

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED DECEMBER 31, 2018 AND 2017 (TABULAR AMOUNTS IN MILLIONS OF CANADIAN DOLLARS, EXCEPT PER SHARE DATA)

This Management's Discussion and Analysis of the financial condition and results of operations ("MD&A") of CCL Industries Inc. ("the Company") relates to the years ended December 31, 2018 and 2017. In preparing this MD&A, the Company has taken into account information available until February 21, 2019, unless otherwise noted. This MD&A should be read in conjunction with the Company's December 31, 2018, year-end consolidated financial statements, which form part of the CCL Industries Inc. 2018 Annual Report dated February 21, 2019. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and, unless otherwise noted, both the financial statements and this MD&A are expressed in Canadian dollars as the reporting currency. The major 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, Hong Kong dollar, Hungarian forint, Indian rupee, Israeli shekel, Japanese yen, Malaysian ringgit, Mexican peso, New Zealand dollar, Philippine peso, Polish zloty, Russian ruble, Singaporean dollar, South African rand, South Korean won, 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 (the "Board") have reviewed this MD&A to ensure consistency with the approved strategy and results of the business.

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 MD&A 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.

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.

INDEX

1. Corporate Overview

- | | |
|---|--|
| A) The Company | B) Customers and Markets |
| C) Strategy and Financial Targets | D) Recent Acquisitions and Dispositions |
| E) Subsequent Events | F) Consolidated Annual Financial Results |
| G) Seasonality and Fourth Quarter Financial Results | |

2. Business Segment Review

- | | |
|--------------------|-----------------------|
| A) General | B) CCL Segment |
| C) Avery Segment | D) Checkpoint Segment |
| E) Innovia Segment | F) Joint Ventures |

3. Financing and Risk Management

- | | |
|--|----------------------------|
| A) Liquidity and Capital Resources | B) Cash Flow |
| C) Interest Rate, Foreign Exchange Management and Other Hedges | D) Equity and Dividends |
| E) Commitments and Other Contractual Obligations | F) Controls and Procedures |

4. Risks and Uncertainties

5. Accounting Policies and Non-IFRS Measures

- | | |
|---|--|
| A) Key Performance Indicators and Non-IFRS Measures | B) Accounting Policies and New Standards |
| C) Critical Accounting Estimates | D) Related Party Transactions |

6. Outlook

Forward-Looking Information

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, but not limited to, 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 improvement in market share; the Company’s capital spending levels and planned capital expenditures in 2019; the adequacy of the Company’s financial liquidity; the Company’s targeted return on equity, improved return on total capital, adjusted earnings per share, EBITDA growth rates and dividend payout; the Company’s effective tax rate; the Company’s ongoing business strategy; the Company’s expectations regarding

general business and economic conditions; the Company's expectations regarding the completion of the Hinsitsu acquisition; the impact of easing polypropylene resin costs; the Company's expectations that Avery will continue to open up new revenue and profit opportunities in short-run digital printing applications, cross selling opportunities and consolidation in new territories; Checkpoint will capture sale and profit growth from the evolving radio-frequency identification ("RFID") market and will consider complimentary and tuck-in business acquisitions; and the new manufacturing line for Innovia in Mexico will increase plant capacity by fifty percent.

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 impact of competition; consumer confidence and spending preferences; general economic and geopolitical conditions; currency exchange rates; interest rates and credit availability; technological change; 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: higher consumer spending; improved customer demand for the Company's products; continued historical growth trends, market growth in specific segments and entering into new segments; 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 Company's ability to implement its acquisition strategy and successfully integrate acquired businesses; the achievement of the Company's plans for improved efficiency and lower costs, including the ability to pass on polypropylene resin cost increases to its customers; the availability of cash and credit; fluctuations of currency exchange rates; the Company's continued relations with its customers; and general business and economic conditions. Should one or more risks materialize or should any assumptions 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."

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 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.

