 2018 year by approximately 3.0%. The effective tax rate may increase in future periods if a higher portion of the Company’s taxable income is earned in higher tax jurisdictions.

Net earnings for the third quarter of 2018 were \$112.7 million compared to \$106.9 million for the third quarter of 2017. This resulted in basic and diluted earnings of \$0.63 per Class B share, for the 2018 third quarter compared to basic and diluted earnings of \$0.60 and \$0.59, respectively, per Class B share for the prior year third quarter.

Net earnings for the nine-month period of 2018 were \$352.5 million, an increase of 15.7% compared to \$304.7 million for the same period a year ago. This resulted in basic and diluted earnings of \$1.99 and \$1.97 per Class B share, respectively, for the 2018 nine-month period compared to basic and diluted earnings of \$1.73 and 1.71 per Class B share, respectively, for the prior year nine-month period. The weighted average number of shares for the 2018 nine-month period were 176.7 million basic and 178.7 million diluted shares compared to 175.8 million basic and 178.1 million diluted shares for the comparable period of 2017. Diluted shares include weighted average in-the-money equity compensation arrangement totaling 2.0 million shares.

Adjusted basic earnings per Class B share were \$0.66 and \$2.05 for the three-month and nine-month periods of 2018, respectively, compared to \$0.61 and \$1.86 for the same periods of 2017.

The following table is presented to provide context to the comparative change in the adjusted basic earnings per share.

(in Canadian dollars)

Adjusted Basic Earnings per Class B Share	Third Quarter		Year-To-Date	
	2018	2017	2018	2017
Basic earnings per Class B share	\$ 0.63	\$ 0.60	\$ 1.99	\$ 1.73
Restructuring and other items	0.01	0.01	0.04	0.07
Non-cash acquisition accounting adjustment related to inventory	0.02	-	0.02	0.06
Adjusted basic earnings ⁽¹⁾ per class B share	\$ 0.66	\$ 0.61	\$ 2.05	\$ 1.86

⁽¹⁾ Adjusted Basic Earnings per Class B Share is a non-IFRS financial measure. Refer to definition in Section 14.

The following is selected financial information for the eleven most recently completed quarters:

(In millions of Canadian dollars, except per share amounts)

	<u>Qtr 1</u>	<u>Qtr 2</u>	<u>Qtr 3</u>	<u>Qtr 4</u>	<u>Total</u>
Sales					
2018	\$ 1,227.1	\$ 1,264.4	\$ 1,337.2	\$ -	\$ 3,828.7
2017	1,061.5	1,252.9	1,206.8	1,234.5	4,755.7
2016	866.8	960.2	1,089.3	1,058.4	3,974.7
Net earnings					
2018	118.7	121.1	112.7	-	352.5
2017	87.9	109.9	106.9	169.4	474.1
2016	89.7	72.2	86.1	98.3	346.3
Net earnings per Class B share					
Basic					
2018	0.67	0.69	0.63	-	1.99
2017	0.50	0.63	0.60	0.97	2.70
2016	0.51	0.42	0.49	0.56	1.98
Adjusted basic net earnings per Class B share					
2018	0.69	0.70	0.66	-	2.05
2017	0.57	0.68	0.61	0.83	2.69
2016	0.53	0.56	0.60	0.59	2.28
Net earnings per Class B share					
Diluted					
2018	0.66	0.68	0.63	-	1.97
2017	0.49	0.63	0.59	0.95	2.66
2016	0.51	0.41	0.48	0.55	1.95

The quarterly financial results above are affected by the seasonality of the business Segments. The first and second quarters of a year are traditionally higher sales periods for the CCL and Innovia Segments as a result of the greater number of work days than the third and fourth quarters plus the seasonality of certain end markets. For Avery, the third quarter has historically been its strongest, as it benefits from the increased demand related to back-to-school activities in North America. For the Checkpoint Segment, in its recurring revenue streams, the second half of the calendar year is healthier as the business substantially follows the retail cycle of its customers, which traditionally experiences more consumer activity from September through the end of the year and prepares for the same in its supply chain from mid-year on.

3. Business Segment Review

CCL Segment (“CCL”)

(\$ millions)	Third Quarter			Year-to-Date		
	<u>2018</u>	<u>2017</u>	<u>+/-</u>	<u>2018</u>	<u>2017</u>	<u>+/-</u>
Sales	\$ 816.2	\$ 736.6	10.8%	\$ 2,427.9	\$ 2,239.4	8.4%
Operating Income ⁽¹⁾	\$ 117.6	\$ 102.3	15.0%	\$ 391.2	\$ 337.7	15.8%
Return on Sales ⁽¹⁾	14.4%	13.9%		16.1%	15.1%	
Capital Spending	\$ 53.9	\$ 41.1	31.1%	\$ 225.6	\$ 204.1	10.5%
Depreciation and Amortization	\$ 48.9	\$ 48.2	1.5%	\$ 146.3	\$ 140.0	4.5%

⁽¹⁾ Operating Income and Return on Sales are non-IFRS financial measures. Refer to definitions in Section 14.

The CCL Segment has five customer sectors. The Company trades in three of them as CCL Label (and CCL Container or CCL Tube to recognize product differentiation where relevant) and one each as CCL Design and CCL Secure. The differentiated CCL sub-branding, points to the nature of the application for the final product. The sectors have many common or overlapping customers, process technologies, information technology systems, raw material suppliers and operational infrastructures. CCL supplies innovative labels, aluminum aerosols and tube solutions to Home & Personal Care customers; decorative and functional labels for Food & Beverage companies to premiumize brands; and regulated and complex multi-layer labels for major pharmaceutical, consumer medicine, medical instrument and industrial or consumer chemical customers referred to as the Healthcare & Specialty business. CCL Design, supplies long-life, high performance labels and other products to automotive, electronics and durable goods OEMs. CCL Secure supplies polymer banknote substrate, pressure sensitive stamps, passport components and other security products to government institutions and to corporations for brand protection.

