

Consolidated Condensed Interim Financial Statements
(In millions of Canadian dollars)

CCL INDUSTRIES INC.

Interim periods ended September 30, 2018 and 2017
Unaudited

CCL Industries Inc.

Consolidated condensed interim statements of financial position

Unaudited

In millions of Canadian dollars

	As at September 30	As at December 31
	<u>2018</u>	<u>2017</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 438.2	\$ 557.5
Trade and other receivables	964.3	821.3
Inventories	530.1	425.1
Prepaid expenses	37.7	33.6
Income tax recoverable	17.5	13.1
Derivative instruments	-	1.0
Total current assets	1,987.8	1,851.6
Non-current assets		
Property, plant and equipment	1,715.6	1,514.7
Goodwill	1,753.7	1,580.7
Intangible assets	1,092.2	1,082.7
Deferred tax assets	32.7	28.8
Equity accounted investments	56.0	54.0
Other assets	33.2	31.5
Total non-current assets	4,683.4	4,292.4
Total assets	\$ 6,671.2	\$ 6,144.0
Liabilities		
Current liabilities		
Trade and other payables	\$ 1,117.0	\$ 1,018.4
Current portion of long-term debt (note 8)	65.0	230.6
Income taxes payable	48.2	50.7
Total current liabilities	1,230.2	1,299.7
Non-current liabilities		
Long-term debt (note 8)	2,414.7	2,100.8
Deferred tax liabilities	210.5	183.5
Employee benefits	324.1	333.6
Provisions and other long-term liabilities	15.1	17.8
Derivative instruments	45.9	50.7
Total non-current liabilities	3,010.3	2,686.4
Total liabilities	4,240.5	3,986.1
Equity		
Share capital	305.9	279.4
Contributed surplus	87.6	78.0
Retained earnings	2,137.0	1,853.4
Accumulated other comprehensive loss (note 5)	(99.8)	(52.9)
Total equity attributable to shareholders of the Company	2,430.7	2,157.9
Acquisitions (note 3)		
Subsequent event (note 9)		
Total liabilities and equity	\$ 6,671.2	\$ 6,144.0

CCL Industries Inc.

Consolidated condensed interim income statements

Unaudited

In millions of Canadian dollars, except per share information

	<u>Three Months Ended September 30</u>		<u>Nine Months Ended September 30</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Sales	\$ 1,337.2	\$ 1,206.8	\$ 3,828.7	\$ 3,521.2
Cost of sales	967.2	843.0	2,704.8	2,467.9
Gross profit	370.0	363.8	1,123.9	1,053.3
Selling, general and administrative expenses	198.1	191.0	583.9	561.0
Restructuring and other items (note 6)	1.3	2.9	8.2	15.5
Earnings in equity accounted investments	(1.5)	(1.0)	(2.6)	(2.4)
	172.1	170.9	534.4	479.2
Finance cost	22.1	19.9	64.0	54.9
Finance income	(1.0)	(1.0)	(3.1)	(3.5)
Net finance cost	21.1	18.9	60.9	51.4
Earnings before income taxes	151.0	152.0	473.5	427.8
Income tax expense	38.3	45.1	121.0	123.1
Net earnings for the period	\$ 112.7	\$ 106.9	\$ 352.5	\$ 304.7
Basic earnings per Class B share (note 2(d))	\$ 0.63	\$ 0.60	\$ 1.99	\$ 1.73
Diluted earnings per Class B share (note 2(d))	\$ 0.63	\$ 0.59	\$ 1.97	\$ 1.71

CCL Industries Inc.