Unless the context otherwise indicates, a reference to “the Company” means CCL Industries Inc., its subsidiary companies and equity accounted investments.

Additional information relating to the Company, including the Company’s Annual Information Form, is available on SEDAR at www.sedar.com or on the Company’s website www.cclind.com.

1. CORPORATE OVERVIEW

A) The Company

CCL Industries Inc. is the world’s largest converter of pressure sensitive and extruded film materials for a wide range of decorative, instructional, security and functional applications for government institutions and large global customers in the consumer packaging, healthcare, chemicals, consumer durables, electronic device and automotive markets. Extruded and laminated plastic tubes, aluminum aerosols and specialty bottles, folded instructional leaflets, precision decorated and die cut components, electronic displays, polymer banknote substrate and other complementary products and services are sold in parallel to specific end-use markets. 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 products sold through distributors, mass-market stores and e-commerce retailers. Checkpoint is a leading developer of RF and RFID-based technology systems for loss prevention and inventory management applications, including labeling and tagging solutions, for the retail and apparel industries worldwide. Innovia is a leading global producer of specialty, high performance, multi-layer, surface engineered films for label, packaging and security applications. The Company is partly backward integrated into materials science with capabilities in polymer extrusion, adhesive development, coating and lamination, surface engineering and metallurgy; deployed as needed across the four business segments.

Founded in 1951, the Company has been publicly listed under its current name since 1980. The Company’s corporate offices are located in Toronto, Ontario, Canada, and Framingham, Massachusetts, United States. The corporate offices provide executive and centralized services such as finance, accounting, internal audit, treasury, risk management, legal, tax, human resources, information technology, environmental, health and safety and oversight of operations. The Company employs approximately 21,000 people in 168 production facilities located in North America, Latin America, Europe, Australia and Asia including equity investments in Russia operating six facilities, the Middle East operating five facilities and in the United States operating an aluminum slug facility. The

Company also has a label and tube license holder operating two plants in Indonesia.

B) Customers and Markets

The state of the global economy and geopolitical events can affect consumer demand and customers' marketing and sales strategies to promote growth, including the introduction of new products. These factors directly influence the demand for the Company's products. Growth expectations generally mirror the trends of each of the markets and product lines in which the Company's customers compete and the growth of the economy in each geographic region. The Company attempts to gain market share in each market and category over time.

The label market is large and highly fragmented with many players but with no single competitor having the substantial operating breadth or global reach of the Company. Avery has a dominant market-leading position for its products in North America, Europe and Australia. It also has a small developing presence in Latin America. Checkpoint has significant market positions in Europe, North America and Asia. Checkpoint sells directly to retailers and apparel manufacturers and competes with other global retail labeling companies. Innovia operates plants in Europe, Mexico and Australia with distribution in the United States and Asia selling films to pressure sensitive label materials producers and converters, consumer packaged goods companies and the security products industry.

C) Strategy and Financial Targets

The Company's strategy is to increase shareholder value through investment in organic growth and product innovations around the world, augmented by a global acquisition strategy. The Company builds on the strength of its people in marketing, manufacturing and product development and nurtures strong relationships with its international, national and regional customers and suppliers. The Company anticipates increasing its market share in most product categories by capitalizing on market insights and the growth of its customers, and by following developments such as globalization, new product innovation, branding and consumer trends.

A key attribute of this strategy is maintaining focus and discipline. The CCL Segment aspires to be the market leader and the highest value-added producer in each customer sector and region in which it chooses to compete. The primary objective is to invest in growth globally both organically and by acquisition. Avery objectives align to their core competencies in label solutions centered on specialty, converted media that enables short-run digital printing in homes and small businesses; and increasingly using the direct-to-consumer channel, both organically and by acquisition. Checkpoint focuses on technology-driven loss-prevention, inventory-management labeling for the retail and apparel industries. Innovia is a leading global producer of specialty, high-performance, multi-layer, surface-engineered biaxially oriented polypropylene ("BOPP") films for label,

packaging and security applications. In July 2018, the Company acquired Treofan America Inc. and Trespaphan Mexico Holdings GmbH (“Treofan”) expanding the Innovia manufacturing footprint beyond Europe and Australia to North America. Innovia also provides significant depth and capability to develop proprietary films for label applications.