Sales for CCL were \$816.2 million for the third quarter of 2018, compared to \$736.6 million for the same quarter last year. The components of the 10.8% increase in sales are organic growth of 7.5%, the impact from the Acrus-CCL, Fascia, Nortec and Korsini acquisitions of 1.4% and a 1.9% positive impact from foreign currency translation.

North American sales were up high-single digit for the third quarter of 2018, excluding currency translation, compared to the third quarter of 2017. Home & Personal Care sales and profitability increased on market share wins in labels and tubes. Healthcare & Specialty sales and profitability were up on solid results in Healthcare offsetting a tough AgChem market. CCL Design profitability improved significantly on operational execution and strong sales mix in electronics markets while automotive demand reduced. Food & Beverage posted strong growth and profitability improvement driven by market share gains in all categories. CCL Secure had a strong quarter on stamp and security document sales. North American profitability, excluding the positive impact of currency translation, increased and return on sales exceeded the prior year third quarter.

Sales in **Europe** were down slightly for the third quarter of 2018, excluding currency translation and acquisitions, compared to the third quarter of 2017. CCL Secure results were, as expected, below the prior year period that included an important new banknote launch in the region. Excluding CCL Secure, European sales increased low single digit. Home & Personal Care profits increased modestly, despite challenging market conditions. Healthcare & Specialty results were even to the prior year period while Food & Beverage recorded solid improvement in sales and profitability attributable to market share wins and foreign exchange accounting gains in Turkey. CCL Design posted sales and profitability gains in electronics and stronger mix in slower German automotive and industrial markets. Overall, European operating income, excluding currency translation, declined compared to the prior year third quarter, entirely due to reduced profitability at CCL Secure.

Sales in **Latin America**, excluding acquisitions and currency translation, improved high single digit compared to the third quarter of 2017, despite a sales hiatus at CCL Secure. Excluding CCL Secure, profitability in the region improved on a recovery in Brazil after the recent trucking strike, the Chilean acquisition and foreign exchange gains in Argentina. Strong Home & Personal Care demand for aerosols offset softer CCL Design performance in Mexico due to start-up costs at the new automotive plant and lower electronics sales. CCL Secure posted an operating loss on low sales in Mexico and provisions for one large customer claim for an export buyer. Excluding the impact of acquisitions and the impact of currency translation, underlying operating income decreased and return on sales declined.

Asia Pacific sales, excluding currency translation, were up high-teens for the third quarter of 2018, compared to the corresponding quarter in 2017. CCL Label sales and profits in China increased significantly, augmented by strong improvement at CCL Design in electronics end markets with profitability aided by the stronger U.S. dollar. Sales and profits increased in ASEAN countries, especially Thailand, while the new plant in Korea reached breakeven compared to a prior year loss. Australian sales increased in all lines of business. Start-up costs for a new Wine & Spirits facility in New Zealand were offset by improved Healthcare results. CCL Secure posted strong sales gains with operating losses significantly reduced for the comparative 2017 third quarter. South Africa revenue and profitability was reduced. For the Asia Pacific region, operating income and return on sales improved significantly for the third quarter of 2018 compared to the third quarter of 2017.

Operating income for the third quarter of 2018 was \$117.6 million, compared to \$102.3 million for the third quarter of 2017. Return on sales was 14.4% compared to the 13.9% recorded for the same period in 2017. The improvement is largely due to the improved results for the legacy CCL Segment operations partially offset by reduced profitability in the CCL Secure polymer banknote operations for the comparative quarters.

Sales backlogs for the label business rarely exceed one month of sales, making forecasts one quarter ahead difficult. Management continues to watch the global economic situation closely along with associated volatility in foreign exchange rates.

CCL invested \$225.6 million in capital spending for the first nine months of 2018, compared to \$204.1 million in the same period in 2017. The investments for the nine-month period are in line with planned capital expenditures for 2018. Major expenditures for the nine-month period related to capacity additions to support the Home & Personal Care, Food & Beverage and Healthcare & Specialty businesses globally. Investments will continue in order to add capacity, broaden capabilities, expand geographically, and replace or upgrade existing plants and equipment. Depreciation and amortization was \$146.3 million for the nine months ended September 30, 2018, compared to \$140.0 million for the same period of 2017.

Avery Segment (“Avery”)

	Third Quarter			Year-to-Date		
	<u>2018</u>	<u>2017</u>	<u>+/-</u>	<u>2018</u>	<u>2017</u>	<u>+/-</u>
Sales	\$ 198.4	\$ 212.0	(6.4%)	\$ 538.8	\$ 581.9	(7.4%)
Operating Income ⁽¹⁾	\$ 40.8	\$ 49.9	(18.2%)	\$ 109.5	\$ 123.8	(11.6%)
Return on Sales ⁽¹⁾	20.6%	23.5%		20.3%	21.3%	
Capital Spending	\$ 3.3	\$ 1.8	83.3%	\$ 8.6	\$ 12.5	(31.2%)
Depreciation and Amortization	\$ 4.1	\$ 4.0	2.5%	\$ 12.3	\$ 12.1	1.7%

Avery is the world’s largest supplier of labels, specialty converted media and software solutions to enable short-run digital printing in businesses and homes alongside complementary office products sold through distributors and mass market retailers. The products are split into three primary lines: (1) Printable Media, including address labels, shipping labels, marketing and product identification labels, business cards, and name badges supported by customized software solutions; (2) Organizational Products Group (“OPG”), including binders, sheet protectors, indexes, dividers and writing instruments; (3) Direct to Consumer digitally imaged media including labels, business cards, name badges and family oriented identification labels supported by unique web-enabled e-commerce URLs.