Consolidated condensed interim statements of comprehensive income Unaudited

In millions of Canadian dollars

	Three Months Ended September 30		Nine Months Ended September 30	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Net earnings	\$ 112.7	\$ 106.9	\$ 352.5	\$ 304.7
Other comprehensive income (loss), net of tax:				
Items that may subsequently be reclassified to income:				
Foreign currency translation adjustment for foreign operations, net of tax recovery of \$3.7 and tax expense of \$0.6 for the three-month and nine-month periods ended September 30, 2018 (2017 - tax recovery of \$5.7 and \$9.8)	(109.0)	(93.8)	(15.8)	(123.7)
Net gains (losses) on hedges of net investment in foreign operations, net of tax expense of \$5.4 and tax recovery of \$2.8 for the three-month and nine-month periods ended September 30, 2018 (2017 - tax expense of \$7.1 and \$8.2)	37.0	49.0	(30.2)	56.6
Effective portion of changes in fair value of cash flow hedges, net of tax of nil and tax expense of \$0.1 for the three-month and nine-month periods ended September 30, 2018 (2017 - tax recovery of \$0.1 and \$0.7)	(0.5)	2.0	(0.4)	7.5
Net change in the fair value of cash flow hedges transferred to the income statement, net of tax of nil and tax expense of \$0.1 for the three-month and nine-month periods ended September 30, 2018 (2017 - tax expense of \$0.1 and \$0.3)	-	(0.2)	(0.5)	(0.6)
Other comprehensive loss, net of tax	\$ (72.5)	\$ (43.0)	\$ (46.9)	\$ (60.2)
Total comprehensive income	\$ 40.2	\$ 63.9	\$ 305.6	\$ 244.5

CCL Industries Inc.

Consolidated condensed interim statements of changes in equity

Unaudited

In millions of Canadian dollars

	Class A shares	Class B shares	Shares held in trust	Total share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total equity
Balances, January 1, 2017	\$ 4.5	\$ 286.6	\$ (29.7)	\$ 261.4	\$ 64.2	\$ 1,450.5	\$ (0.9)	1,775.2
Net earnings	-	-	-	-	-	304.7	-	304.7
Dividends declared								
Class A	-	-	-	-	-	(4.0)	-	(4.0)
Class B	-	-	-	-	-	(56.6)	-	(56.6)
Stock-based compensation plan	-	-	-	-	8.2	-	-	8.2
Shares redeemed from trust	-	-	0.3	0.3	-	-	-	0.3
Shares purchased and held in trust	-	-	(0.2)	(0.2)	0.2	-	-	-
Stock option expense	-	-	-	-	6.1	-	-	6.1
Stock options exercised	-	13.9	-	13.9	(2.4)	-	-	11.5
Income tax effect related to stock options	-	-	-	-	3.9	-	-	3.9
Other comprehensive loss	-	-	-	-	-	-	(60.2)	(60.2)
Balances, September 30, 2017	\$ 4.5	\$ 300.5	\$ (29.6)	\$ 275.4	\$ 80.2	\$ 1,694.6	\$ (61.1)	\$ 1,989.1

	Class A shares	Class B shares	Shares held in trust	Total share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total equity
Balances, January 1, 2018	\$ 4.5	\$ 304.6	\$ (29.7)	\$ 279.4	\$ 78.0	\$ 1,853.4	\$ (52.9)	2,157.9
Net earnings	-	-	-	-	-	352.5	-	352.5
Dividends declared								
Class A	-	-	-	-	-	(4.5)	-	(4.5)
Class B	-	-	-	-	-	(64.4)	-	(64.4)
Stock-based compensation plan	-	4.3	-	4.3	5.7	-	-	10.0
Shares purchased and held in trust	-	-	(0.3)	(0.3)	0.3	-	-	-
Stock option expense	-	-	-	-	7.3	-	-	7.3
Stock options exercised	-	22.5	-	22.5	(3.8)	-	-	18.7
Income tax effect related to stock options	-	-	-	-	0.1	-	-	0.1
Other comprehensive loss	-	-	-	-	-	-	(46.9)	(46.9)
Balances, September 30, 2018	\$ 4.5	\$ 331.4	\$ (30.0)	\$ 305.9	\$ 87.6	\$ 2,137.0	\$ (99.8)	\$ 2,430.7

CCL Industries Inc.