The Company’s financial strategy is to be fiscally prudent and conservative. The 2018 financial results delivered strong cash flow and a solid balance sheet after investing \$696.1 million in acquisitions and net capital expenditures to execute the global growth initiatives. During good and difficult economic times, the Company has maintained high levels of cash on hand and unused lines of credit to reduce its financial risk and to provide flexibility when acquisition opportunities are available. As at December 31, 2018, the Company had \$589.1 million of cash-on-hand with US\$454.5 million of undrawn capacity on the Company’s unsecured revolving credit facility.

The Company maintains a continuous focus on minimizing its investment in working capital in order to maximize cash flow in support of the growth in the business. In addition, capital expenditures are approved when they are expected to be accretive to earnings and are selectively allocated towards the most attractive growth opportunities. The Company’s financial discipline and prudent allocation of capital have ensured sufficient available liquidity and a secure financial foundation for the foreseeable future.

A key financial target is return on equity before goodwill impairment loss, restructuring and other items, tax adjustments, gains on business dispositions and non-cash acquisition accounting adjustments (“ROE,” a non-IFRS measure; see “Key Performance Indicators and Non-IFRS Measures” in Section 5A). The Company continues to execute its strategy with a goal of achieving a comparable ROE level to its leading peers in specialty packaging. Despite a substantial increase in the Company’s equity base, largely from retained earnings over the last five years, ROE increased compared to 2013 due to significant accretive earnings from acquisitions, as well as improved results at legacy operations. 2018 ROE of 20.0%, although still strong, was down compared to 2017 as retained earnings increased while underlying profit performance did not, largely due to challenges at Innovia.

	2018	2017	2016	2015	2014	2013
Return on Equity	20.0%	24.0%	23.5%	21.1%	20.1%	15.8%

Another metric used by the investment community as a comparative measure is return on total capital before goodwill impairment loss, restructuring and other items, tax adjustments, gains on business dispositions and non-cash acquisition accounting adjustments (“ROTC,” a non-IFRS measure; see “Key Performance Indicators and Non-IFRS Measures” in Section 5A). The chart below details performance since 2013. The Company targets delivering returns in excess of its cost of capital. ROTC of 11.3% for 2018 declined compared to 2017 due to the

increase in net debt attributable to the Treofan acquisition and reduced earnings due to the aforementioned struggles at the Innovia:

	2018	2017	2016	2015	2014	2013
Return on Total Capital	11.3%	14.0%	15.9%	15.4%	14.1%	11.9%

ROTC should increase as the Company deleverages its balance sheet and increases net earnings as Innovia’s performance improves.

The long-term growth rate of adjusted basic earnings per Class B share (a non-IFRS measure; see “Key Performance Indicators and Non-IFRS Measures” in Section 5A) is another important financial target. This measure excludes goodwill impairment loss, restructuring and other items, tax adjustments, gains on business dispositions and non-cash acquisition accounting adjustments. Management believes that taking into account both the relatively stable overall demand for consumer staple and healthcare products globally and the continuing benefits from the Company’s focused strategies and operational approach, a positive growth rate in adjusted basic earnings per share is realistic under reasonable economic circumstances.