Avery sales were \$198.4 million for the third quarter of 2018, compared to \$212.0 million for the same quarter last year. The 6.4% decrease in sales can be attributed to 11.1% organic decline in sales partially offset by the 2.0% impact from the Imprint Plus acquisition and a 2.7% positive effect from foreign currency translation.

Sales in **North America** for the third quarter of 2018 were down low double digit excluding currency translation and acquisitions, compared to the third quarter of 2017. Printable Media product lines experienced modest sales and profitability decline due to challenges in traditional office supply channels. Direct to Consumer product lines continued to post double digit sales and profitability improvements. Sales and profitability for OPG declined substantially, principally due to secular declines and share loss in low margin back-to-school ring binders for mass-market retailers.

International sales, largely generated in the Printable Media category, represented approximately 24% of Avery sales for the quarter. Excluding currency translation and acquisitions, sales in Europe and Latin America were up, offsetting declines in Australia

compared to the prior year third quarter. Direct to Consumer sales and profitability growth rates outpaced traditional business lines. Overall profitability for the third quarter of 2018 declined modestly compared to the same period in 2017.

Operating income for the third quarter of 2018 was \$40.8 million compared to \$49.9 million for the third quarter of 2017. Return on sales was 20.6%, compared to 23.5% recorded for the same quarter in 2017.

Avery invested \$8.6 million in capital spending in the first nine months of 2018 compared to \$12.5 million in the same period a year ago. The majority of the expenditures were capacity additions in the Direct to Consumer operations in North America. Depreciation and amortization was \$12.3 million for the 2018 nine-month period compared to \$12.1 million for the 2017 nine-month period.

Checkpoint Segment (“Checkpoint”)

(\$ millions)	Third Quarter			Year-to-Date		
	<u>2018</u>	<u>2017</u>	<u>+/-</u>	<u>2018</u>	<u>2017</u>	<u>+/-</u>
Sales	\$ 168.8	\$ 162.6	3.8%	\$ 523.7	\$ 482.9	8.4%
Operating Income ⁽¹⁾	\$ 25.5	\$ 21.7	17.5%	\$ 75.9	\$ 56.5	34.3%
Return on Sales ⁽¹⁾	15.1%	13.3%		14.5%	11.7%	
Capital Spending	\$ 9.1	\$ 7.8	16.7%	\$ 29.5	\$ 15.7	87.9%
Depreciation and Amortization	\$ 6.8	\$ 7.6	(10.5%)	\$ 21.0	\$ 22.5	(6.7%)

Checkpoint is a leading manufacturer of technology-driven loss-prevention, inventory-management and labeling solutions, including RF and RFID solutions, to the retail and apparel industry. The Segment has three primary product lines: Merchandise Availability Solutions (“MAS”), Apparel Labeling Solutions (“ALS”) and “Meto”. The MAS line focuses on electronic-article-surveillance (“EAS”) systems; hardware, software, labels and tags for loss prevention and inventory control systems including radio frequency identification (“RFID”) solutions. ALS products are apparel labels and tags, some of which are RFID capable. Meto supplies hand-held pricing tools and labels and promotional in-store displays.

Checkpoint sales were \$168.8 million for the third quarter of 2018 compared to \$162.6 million for the third quarter of 2017 with 2.2% organic growth and 1.6% positive impact from foreign currency translation. Solid sales growth in MAS international operations outpaced a slight decline in North America due to a large chainwide technology roll out that commenced in the prior year period; profitability improved on sales mix and supply chain improvements. ALS posted moderate sales growth with significant profitability improvements as restructuring and operational initiatives implemented over the past two years take hold. The small Meto business posted flat sales and a modest decline in profitability for the third quarter of 2018 compared to the same period in 2017.

Operating income increased 17.5% to \$25.5 million for the third quarter of 2018 compared to \$21.7 million for the third quarter of 2017; return on sales increased to 15.1% from 13.3%.

Checkpoint invested \$29.5 million in capital spending for the first nine months of 2018, compared to \$15.7 million for the nine-month period of 2017. The majority of the expenditures were in the Asia Pacific region to enhance capacity and technology within the MAS and ALS manufacturing facilities. Depreciation and amortization was \$21.0 million for the nine-month period ended September 30, 2018, compared to \$ 22.5 million for the nine-month period of 2017.

Innovia Segment (“Innovia”)

(\$ millions)	Third Quarter			Year-to-Date		
	<u>2018</u>	<u>2017</u>	<u>+/-</u>	<u>2018</u>	<u>2017</u>	<u>+/-</u>
Sales	\$ 153.8	\$ 95.6	60.9%	\$ 338.3	\$ 217.0	55.9%
Operating income ⁽¹⁾	\$ 2.3	\$ 11.4	(79.8%)	\$ 9.9	\$ 14.5	(31.7%)
Return on Sales ⁽¹⁾	1.5%	11.9%		2.9%	6.7%	
Capital Spending	\$ 9.0	\$ 3.7	143.2%	\$ 15.6	\$ 6.4	143.8%
Depreciation and Amortization	\$ 10.5	\$ 7.2	45.8%	\$ 26.4	\$ 17.4	51.7%

The Innovia Segment consists of the February 28, 2017, and July 2, 2018, acquired film manufacturing operations of Innovia and Treofan, respectively, and two small legacy CCL extrusion plants. Innovia supplies specialty, high-performance, multi-layer, surface engineered BOPP films from facilities in Australia, Belgium, Mexico and the United Kingdom to customers in the pressure sensitive label materials, flexible packaging and consumer packaged goods industries worldwide. Additionally, a small percentage of the total volume is sold internally to CCL Secure while the smaller legacy facilities produce almost their entire output for CCL Label.