Consolidated condensed interim statements of cash flows

Unaudited

In millions of Canadian dollars

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Cash provided by (used for)				
Operating activities				
Net earnings	\$ 112.7	\$ 106.9	\$ 352.5	\$ 304.7
Adjustments for:				
Depreciation and amortization	70.5	67.3	206.7	192.7
Earnings in equity accounted investments, net of dividends received	(1.5)	1.5	0.6	0.1
Net finance cost	21.1	18.9	60.9	51.4
Current income tax expense	36.7	43.3	119.2	114.8
Deferred taxes	1.6	1.8	1.8	8.3
Equity-settled share-based payment transactions	4.4	3.8	17.6	18.4
Loss (gain) on sale of property, plant and equipment	(0.1)	1.3	0.2	(1.4)
	245.4	244.8	759.5	689.0
Change in inventories	11.6	8.8	(65.0)	(7.6)
Change in trade and other receivables	(6.4)	9.7	(87.2)	(63.6)
Change in prepaid expenses	(2.5)	(7.1)	(4.0)	(13.6)
Change in trade and other payables	16.6	5.3	44.8	(34.1)
Change in income taxes receivable and payable	(13.4)	(3.3)	(15.3)	4.8
Change in employee benefits	(6.1)	(3.0)	(9.6)	14.4
Change in other assets and liabilities	(6.4)	(4.4)	(11.9)	(5.8)
	238.8	250.8	611.3	583.5
Net interest paid	(17.2)	(17.6)	(52.3)	(51.8)
Income taxes paid	(43.5)	(39.7)	(115.5)	(106.8)
Cash provided by operating activities	178.1	193.5	443.5	424.9
Financing activities				
Proceeds on issuance of long-term debt	172.6	0.6	810.2	1,186.6
Repayment of long-term debt	(324.1)	(79.7)	(705.0)	(215.3)
Proceeds from issuance of shares	1.0	0.3	18.7	11.5
Dividends paid	(23.1)	(20.3)	(69.2)	(60.8)
Cash provided by (used for) financing activities	(173.6)	(99.1)	54.7	922.0
Investing activities				
Additions to property, plant and equipment	(75.3)	(54.4)	(280.0)	(238.7)
Proceeds on disposal of property, plant and equipment	0.7	8.7	17.3	12.4
Business acquisitions and other long-term investments (note 3)	(303.4)	0.1	(351.2)	(1,183.8)
Cash used for investing activities	(378.0)	(45.6)	(613.9)	(1,410.1)
Net increase (decrease) in cash and cash equivalents	(373.5)	48.8	(115.7)	(63.2)
Cash and cash equivalents at beginning of period	822.4	477.2	557.5	585.1
Translation adjustment on cash and cash equivalents	(10.7)	(13.1)	(3.6)	(9.0)
Cash and cash equivalents at end of period	\$ 438.2	\$ 512.9	\$ 438.2	\$ 512.9

See accompanying selected explanatory notes to the consolidated condensed interim financial statements.

CCL Industries Inc.

Notes to consolidated condensed interim financial statements Unaudited

In millions of Canadian dollars, unless otherwise noted

1. Reporting entity

CCL Industries Inc. ("Company") is a public company, listed on the Toronto Stock Exchange, and is incorporated and domiciled in Canada. These consolidated condensed interim financial statements of the Company as at and for the interim period ended September 30, 2018 and 2017, comprise the Company, its subsidiaries and its interest in joint ventures and associates. The Company has manufacturing facilities around the world and is primarily involved in the manufacture of labels, consumer printable media products, technology driven label solutions, polymer banknote substrates and specialty films.

2. Basis of preparation and presentation

(a) Statement of compliance

These consolidated condensed interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting.

These consolidated condensed interim financial statements should be read in conjunction with the Company's 2017 annual consolidated financial statements.

The accounting policies and methods of computation followed in the preparation of these consolidated condensed interim financial statements are consistent with those used in the preparation of the most recent annual report, unless otherwise noted, with the exception of the adoption of new accounting standards as described in note 2(e).