The Company has achieved significant positive growth in its adjusted basic and basic earnings per share since 2013:

	2018	2017	2016	2015	2014	2013
Adjusted Basic EPS Growth Rate	1.5%	17.9%	32.5%	31.9%	47.4%	52.2%
Basic EPS Growth Rate	(2.2%)	36.4%	16.5%	34.7%	107.6%	4.5%

In 2018, adjusted basic earnings increased by 1.5% to \$2.73 per Class B share. Improved profitability from the CCL, Checkpoint and Innovia Segments largely offset reduced earnings for the Avery Segment and increased corporate and net finance costs compared to 2017. Net earnings for 2017 were bolstered by the impact of the Tax Cuts and Jobs Act (“TCJA”). The Company believes continuing growth in earnings per share is achievable in the future as initiatives in the Innovia Segment to improve earnings take hold, new digital print direct-to-consumer momentum surpasses deceleration in legacy product categories at Avery and the Company executes its global business strategies for the CCL, Avery, Checkpoint and Innovia Segments.

The Company will continue to focus on generating cash and effectively utilizing the cash flow generated by operations and divestitures. Earnings before net finance cost, taxes, depreciation and amortization, excluding goodwill impairment loss, earnings in equity accounted investments, non-cash acquisition accounting adjustments, restructuring and other items (“EBITDA,” a non-IFRS measure; see “Key Performance Indicators and Non-IFRS Measures” in Section 5A), is considered a good indicator of cash flow and is used by many financial institutions

and investment advisors to measure operating results and for business valuations. As a key indicator of cash flow, EBITDA demonstrates the Company's ability to incur or service existing debt, to invest in capital additions and to take advantage of organic growth opportunities and acquisitions that are accretive to earnings per share. Historically, the Company has experienced positive growth in EBITDA:

	2018	2017	2016	2015	2014	2013
EBITDA	\$ 995.3	\$959.2	\$792.7	\$608.4	\$481.6	\$355.6
% of sales	19%	20%	20%	20%	19%	19%

In 2018, EBITDA increased by approximately 3.1%, excluding the positive impact of foreign currency translation, maintaining a solid 19.3% of sales. The Company's EBITDA margins remain at the top end of the range of its peers. The Company expects positive growth in EBITDA in the future as global growth initiatives are implemented.

The framework supporting the above performance indicators is an appropriate level of financial leverage. Based on the dynamics within the specialty packaging industry and the risks that higher leverage may bring, the Company has a comfort level up to a target of approximately 3.5 times net debt to EBITDA with an appropriate deleveraging and liquidity profile to maintain its investment-grade ratings with Moody's and Standard & Poor's. As at December 31, 2018, net debt to EBITDA was 1.91 times, higher than the 1.85 times at December 31, 2017, but reflecting significant deleveraging since the \$307.6 million Treofan acquisition in July 2018. This leverage level is consistent with management's conservative approach to financial risk and the Company's ability to generate strong levels of free cash flow from operations (a non-IFRS measure; see "Key Performance Indicators and Non-IFRS Measures" in Section 5A). This leverage level also allows the Company the flexibility to quickly execute its acquisition growth strategy without significantly exposing its credit quality.

The Board does not have a target dividend payout ratio (a non-IFRS measure; see "Key Performance Indicators and Non-IFRS Measures" in Section 5A). However, the Company has paid dividends quarterly for over thirty years without an omission or reduction and has more than doubled the annualized rate since March 2014. The Board views this consistency and dividend growth as important factors in enhancing shareholder value. For 2018, the dividend payout ratio was 19% of adjusted earnings. This dividend payout ratio reflects the strong cash flows generated by newly acquired businesses as well as improved results for the legacy operations of the Company. After careful review of the current year results, budgeted cash flow and income for 2019, the Board has declared a 31% increase in the annual dividend: an increase of \$0.04 per Class B share per quarter, from \$0.13 to \$0.17 per Class B share per quarter (\$0.68 per Class B share annualized).

The Company believes that all of the above targets are mutually compatible and consequently should drive meaningful shareholder value over time.

The Company's strategy and its ability to grow and achieve attractive returns for its shareholders are shaped by key internal and external factors that are common to the businesses it operates. The key performance driver is the Company's continuous focus on customer satisfaction, supported by its reputation for quality manufacturing, competitive price, product innovation, dependability, ethical business practices and financial stability.