Sales for Innovia were \$153.8 million for the third quarter of 2018 compared to \$95.6 million for the third quarter of 2017. The components of the 60.9% increase in sales are 3.1% positive impact from currency translation and 64.1% from the Treofan acquisition partially offset by an organic decline of 6.3%. Legacy Innovia flexible packaging sales declines more than offset label sales gains with the latter all price driven. Treofan posted solid sales for its inaugural quarter. Operating income was \$2.3 million compared to operating income of \$11.4 million in the 2017 third quarter, albeit 2018 third quarter results included a \$4.3 million non-cash acquisition accounting adjustment to fair value the acquired inventory of Treofan that impacted cost of goods sold, thereby reducing operating income for the quarter. Raw material cost pressures, related pricing challenges and lower flexible packaging sales significantly impacted legacy operations and to a lesser extent the acquired Treofan results.

Innovia invested \$15.6 million in capital spending for the first nine months of 2018 compared to \$6.4 million for the seven-month period post Innovia acquisition.

Depreciation and amortization was \$26.4 million for the nine months ended September 30, 2018, compared to \$17.4 million for the seven-month period of 2017.

Joint Ventures

(\$ millions)	Third Quarter			Year-to-Date		
	<u>2018</u>	<u>2017</u>	<u>+/-</u>	<u>2018</u>	<u>2017</u>	<u>+/-</u>
Sales (at 100%)						
CCL joint ventures	\$ 30.6	\$ 31.5	(2.9%)	\$ 88.0	\$ 96.0	(8.3%)
Rheinfelden*	-	6.1	n.m.	1.3	13.9	(90.6%)
CCL Total	\$ 30.6	\$ 37.6	(18.6%)	\$ 89.3	\$ 109.9	(18.7%)
Earnings (losses) in equity accounted investments						
CCL joint ventures	\$ 1.9	\$ 1.5	26.7%	\$ 3.7	\$ 4.0	(7.5%)
Rheinfelden	(0.4)	(0.5)	20.0%	(1.1)	(1.6)	31.3%
CCL Total	\$ 1.5	\$ 1.0	50.0%	\$ 2.6	\$ 2.4	8.3%

* - primarily sales to the CCL Segment

Results from the joint ventures in CCL-Kontur, Russia; Pacman-CCL, Middle East; CCL-Korsini and Rheinfelden in the United States are not proportionately consolidated into a Segment but instead are accounted for as equity investments. The Company's share of the joint ventures' net earnings is disclosed in "Earnings in Equity Accounted Investments" in the consolidated condensed interim income statements. CCL-Kontur and Pacman-CCL both posted improved sales and profitability on market share gains for the 2018 third quarter compared to the prior year third quarter. Profitability at the Rheinfelden slug operation will not occur until late 2019 due to a small fire in the facility in the first quarter of 2018 and subsequent delay in new equipment installations. Management decided to stop production until early 2019. Earnings in equity accounted investments amounted to \$1.5 million for the third quarter of 2018 compared to income of \$1.0 million for the third quarter of 2017. Commencing October 2017 and May 2018, equity investments no longer include the financial results of the Acrus-CCL and CCL-Korsini ventures, respectively, due to the Company's increase in ownership of the entities to 100%.

4. Currency Transaction Hedging and Currency Translation

Approximately 97% of sales made in the third quarter of 2018 to end-use customers were denominated in foreign currencies leaving the Company exposed to potentially significant translation variances when reporting results publicly in Canadian dollars. The Company does not hedge or manage such translation movements but does actively manage transaction exposures. Where possible, the Company contracts its business in local currencies with both customers and suppliers of raw materials.

The results of the third quarter of 2018 were impacted by the appreciation of the Canadian dollar against the Brazilian real and Mexican peso by 16.4% and 2.0%, respectively, compared to the rates in the same period in 2017. This negative impact

was more than offset by a depreciation of the Canadian dollar relative to the U.S. dollar, euro, U.K. pound, Chinese renminbi and Thai baht of 4.2%, 3.2%, 3.8%, 2.2% and 5.5%, respectively, when comparing the rates in the third quarters of 2018 and 2017. For the third quarter of 2018, currency translation had a \$0.01 positive impact on earnings per Class B share compared to last year's third quarter.

5. Liquidity and Capital Resources

The Company's capital structure is as follows:

(\$ Millions)	September 30, 2018		December 31, 2017	
Current Debt	\$	65.0	\$	230.6
Long-term debt		2,414.7		2,100.8
Total debt		2,479.7		2,331.4
Cash and cash equivalents		(438.2)		(557.5)
Net debt ⁽¹⁾	\$	2,041.5	\$	1,773.9
EBITDA ⁽¹⁾⁽²⁾	\$	1,010.0	\$	959.2
Net debt to EBITDA ⁽¹⁾		2.02		1.85

(1) Net debt, EBITDA and net debt to EBITDA are non-IFRS financial measures. Refer to definitions in Section 14.

(2) EBITDA is calculated on a trailing twelve month basis. Refer to definitions in Section 14.