These consolidated condensed interim financial statements were authorized for issue by the Board of Directors on November 6, 2018.

(b) Basis of measurement

These consolidated condensed interim financial statements have been prepared on the historical cost basis except for the following items in the statement of financial position:

- derivative financial instruments are measured at fair value
- financial instruments at fair value through profit or loss are measured at fair value
- assets related to the defined benefit plans are measured at fair value and liabilities related to the defined benefit plans are calculated by qualified actuaries using the projected unit credit method.

(c) Functional and presentation currency

These consolidated condensed interim financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest million, unless otherwise noted.

(d) Stock split

On June 5, 2017, the Company effected a 5:1 stock split on its Class A and Class B common shares. Unless otherwise noted, impacted amounts and share information included in the financial statements and notes thereto have been retroactively adjusted for the stock split as if such stock split occurred on the first day of the first period presented. Certain amounts in the notes to the financial statements may be slightly different than previously reported due to rounding of fractional shares as a result of the stock split.

(e) New standards effective in 2018

IFRS 9 *Financial Instruments* ("IFRS 9")

In July 2014, the complete 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 changes relating to financial liabilities and amends the impairment model by introducing a new "expected credit loss" model for calculating financial asset 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 but introduces 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.

i Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

IFRS 9 contains four primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVTOCI) – debt investment, FVTOCI – equity investment, and fair value through profit and loss (FVTPL).

CCL Industries Inc.

Notes to consolidated condensed interim financial statements (continued)

Unaudited

In millions of Canadian dollars, unless otherwise noted

2. Basis of preparation and presentation (continued)

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVTOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss. See (iii) below for derivatives designated as hedging instruments.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses (see (ii) below). Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Debt investments at FVTOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVTOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

On transition, under IFRS 9, the Company has irrevocably elected to present subsequent changes in the fair value of investments within other comprehensive income.

Below is a summary showing the classification and measurement bases of the Company's financial assets as at January 1, 2018, as a result of adopting IFRS 9 (along with a comparison to IAS 39).

Financial Assets	IAS 39	IFRS 9
Cash and cash equivalents	Loans and receivables	Amortized cost
Trade and other receivables	Loans and receivables	Amortized cost
Other assets	Available-for-sale	FVTOCI

ii Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVTOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company has elected to measure loss allowances for trade receivables at an amount equal to lifetime ECLs.

There was no material effect on the carrying value of the Company's financial assets under IFRS 9 related to this new requirement.

CCL Industries Inc.

Notes to consolidated condensed interim financial statements (continued) Unaudited

In millions of Canadian dollars, unless otherwise noted

2. Basis of preparation and presentation (continued)

iii Hedge accounting

The Company has elected to adopt the new general hedge accounting model in IFRS 9. This requires the Company to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

Changes to hedge accounting policies have been applied prospectively. All hedging relationships designated under IAS 39 at December 31, 2017, met the criteria for hedge accounting under IFRS 9 at January 1, 2018, and are therefore regarded as continuing hedging relationships.

IFRS 15 Revenue from Contracts with Customers ("IFRS 15")

In May 2014, 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.

Revenue is recognized as performance obligations are satisfied. For performance obligations satisfied at a point in time, revenue is recognized when the Company has a present right to payment, the buyer has legal title to the asset, physical possession of the asset has transferred to the buyer, the buyer has the significant risks and rewards of ownership and the buyer has accepted the asset. Generally, the buyer obtains control at the time goods are shipped, the product is delivered or services are rendered. For performance obligations satisfied over time, revenue is recognized by measuring the progress towards complete satisfaction of that performance obligation. For customer contracts that contain multiple performance obligations, each element is treated separately for revenue recognition purposes. For these contracts, the total transaction price is allocated to each obligation based on its relative stand-alone selling price. Revenue is then recognized for each obligation when the relevant recognition criteria are met.