D) Recent Acquisitions and Dispositions

The Company is globally deployed with significant diversification across the world economy including emerging markets, a broad customer base, distinct product lines and many different currencies.

The Company continues to deploy its cash flow from operations into its core Segments with both internal capital investments and strategic acquisitions. The following acquisitions were completed over the last two years:

- In December 2018, acquired the assets of Unilogo, based near Warsaw, Poland, for approximately \$10.7 million. Unilogo is a supplier of digitally printed, pressure sensitive and sleeve labels for consumer products customers.
- In July 2018, acquired 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 BOPP film for the North American market. The purchase price, net of cash acquired was approximately \$307.6 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.
- 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 and was 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, 2017 financial results are no longer included in equity investments but fully consolidated with CCL's Food & Beverage business, without a portion of the earnings attributable to a non-controlling interest since 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 approximately \$5.6 million. Badgepoint expanded Avery's printable media offering with patented, premium name tag systems and accessories for the German market.
- In April 2017, Goed Gemerkt B.V. and Goed Gewerkt B.V. ("GGW"), privately owned companies with common shareholders, based near Utrecht in the Netherlands for approximately \$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, Innovia, headquartered in Wigton, U.K., for approximately \$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 form the basis of the Company's Innovia Segment. In the U.K., Australia and Mexico, the business has high-security, specialized polymer banknote operations that have been added to CCL Secure within the CCL Segment.

The acquisitions completed over the past few years, in conjunction with the building of new plants around the world, have positioned the CCL Segment as the global leader for labels in the personal care, healthcare, food and beverage, durables, security and specialty categories. 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.

Checkpoint has added technology-driven loss-prevention, inventory-management and labeling solutions, including RF and RFID-based, to the retail and apparel industry. Innovia provides vertical integration driving the Company deeper into polymer sciences, enhancing the development of propriety products for its customers.

E) Subsequent Events

In January 2019, the Company announced it had completed two transactions, one for the CCL Segment, acquiring privately owned Olympic Holding B.V. and its related subsidiaries (“Olympic”), based in Venray, Netherlands, for approximately \$13.5 million. A second for the Avery segment, acquiring privately owned Easy2Name Limited (“E2N”) based near Newbury in the UK for approximately \$4.3 million.

The previously announced acquisition of privately owned Hinsitsu Screen (Vietnam) Company Limited (“Hinsitsu”), based in Hanoi, for \$12.4 million, is expected to be completed by the end of 2019 first quarter.

F) Consolidated Annual Financial Results

Selected Financial Information

Results of Consolidated Operations

	2018	2017
Sales	\$ 5,161.5	\$ 4,755.7
Cost of sales	3,662.7	3,319.4
Gross profit	1,498.8	1,436.3
Selling, general and administrative expenses	785.8	751.5
	713.0	684.8
Earnings in equity accounted investments	5.3	3.7
Net finance cost	(80.7)	(75.2)
Restructuring and other items – net loss	(14.8)	(11.3)
Earnings before income taxes	622.8	602.0
Income taxes	156.0	127.9
Net earnings	\$ 466.8	\$ 474.1
Basic earnings per Class B share	\$ 2.64	\$ 2.70
Diluted earnings per Class B share	\$ 2.61	\$ 2.66
Adjusted basic earnings per Class B share	\$ 2.73	\$ 2.69
Dividends per Class B share	\$ 0.52	\$ 0.46
Total assets	\$ 7,027.6	\$ 6,144.0
Total non-current liabilities	\$ 3,007.6	\$ 2,686.4

Comments on Consolidated Results

Sales were a record \$5,161.5 million in 2018, an increase of 8.5% compared to \$4,755.7 million recorded in 2017. This improvement in sales can be attributed to acquisition growth of 5.7%, augmented by organic growth of 2.1% and a positive 0.7% impact from foreign currency translation.