During the first quarter of 2018, the Company amended its syndicated credit facilities extending the maturity of its US\$402.0 million term loan facility from February 2019 to February 2020 and its US\$1.2 billion revolving credit facility from December 2020 to March 2023. Both the term loan and revolving credit facilities incur interest at the applicable domestic rate plus an interest rate margin linked to the Company's net debt to EBITDA. In addition, the Company signed a bilateral credit commitment for US\$100.0 million, which expires April 2, 2019. This bilateral term loan incurs interest at the applicable domestic rate plus an interest rate margin linked to the Company's net debt to EBITDA.

During the second quarter of 2018, the Company closed its initial Canadian offering memorandum for \$300.0 million aggregate principal amount of 3.864% bonds due April 2028. The bonds are unsecured senior obligations. The proceeds of the offering were used to repay drawn debt within the Company's revolving credit facility.

During the first nine months of 2018, the Company drew down \$810.2 million on its syndicated revolving credit facility, a bilateral credit facility and the aforementioned Canadian bonds. Payments on debt of \$705.0 million, included the proceeds from the Canadian bond offering used to repay syndicated revolving debt, a bilateral credit facility and two private debt placements in the first nine months of 2018.

The Company's debt structure at September 30, 2018, was primarily comprised of the 144A private bonds of US\$500.0 million (C\$645.4 million), the aforementioned Canadian bonds of \$300 million, outstanding debt totaling of \$1,051.8 million under the

syndicated revolving credit facility and a term loan facility of US\$378.0 million (C\$487.9 million). The Company's debt structure at December 31, 2017, was comprised of the 144A private bonds of US\$500.0 million (C\$620.3 million) two private debt placements completed in 1998 and 2008 for a total of US\$129.0 million (C\$162.0 million), outstanding debt under the syndicated revolving credit facility of \$1.0 billion and the term loan facility of US\$414.0 million (C\$520.0 million).

The current portion of long-term debt primarily consists of US\$12.0 million quarterly payments against the Company's term loan facility.

Net debt was \$2,041.5 million at September 30, 2018, \$267.6 million higher than the net debt of \$1,773.9 million at December 31, 2017. The increase in net debt is primarily due to the increased borrowings to fund five business acquisitions in the nine-month period ended September, 2018 compared to net debt at December 31, 2017.

Net debt to EBITDA, at September 30, 2018, was 2.02 times, compared to 1.85 times at December 31, 2017, reflecting the increase in net debt attributable to the Treofan acquisition partially offset by repayments of total debt during the quarter.

Including \$3.5 million of outstanding letters of credit, the Company had approximately US\$383 million of available capacity within its revolving credit facility as at September 30, 2018.

The Company's overall average finance rate was 2.7% as at September 30, 2018, and 2.9% at December 31, 2017.

The Company believes it is in compliance with all its debt covenants and that it has sufficient cash on hand, unused credit lines and the ability to generate cash flow from operations to fund its expected financial obligations for the next few years.

6. Cash Flow

Summary of Cash Flows	Third Quarter		Year-to-Date	
	2018	2017	2018	2017
Cash provided by operating activities	\$ 178.1	\$ 193.5	\$ 443.5	\$ 424.9
Cash provided by (used in) financing activities	(173.6)	(99.1)	54.7	922.0
Cash used for investing activities	(378.0)	(45.6)	(613.9)	(1,410.1)
Translation adjustments on cash and cash equivalents	(10.7)	(13.1)	(3.6)	(9.0)
Increase (decrease) in cash and cash equivalents	\$ (384.2)	\$ 35.7	\$ (119.3)	\$ (72.2)
Cash and cash equivalents – end of period	\$ 438.2	\$ 512.9	\$ 438.2	\$ 512.9
Free cash flow from operations ⁽¹⁾	\$ 103.5	\$ 147.8	\$ 180.8	\$ 198.6

⁽¹⁾ Free cash flow from operations is non-IFRS financial measure. Refer to definition in Section 14.

During the third quarters of 2018 and 2017, the Company generated cash from operating activities of \$178.1 million and \$193.5 million, respectively. Free cash flow

from operations was an inflow of \$103.5 million in the 2018 third quarter compared to an inflow of \$147.8 million in the prior year third quarter. The change in free cash flow from operations was primarily due to an increase in net capital expenditures for the comparative quarters.

Capital spending in the third quarter of 2018 amounted to \$75.3 million compared to \$54.4 million in the 2017 third quarter. Depreciation and amortization for the third quarters of 2018 and 2017 were \$70.5 million and \$67.3 million, respectively. Capital spending in 2018 is expected to be approximately \$350.0 million. The Company is continuing to seek investment opportunities to expand its business geographically, add capacity in its facilities and improve its competitiveness.

Dividends in the third quarters of 2018 and 2017 were \$23.1 million and \$20.3 million, respectively. The total number of shares issued and outstanding as at September 30, 2018 and 2017, were 177.7 million and 176.7 million, respectively. Since the Company's current cash flow and financial position are strong and its outlook for the remainder of 2018 continues to be positive, the Board of Directors has approved a dividend of \$0.1275 per Class A share and \$0.13 per Class B share to shareholders of record as of December 7, 2018, and payable December 21, 2018. The annualized dividend rate is \$0.51 per Class A share and \$0.52 per Class B share.

7. Interest rate and Foreign Exchange Management

Since the Company has developed into a global business with a significant asset base in the United States and Europe, the majority of the Company's debt is drawn in United States dollars and euros. The Company continues to evaluate the appropriate levels of fixed versus floating interest rate and underlying currency of its drawn debt.