IFRS 2 Share-based Payment ("IFRS 2")

In June 2016, the amendments to IFRS 2 were 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 with 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. This amendments became effective for the Company on January 1, 2018, and did not have a material impact on its financial statements.

(f) New standards and interpretations not yet effective

IFRS 16 Leases ("IFRS 16")

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.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments ("IFRIC 23")

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.

CCL Industries Inc.

Notes to consolidated condensed interim financial statements (continued) Unaudited

In millions of Canadian dollars, unless otherwise noted

3. Acquisitions

- (a) In January 2018, the Company acquired 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 and brings expertise in printed electronics to the Company's product lines. Fascia was added to the CCL Segment.
- (b) In February and May 2018, the Company and its joint-venture partner each invested an additional \$1.3 million and \$1.9 million, respectively, in Rheinfelden Americas, LLC, a supplier of aluminum slugs for aerosol cans.
- (c) In April 2018, the Company acquired 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. Imprint Plus expands Avery's printable media depth in custom name badge systems, signage systems and accessories in North America.
- (d) In May 2018, the Company acquired 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 and expands CCL Design's presence in Israel. Nortec was added to the CCL Segment.
- (e) In May 2018, the Company acquired the remaining 50.0% interest in CCL-Korsini inmould label joint venture in the United States from its partner for \$3.1 million in net cash and \$6.7 million assumed debt.
- (f) The following table summarizes the allocation of the consideration to the fair value of the assets acquired and liabilities assumed for the Fascia, Imprint Plus, Nortec and Korsini acquisitions:

Cash consideration, net of cash acquired	\$	44.4
Assumed debt		7.8
		52.2
Fair market value of previously held interest (see note 3(e))		3.1
	\$	55.3
Trade and other receivables	\$	5.5
Inventories		2.9
Other current assets		0.1
Property, plant and equipment		11.1
Other long-term assets		0.3
Goodwill and intangibles		40.8
Trade and other payables		(5.0)
Deferred tax liabilities		(0.3)
Provisions and other long-term liabilities		(0.1)
Net assets acquired	\$	55.3

- (g) In July 2018, the Company acquired Treofan America Inc. and Trespaphan Mexico Holdings GmbH ("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 biaxially oriented polypropylene ("BOPP") film for the North American market. The purchase price, net of cash acquired, is 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.

Cash consideration, net of cash acquired	\$	303.4
Trade and other receivables	\$	37.0
Inventories		37.2
Other current assets		16.9
Property, plant and equipment		95.9
Other long-term assets		3.8
Goodwill and intangibles		177.6
Trade and other payables		(47.3)
Deferred tax liabilities		(16.4)
Provisions and other long-term liabilities		(1.3)
Net assets acquired	\$	303.4

As a result of the timing and inherent complexity associated with the valuation of net assets acquired, the determination of the fair value of assets and liabilities acquired is based upon preliminary estimates and assumptions. The Company will continue to review information prior to finalizing the fair value of the assets acquired and liabilities assumed. The actual fair value of the assets acquired and liabilities assumed may differ from the amounts noted above.

Goodwill is comprised of the excess fair value of the consideration paid over the fair value of the net assets acquired. Factors that make up the amount of goodwill recognized include expected synergies and employee knowledge of operations. The total amount of goodwill and intangibles for Treofan is \$177.6 million and is not deductible for tax purposes.

CCL Industries Inc.

Notes to consolidated condensed interim financial statements (continued) Unaudited

In millions of Canadian dollars, unless otherwise noted

3. Acquisitions (continued)

- (h) The following table summarizes the combined sales and net earnings that the newly acquired Fascia, Imprint Plus, Nortec, Korsini and Treofan have contributed to the Company for the current reporting period.

	Nine months ended September 30	
Sales	\$	78.6
Net earnings	\$	2.4

(i) Pro Forma Information

The pro forma consolidated financial information below has been prepared following the accounting policies of the Company as if the acquisitions took place January 1, 2018.