Consistent with 2017, approximately 97% of the Company's 2018 sales to end-use customers are denominated in foreign currencies. Consequently, changes in foreign exchange rates can have a material impact on sales and profitability when translated into Canadian dollars for public reporting. The depreciation of the U.S. dollar, Brazilian real, and Mexican peso by 0.2%, 12.4%, and 2.0%, respectively, was offset by a 4.4%, 3.4%, 2.1% and 4.8% appreciation of the euro, U.K. pound, Chinese renminbi and Thai baht, relative to the Canadian dollar in 2018 compared to average exchange rates in 2017.

Selling, general and administrative expenses ("SG&A") were \$785.8 million for 2018, compared to \$751.5 million reported in 2017. The increase in SG&A expenses in 2018 relates primarily to the significant acquisitions made over the last two years. Corporate expenses for 2018 were \$62.7 million, compared to \$52.7 million for 2017. The increase in corporate expenses relative to those in 2017 relates predominantly to an increase in equity linked compensation costs as well as increased variable compensation expense resulting from the achievement of a three-year cumulative financial hurdle during the year.

Operating income (a non-IFRS measure; see "Key Performance Indicators and Non-IFRS Measures" in Section 5A) for 2018 was \$775.7 million, an increase of 5.2% compared to \$737.5 million for 2017. Excluding the \$4.3 million and \$15.2 million non-cash accounting adjustments to fair value the acquired inventories and expensed through cost of sales in 2018 and 2017, respectively, operating income improved 3.6%. Foreign currency translation was a 0.7% positive impact to consolidated operating income for 2018 compared to 2017. The CCL, Checkpoint and Innovia Segments each increased operating income while Avery posted a decline, compared to 2017. Further details on the business segments follow later in this report.

EBITDA in 2018 was \$995.3 million, an improvement of 3.8% compared to \$959.2 million recorded in 2017. Excluding the impact of currency translation, EBITDA increased by 3.1% over the prior year.

Net finance cost was \$80.7 million for 2018, compared to \$75.2 million for 2017, with the increase in interest costs due to an increase in drawn debt needed to fund the Treofan acquisition and a slight increase in the consolidated average interest rate.

For the full year 2018, restructuring costs and other items represented an expense of \$14.8 million (\$12.6 million after tax) as follows:

- For the CCL Segment, \$0.6 million (\$0.4 million after tax) income increase, representing \$0.9 million for severance-related expenditures for the security part of the Innovia acquisition offset by the reversal of \$1.5 million of over accrued reorganization costs.
- For the Avery Segment, \$2.7 million (\$2.0 million after tax), which was for severance and other reorganization costs in the European operations.
- For the Checkpoint Segment, \$4.6 million (\$3.8 million after tax), which was for severance and other reorganization costs globally.
- For the Innovia Segment, \$1.1 million (\$0.9 million after tax), for severance related costs in their European operations.
- Acquisition transaction costs totalled \$3.7 million (\$3.6 million after tax), primarily for the Treofan acquisition.
- Other expenses of \$3.3 million (\$2.7 million after tax), predominantly related to actuarial pension obligations at Innovia and legacy CCL U.K. operations. This non-cash expense is the result of a milestone legal judgement equalizing certain historic guaranteed minimum obligations for all U.K. defined benefit pension schemes.

The negative earnings impact of these restructuring and other items in 2018 was \$0.07 per Class B share.

For the full year 2017, restructuring costs and other items represented an expense of \$11.3 million (\$11.6 million after tax) as follows:

- For the CCL Segment, \$6.5 million (\$4.7 million after tax), the majority of which was for severance-related expenditures for the security business included in the Innovia acquisition.
- For the Checkpoint Segment, \$14.8 million (\$11.8 million after tax), which was for severance and other reorganization costs partially offset by the reversal of a \$15.6 million (\$9.6 million after tax) pre-acquisition legal reserve that was settled in favour of the Company.
- For the Innovia Segment, \$5.6 million (\$4.7 million after tax), with \$3.0 million for severance-related costs and the balance for transaction costs.
- For the settlement of a Checkpoint pre-acquisition lawsuit accrual in the amount of \$15.6 million (\$9.6 million after tax) settled in favour of the Company.