As at September 30, 2018, the Company had US\$911.8 million, EUR226.1 million and GBP60.3 million term loan and syndicated bank credit facility, which are hedging a portion of its US\$-based, euro-based and GBP-based investments and cash flows.

As at September 30, 2018, the Company utilized cross-currency interest rate swap agreements ("CCIRSA") to hedge its euro-based assets and cash flows, effectively converting notional US\$264.7 million 3.25% fixed rate debt into 1.23% fixed rate euro debt and US\$111.5 million 3.25% fixed rate debt into 1.16% fixed rate euro debt. The effect of the CCIRSA has been to decrease finance cost by \$6.7 million for the nine months ended September 30, 2018.

9. Accounting Policies

A) Critical Accounting Estimates

The preparation of the Company's financial statements in accordance with IFRS requires management to make estimates and assumptions that impact the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. The Company evaluates these estimates and assumptions on a regular basis, based upon historical experience and other relevant factors. Actual results could differ materially from these estimates

and assumptions. The critical accounting policies are impacted by judgments, assumptions and estimates used in the preparation of the consolidated condensed interim financial statements. The material impact on reported results and the potential impact and any associated risk related to these estimates are discussed throughout this MD&A and in the notes to the consolidated condensed interim financial statements.

The 2017 annual audited consolidated financial statements and notes thereto, as well as the 2017 annual MD&A, have identified the accounting policies and estimates that are critical to the understanding of the Company's business operations and results of operations. For the nine months ended September 30, 2018, there are no changes to the critical accounting policies and estimates from those described in the 2017 annual MD&A, except as outlined below.

In July 2014, the complete IFRS 9, *Financial Instruments* ("IFRS 9"), was issued by the IASB. IFRS 9 introduces new requirements for the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new "expected credit loss" model for calculating impairment. IFRS 9 also includes a new general hedge accounting standard that aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness; however, it will provide for more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. This standard became effective for the Company on January 1, 2018, and did not have a material impact on its financial statements.

In May 2014, IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"), was issued and provides guidance on the timing and amount of revenue that should be recognized and also requires more informative and relevant disclosures. The standard provides a single, principles-based five-step model to be applied to all contracts with customers. This standard became effective for the Company on January 1, 2018, and did not have a material impact on its financial statements.

In June 2016, the amendments to IFRS 2, *Share-based Payment* ("IFRS 2"), was issued by the IASB. The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligation, and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. These amendments became effective for the Company on January 1, 2018, and did not have a material impact on its financial statements.

B) Inter-Company and Related Party Transactions

A summary of the Company's related party transactions are set out in note 26 of the annual consolidated financial statements for the year ended December 31, 2017.

C) Recently Issued New Accounting Standards, Not Yet Effective

In January 2016, IFRS 16 was issued by the IASB. This standard introduces a single-lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. The new standard is effective for annual periods beginning on or after January 1, 2019.

The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019, using the modified retrospective approach and the practical expedients related to, i. grandfather previous assessments of which existing contracts are, or contain, leases, ii. short-term leases, and, iii. leases of low-value items. Under this approach the Company will recognize transitional adjustments in retained earnings on the date of initial application, without restating prior periods. The Company has collected and catalogued existing leases and performed an initial interim assessment with respect to analyzing the impact of the new standard. New leases are being entered into between the initial assessment and the implementation date and it is not yet possible to make a reliable estimate of the impact of the new standard on the Company's consolidated condensed interim financial statements..

In June 2017, IFRIC 23 was issued by the IASB. The interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The interpretation requires an entity to contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution, to determine if it is probable that the tax authorities will accept the uncertain tax treatment, and if it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. The interpretation is effective for annual periods beginning on or after January 1, 2019. The Company intends to adopt the IFRIC 23 in its financial statements for the annual period beginning on January 1, 2019. The Company is currently evaluating the impact of IFRIC 23 on its consolidated financial statements.

10. Commitments and Contingencies

The Company has no material "off-balance sheet" financing obligations, except for long-term operating lease agreements and loan guarantees. The nature of these

commitments are described in note 25 and note 26 of the annual consolidated financial statements for the year ended December 31, 2017. There are no defined benefit plans funded with CCL Industries Inc. stock. There have been no material changes during the first nine months of 2018.

11. Controls and Procedures

In accordance with the provisions of National Instrument 52-109 – Certification of Disclosure in Issuers’ Annual and Interim Filings, management, including the CEO and CFO, have limited the scope of their design of the Company’s disclosure controls and procedures and internal control over financial reporting to exclude controls, policies and procedures of Treofan. The Company acquired Treofan on July 2, 2018, for approximately \$303.4 million.

The scope of the limitation is primarily based on the time required to assess Treofan’s disclosure controls and procedures and internal control over financial reporting in a manner consistent with the Company’s other operations. Further details related to the summary financial information of Treofan is disclosed in Note 3(g) of the Company’s unaudited interim financial statements for the period ended September 30, 2018.

Except for the preceding changes, there were no other material changes in internal control over financial reporting in the nine-month period ended September 30, 2018.

12. Risks and Strategies

The 2017 MD&A in the annual report detailed risks to the Company’s business and the strategies planned for 2018 and beyond. There have been no material changes to those risks and strategies during the first nine months of 2018. Additional risks to consider, resulting from the Treofan acquisition, are listed below.

Risks in integrating and restructuring Treofan.