The pro forma consolidated financial information has been presented for illustrative purposes only and is not necessarily indicative of results of operations and financial position that would have been achieved had the pro forma events taken place on the dates indicated, or the future consolidated results of operations or financial position of the consolidated company. Future results may vary significantly from the pro forma results presented.

The historical consolidated financial information has been adjusted in preparing the pro forma consolidated financial information to give effect to events that are: (i) directly attributable to the acquisitions; (ii) factually supportable; and (iii) with respect to revenues and earnings, expected to have a continuing impact on the results of CCL Industries Inc. As such, the impact from acquisition-related expenses is not included in the accompanying pro forma consolidated financial information. The pro forma consolidated financial information does not reflect any cost savings (or associated costs to achieve such savings) from operating efficiencies, synergies or other restructuring that could result from the acquisitions.

The following table summarizes the sales and earnings of the Company combined with Fascia, Imprint Plus, Nortec, Korsini and Treofan as though the acquisitions took place on January 1, 2018:

	Nine months ended September 30	
Sales	\$	3,962.4
Net earnings	\$	360.0

- (j) In February 2017, the Company completed the share acquisition of Innovia Group of Companies ("Innovia") for approximately \$1.15 billion. Innovia is a leading global manufacturer of BOPP films supplying highly differentiated specialty products into the packaging, labels and securities markets. The Innovia acquisition expands the Company's security products, customers, markets and technology. Innovia's film operation is included within the Innovia Segment. Innovia's security operation is included within the CCL Segment.

Total cash consideration, net of cash acquired of \$28.4	\$	1,153.2
Trade and other receivables	\$	106.2
Inventories		78.5
Property, plant and equipment		227.9
Other assets		11.7
Intangible assets		466.4
Goodwill		545.6
Trade and other payables		(151.2)
Derivative instruments		(5.3)
Employee benefits		(43.8)
Deferred tax liabilities		(82.8)
Net assets acquired	\$	1,153.2

Goodwill is comprised of the excess fair value of the consideration paid over the fair value of the net assets acquired. Factors that make up the amount of goodwill recognized include expected synergies and employee knowledge of operations. The total amount of goodwill and intangibles for Innovia is \$1,012.0 million and is not deductible for tax purposes.

- (k) In April 2017, the Company acquired Goed Gernerkt B.V. and Goed Gewerkt B.V. (collectively referred to as "GGW"), two privately owned companies with common shareholders in Utrecht, Netherlands, for approximately \$23.0 million, net of cash acquired. GGW has expanded Avery's depth in the personalized "kids labels" sector.
- (l) In April 2017, the Company acquired badgepoint GmbH, badgetech GmbH and Name Tag Systems Inc. (collectively referred to as "Badgepoint"), three privately owned companies with common shareholders based in Hamburg, Germany, for approximately \$5.6 million, net of cash acquired. Badgepoint has expanded Avery's portfolio in web-to-print technologies internationally.
- (m) In October 2017, the Company announced it had acquired the remaining 37.5% minority interest in its Acrus-CCL venture ("Acrus") for approximately \$6.3 million in cash.
- (n) In 2017, the Company and its joint-venture partner invested an additional \$3.3 million in Rheinfeldern Americas, LLC, a supplier of aluminum slugs for aerosol cans.

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4. Segment reporting and disaggregation of revenue

The Company has four reportable segments, as described below, which are the Company's main business units. The business units offer different products and services, and are managed separately as they require different technology and marketing strategies. For each of the business units, the Company's CEO, the chief operating decision maker, reviews internal management reports regularly.

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

The Company's reportable segments are:

- CCL is a converter of pressure sensitive and specialty extruded film materials for a wide range of decorative, instructional, functional and security applications for government institutions and large global customers in the consumer packaging, healthcare & chemicals, consumer electronic device and automotive markets. Extruded & laminated plastic tubes, aluminum aerosols & specialty bottles, folded instructional leaflets, precision decorated & die cut components, electronic displays, polymer bank note substrate and other complementary products and services are sold in parallel to specific end-use markets.
- Avery is a 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.
- Checkpoint is a 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.
- 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.

	Three Months Ended September 30				Nine Months Ended September 30			
	Sales		Operating income		Sales		Operating income	
	2018	2017	2018	2017	2018	2017	2018	2017
CCL	\$ 816.2	\$ 736.6	\$ 117.6	\$ 102.3	\$ 2,427.9	\$ 2,239.4	\$ 391.2	\$ 337.7
Avery	198.4	212.0	40.8	49.9	538.8	581.9	109.5	123.8
Checkpoint	168.8	162.6	25.5	21.7	523.7	482.9	75.9	56.5
Innovia	153.8	95.6	2.3	11.4	338.3	217.0	9.9	14.5
Total operations	<u>\$ 1,337.2</u>	<u>\$ 1,206.8</u>	<u>\$ 186.2</u>	<u>\$ 185.3</u>	<u>\$ 3,828.7</u>	<u>\$ 3,521.2</u>	<u>\$ 586.5</u>	<u>\$ 532.5</u>
Corporate expense			(14.3)	(12.5)			(46.5)	(40.2)
Restructuring and other items			(1.3)	(2.9)			(8.2)	(15.5)
Earnings in equity accounted investments			1.5	1.0			2.6	2.4
Finance cost			(22.1)	(19.9)			(64.0)	(54.9)
Finance income			1.0	1.0			3.1	3.5
Income tax expense			(38.3)	(45.1)			(121.0)	(123.1)
Net earnings			<u>\$ 112.7</u>	<u>\$ 106.9</u>			<u>\$ 352.5</u>	<u>\$ 304.7</u>

	Total Assets		Total Liabilities		Depreciation and Amortization		Capital Expenditures	
	September 30	December 31	September 30	December 31	Nine Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017	2018	2017	2018	2017
CCL	\$ 3,519.7	\$ 3,313.0	\$ 880.3	\$ 821.6	\$ 146.3	\$ 140.0	\$ 225.6	\$ 204.1
Avery	630.5	593.4	221.4	197.1	12.3	12.1	8.6	12.5
Checkpoint	981.6	941.0	400.3	417.4	21.0	22.5	29.5	15.7
Innovia	1,114.1	751.5	216.7	160.5	26.4	17.4	15.6	6.4
Equity accounted investments	56.0	54.0	-	-	-	-	-	-
Corporate	369.3	491.1	2,521.8	2,389.5	0.7	0.7	0.7	-
Total	<u>\$ 6,671.2</u>	<u>\$ 6,144.0</u>	<u>\$ 4,240.5</u>	<u>\$ 3,986.1</u>	<u>\$ 206.7</u>	<u>\$ 192.7</u>	<u>\$ 280.0</u>	<u>\$ 238.7</u>

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.

All revenues are from products and services transferred at a point in time, except \$18.1 million and \$56.5 million for the three months and nine months ended September 30, 2018, respectively, (September 30, 2017 - \$17.2 million and \$47.8 million), which are for installation and maintenance service arrangements within the Checkpoint Segment.

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In millions of Canadian dollars, unless otherwise noted

5. Accumulated other comprehensive loss

	September 30 <u>2018</u>	December 31 <u>2017</u>
Unrealized foreign currency translation losses, net of tax recovery of \$6.1 (2017 – tax recovery of \$3.9)	\$ (104.3)	\$ (58.3)
Gains on derivatives designated as cash flow hedges, net of tax expense of \$1.1 (2017 – tax expense of \$1.1)	4.5	5.4
	<u>\$ (99.8)</u>	<u>\$ (52.9)</u>

6. Restructuring and other items

	Three months ended September 30		Nine months ended September 30	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
CCL Segment restructuring	\$ 0.3	\$ 1.6	\$ 0.9	\$ 3.4
Checkpoint Segment restructuring	0.1	1.1	4.6	6.8
Innovia Segment restructuring	-	-	-	2.9
Acquisition costs	0.9	0.2	2.7	2.4
Total restructuring and other items	<u>\$ 1.3</u>	<u>\$ 2.9</u>	<u>\$ 8.2</u>	<u>\$ 15.5</u>