The Company acquired the North American operations of Treofan on July 2, 2018, and immediately commenced an integration and restructuring initiative. Treofan has a significant number of employees with a large manufacturing facility in Mexico and significant distribution facility in the United States supplying BOPP films. The size, geographic scope and complexity of Treofan’s operations exceed the typical acquisition of the Company and therefore the integration and restructuring initiative may be more complex and time consuming. A failure to integrate and restructure the acquired business in a timely and effective manner could have a material adverse effect on the Company’s business, financial condition and results of operations.

13. Outlook

The third quarter of 2018 was another period of mixed results for the Company, with robust organic sales growth for the CCL segment inclusive of reduced volumes for CCL Secure. Legacy CCL Label businesses including CCL Design posted strong results. Checkpoint benefited from modest organic sales growth and strong operational

execution. Innovia and the newly acquired Treofan are fighting rising input cost pressures but have taken initiatives to improve results. Avery profitability declined primarily on lost revenues in low-margin ring binders but remained CCL's highest margin Segment. Consolidated third quarter adjusted basic earnings were solid at \$0.66 per class B share.

CCL delivered very strong third quarter organic growth excluding the results of the banknote substrate operations. The legacy operations of CCL Label and CCL Design should carry their current momentum into the fourth quarter with the expectation of at least matching an unusually robust prior year fourth quarter. CCL Secure expects to have a stronger fourth quarter relative to the two most recent quarters of 2018 but is expected to be below the corresponding period of 2017, which included large deliveries for a new banknote in Europe and higher demand in Mexico.

Avery will continue to face challenges in traditional office supply channels but passes the share loss in ring binders now that the back-to-school season has completed. The direct-to-consumer digital businesses such as the recently acquired Imprint Plus will continue to deliver good growth and profitability and are becoming an important leg of the Avery segment. Fourth quarter results will be contingent on realized sales mix compared to a strong 2017 period, which included some buy forwards ahead of a January 1, 2018 price increase.

Checkpoint organic growth tailwinds have moderated into the back half of 2018 with the two large technology rollout projects completed in the second quarter of 2018. Post-acquisition restructuring initiatives will be driving improved profitability improvement in absence of new large customer wins. Strategies going forward will be more qualitative as manufacturing facilities are improved, the supply chain optimized, new products introduced and customers added.

Financial results for Innovia were disappointing for the third quarter as the operation continues to grapple with protracted periods of polypropylene resin cost increases and ancillary cost pressures. These have showed early signs of stabilizing but price pass through mechanisms to customers have lagged considerably. With the addition of Treofan, focus will be directed towards integration of the Segment's manufacturing footprint, including improving operations and managing the cost-price equation to position the business for improved results. It is unlikely that performance will improve materially before 2019.

Order levels going into the fourth quarter of 2018 remain strong for the CCL Segment including improved volumes for CCL Secure and with the expectation for a strong retail season for Avery and Checkpoint.

The Company finished the third quarter with \$438.2 million of cash-on-hand, and additional liquidity of US\$383 million within its syndicated revolving credit facility. The Company remains focused on vigilantly managing working capital and prioritizing capital to higher-growth organic opportunities or unique acquisitions expected to enhance shareholder value. The Company's capital spending for the year is expected to be approximately \$350.0 million.

The Company has increased U.S. dollar transaction risk post the Innovia, Checkpoint and Worldmark acquisitions as each has U.S. dollar-denominated sales manufactured in foreign currencies. Foreign currency translation is expected to be a modest benefit at current exchange rates for the fourth quarter, largely due to the strengthening of the euro and U.S. dollar to the Canadian dollar.

14. Key Performance Indicators and Non-IFRS Financial Measures

The Company measures the success of the business using a number of key performance indicators, many of which are in accordance with IFRS as described throughout this report. The following performance indicators are not measurements in accordance with IFRS and should not be considered as an alternative to or replacement of net earnings or any other measure of performance under IFRS. These non-IFRS measures do not have any standardized meaning and may not be comparable to similar measures presented by other issuers. In fact, these additional measures are used to provide added insight into the Company's results and are concepts often seen in external analysts' research reports, financial covenants in banking agreements and note agreements, purchase and sales contracts on acquisitions and divestitures of the business, and in discussions and reports to and from the Company's shareholders and the investment community. These non-IFRS measures will be found throughout this report and are referenced alphabetically in the definition section below.

Adjusted Basic Earnings per Class B Share – An important non-IFRS measure to assist in understanding the ongoing earnings performance of the Company excluding items of a one-time or non-recurring nature. It is not considered a substitute for basic net earnings per Class B share, but it does provide additional insight into the ongoing financial results of the Company. This non-IFRS measure is defined as basic net earnings per Class B share excluding gains on business dispositions, goodwill impairment loss, non-cash acquisition accounting adjustments to inventory, restructuring and other items and tax adjustments.

EBITDA - A critical financial measure used extensively in the packaging industry and other industries to assist in understanding and measuring operating results. It is also considered as a proxy for cash flow and a facilitator for business valuations. This non-IFRS measure is defined as earnings before net finance cost, taxes, depreciation and amortization, goodwill impairment loss, non-cash acquisition accounting adjustments to inventory, earnings in equity accounted investments, and restructuring and other items. The Company believes that EBITDA is an important measure as it allows the assessment of the ongoing business without the impact of net finance cost, depreciation and amortization and income tax expenses, as well as non-operating factors and one-time items. As a proxy for cash flow, it is intended to indicate the Company's ability to incur or service debt and to invest in property, plant and equipment, and it allows comparison of the business to that of its peers and competitors who may have different capital or organizational structures. EBITDA is a measure tracked by financial analysts and investors to evaluate financial performance and is a key metric in business valuations. EBITDA is considered an important measure by lenders to the Company and is included in the financial covenants for the Company's bank lines of credit.