For the nine months ended September 30, 2018, the CCL Segment recorded \$0.9 million (\$0.7 million, net of tax) and the Checkpoint Segment recorded \$4.6 million (\$3.8 million, net of tax) in restructuring expense primarily related to severance costs. The acquisition costs of \$2.7 million (\$2.7 million, net of tax) were related to the 2018 Treofan acquisition, 2017 Innovia acquisition and 2016 Checkpoint acquisition.

For the nine months ended September 30, 2017, of the \$13.1 million (\$9.9 million, net of tax) recorded in restructuring, the CCL Segment recorded an expense of \$3.4 million (\$2.5 million, net of tax), the Checkpoint Segment recorded an expense of \$6.8 million (\$5.2 million, net of tax) and the Innovia Segment recorded an expense of \$2.9 million (\$2.2 million, net of tax). The restructuring expense primarily related to severance costs for the 2017 Innovia and 2016 Checkpoint acquisitions. The acquisition costs of \$2.4 million (\$2.4 million, net of tax) were recorded primarily for the 2017 Innovia acquisition.

7. Financial instruments

(a) Fair value hierarchy

The table below summarizes level of hierarchy for financial assets and liabilities. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying value is a reasonable approximation of fair value.

The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

	Level 1	Level 2	Level 3	Total
September 30, 2018				
Other assets measured at FVTOCI	\$ -	\$ 17.3	\$ -	\$ 17.3
Long-term debt	-	-	(2,415.6)	(2,415.6)
Derivative financial liabilities	-	(45.9)	-	(45.9)
	<u>\$ -</u>	<u>\$ (28.6)</u>	<u>\$ (2,415.6)</u>	<u>\$ (2,444.2)</u>
December 31, 2017				
Other assets measured at FVTOCI	\$ -	\$ 15.5	\$ -	\$ 15.5
Derivative financial assets	-	1.0	-	1.0
Long-term debt	-	-	(2,309.2)	(2,309.2)
Derivative financial liabilities	-	(50.7)	-	(50.7)
	<u>\$ -</u>	<u>\$ (34.2)</u>	<u>\$ (2,309.2)</u>	<u>\$ (2,343.4)</u>

(b) Fair values versus carrying amounts

The carrying values of cash and cash equivalents, trade and other receivables, and trade and other payables approximate fair values due to the short-term maturities of these financial instruments.

The fair value of financial liabilities together with carrying amounts shown in the statement of financial position, are as follows:

	September 30, 2018		December 31, 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	\$ 2,479.7	\$ 2,415.6	\$ 2,331.4	\$ 2,309.2

The interest rates used to discount estimated cash flows for the long-term debt are based on the government yield curve at the reporting date plus an adequate credit spread.

Fair value estimates are made at a specific point in time based on relevant market information and information about the financial instruments. The estimates are subjective in nature and involve uncertainties and matters of judgment.

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8. Long-term debt

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 notes are unsecured senior obligations. The proceeds of the offering were used to partially repay drawn debt on the Company's revolving credit facility.

During the three and nine months ended September 30, 2018, the Company drew down \$172.6 million and \$810.2 million, respectively, on its syndicated revolving credit facility, bilateral term loan and the aforementioned Canadian bonds. Payments on debt of \$324.1 million and \$705.0 million for the three and nine months ended September 30, 2018, including the proceeds from the Canadian bond offering, were used to repay syndicated revolving debt, the bilateral term loan and two private debt placements.

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

9. Subsequent event

The Board of Directors has declared a dividend of \$0.13 per Class B non-voting share and \$0.1275 per Class A voting share, which will be payable to shareholders of record at the close of business on December 7, 2018, to be paid on December 21, 2018.