The following table reconciles EBITDA measures to IFRS financial measures reported in the consolidated income statements for the periods ended as indicated.

(in millions of Canadian dollars) EBITDA	Third Quarter		Year-to-Date	
	2018	2017	2018	2017
Net earnings	\$ 112.7	\$ 106.9	\$ 352.5	\$ 304.7
Corporate expense	14.3	12.5	46.5	40.2
Earnings in equity accounted investments	(1.5)	(1.0)	(2.6)	(2.4)
Finance cost, net	21.1	18.9	60.9	51.4
Restructuring and other items – net loss	1.3	2.9	8.2	15.5
Income taxes	38.3	45.1	121.0	123.1
Operating income (a non-IFRS measure)	\$ 186.2	\$ 185.3	\$ 586.5	\$ 532.5
Less: Corporate expense	(14.3)	(12.5)	(46.5)	(40.2)
Add: Depreciation and amortization	70.5	67.3	206.7	192.7
Add: Non-cash acquisition accounting adjustment to inventory	4.3	-	4.3	15.2
EBITDA (a non-IFRS measure)	\$ 246.7	\$ 240.1	\$ 751.0	\$ 700.2
			2018	2017
EBITDA for 12 months ended December 31, 2017 and 2016, respectively			\$ 959.2	\$ 792.7
less: EBITDA for nine months ended September 30, 2017 and 2016, respectively			(700.2)	(588.3)
add: EBITDA for nine months ended September 30, 2018 and 2017 respectively			751.0	700.2
EBITDA for 12 months ended September 30			\$ 1,010.0	\$ 904.6

Free Cash Flow from Operations – A measure indicating the relative amount of cash generated by the Company during the period and available to fund dividends, debt repayments and acquisitions. It is calculated as cash flow from operations less capital expenditures, net of proceeds from the sale of property, plant and equipment.

The following table reconciles the free cash flow from operations measure to IFRS measures reported in the consolidated statements of cash flows for the periods ended as indicated.

(in millions of Canadian dollars) Free Cash Flow from Operations	Third Quarter		Year-to-Date	
	2018	2017	2018	2017
Cash provided by operating activities	\$ 178.1	\$ 193.5	\$ 443.5	\$ 424.9
Less: Additions to property, plant and equipment	(75.3)	(54.4)	(280.0)	(238.7)
Add: Proceeds on disposal of property, plant and equipment	0.7	8.7	17.3	12.4
Free Cash Flow from Operations	\$ 103.5	\$ 147.8	\$ 180.8	\$ 198.6

Net Debt – A measure indicating the financial indebtedness of the Company assuming that all cash on hand is used to repay a portion of the outstanding debt. It is defined as

current debt, which includes bank advances, plus long-term debt, less cash and cash equivalents.

Net Debt to EBITDA (or leverage ratio) – A measure that indicates the Company's ability to service its existing debt. Net Debt to EBITDA is calculated as net debt divided by EBITDA.

Operating Income – A measure indicating the profitability of the Company's business units defined as income before corporate expenses, net finance cost, goodwill impairment loss, earnings in equity-accounted investments, restructuring and other items and tax.

See EBITDA definition above for a reconciliation of Operating Income measures to IFRS financial measures reported in the consolidated income statements for the periods ended as indicated.

Restructuring and Other Items – A measure of significant non-recurring items that are included in net earnings. The impact of restructuring and other items on a per share basis is measured by dividing the after-tax effect of the restructuring and other items by the average number of shares outstanding in the relevant period. Management will continue to disclose the impact of these items on the Company's results because the timing and extent of such items do not reflect or relate to the Company's ongoing operating performance. Management evaluates the operating income of its segments before the effect of these items.

Return on Sales - A measure indicating relative profitability of sales to customers. It is defined as Operating Income (see definition above) divided by sales, expressed as a percentage.

The following table reconciles the Return on Sales measure to IFRS financial measures reported in the consolidated income statements in the industry segment information as per note 4 of the Company's consolidated condensed interim financial statements for the periods ended as indicated.

(in millions of Canadian dollars)

Industry Segments	Sales Third Quarter		Operating Income Third Quarter		Return on Sales Third Quarter	
	2018	2017	2018	2017	2018	2017
CCL	\$ 816.2	\$ 736.6	\$ 117.6	\$ 102.3	14.4%	13.9%
Avery	198.4	212.0	40.8	49.9	20.6%	23.5%
Checkpoint	168.8	162.6	25.5	21.7	15.1%	13.3%
Innovia	153.8	95.6	2.3	11.4	1.5%	11.9%
Total Operations	\$ 1,337.2	\$ 1,206.8	\$ 186.2	\$ 185.3	13.9%	15.4%

Supplemental Financial Information

**Sales Change Analysis
Revenue Growth Rates (%)**

	Three Months Ended September 30, 2018				Nine Months Ended September 30, 2018			
	Organic Growth	Acquisition Growth	FX Translation	Total	Organic Growth	Acquisition Growth	FX Translation	Total
CCL	7.5%	1.4%	1.9%	10.8%	4.8%	3.1%	0.5%	8.4%
Avery	(11.1%)	2.0%	2.7%	(6.4%)	(9.1%)	2.0%	(0.3%)	(7.4%)
Checkpoint	2.2%	-	1.6%	3.8%	7.6%	-	0.8%	8.4%
Innovia	(6.3%)	64.1%	3.1%	60.9%	(4.7%)	57.9%	2.7%	55.9%
Total	2.4%	6.3%	2.1%	10.8%	2.3%	5.9%	0.5%	8.7%