The negative earnings impact of these restructuring and other items in 2017 was \$0.07 per Class B share.

In 2018, the consolidated effective tax rate was 25.3%, compared to 21.4% in 2017, excluding earnings in equity accounted investments. The combined Canadian federal and provincial statutory tax rate was 25.8% for 2018 (2017 – 25.3%). The effective tax rate for 2017 was impacted by recording the amendments signed into law in the TCJA. The TCJA was a comprehensive and complex tax reform making numerous changes to U.S. tax law but the two most significant items were (1) a transition tax on certain unrepatriated earnings of foreign subsidiaries, and (2) a reduction in the U.S. federal corporate income tax rate from 35% to 21% commencing January 1, 2018.

The net impact of the transition tax on certain unrepatriated earnings of foreign subsidiaries was nil to the Company in 2017. However, when factoring the corporate rate reduction into the remeasurement of deferred income taxes, the Company's deferred tax liability was reduced by \$40.0 million resulting in a corresponding reduction in tax expense. Of this reduction, \$15.0 million primarily related to book and tax timing differences and other discrete items. However, \$25.0 million related to indefinite life intangibles from recent acquisitions that were recognized for accounting purposes but had no corresponding tax basis and were therefore excluded from adjusted basic earnings per share.

Excluding the impact of TCJA, the effective tax rate for 2017 would have been 28.1% and, as predicted the effective tax rate for 2018 was reduced by approximately 3% due to the ongoing impact of the TCJA.

Over 97% of the Company's sales are from products sold to customers outside of Canada, and the income from these foreign operations is subject to varying rates of taxation. The Company's effective tax rate is also affected from year to year as a result of the level of income in the various countries, recognition or reversal of tax losses, tax reassessments and income and expense items not subject to tax.

Net earnings for 2018 were \$466.8 million, compared to \$474.1 million recorded in 2017 due to the items described above.

Basic earnings per Class B share were \$2.64 for 2018 versus the \$2.70 recorded for 2017. Diluted earnings per Class B share were \$2.61 for 2018 and \$2.66 for 2017. The movement in foreign currency exchange rates in 2018 compared to 2017 had an estimated positive impact on the translation of the Company's basic earnings of \$0.02 per Class B share. The diluted weighted average number of shares was 178.7 million for 2018, compared to 178.3 million for 2017.

As of December 31, 2018, the Company had 11.8 million Class A voting shares and 165.9 million Class B non-voting shares issued and outstanding. In addition, the Company had outstanding stock options to purchase 3.0 million Class B non-voting shares and had 0.3 million deferred share units outstanding to issue 0.3 million Class B non-voting shares.

Adjusted basic earnings per Class B share was \$2.73 for 2018, up 1.5% from \$2.69 in 2017.

The movement in foreign currency exchange rates in 2018 versus 2017 had an estimated positive translation impact of \$0.02 on adjusted basic earnings per Class B share. This estimated foreign currency impact reflects the currency translation in all foreign operations.

G) Seasonality and Fourth Quarter Financial Results

2018	Unaudited Qtr 1	Unaudited Qtr 2	Unaudited Qtr 3	Unaudited Qtr 4	Year
Sales					
CCL	\$ 807.7	\$ 804.1	\$ 816.1	\$ 827.2	\$ 3,255.1
Avery	146.3	194.0	198.5	173.1	711.9
Checkpoint	177.4	177.5	168.8	189.2	712.9
Innovia	95.7	88.8	153.8	143.3	481.6
Total sales	\$ 1,227.1	\$ 1,264.4	\$ 1,337.2	\$ 1,332.8	\$ 5,161.5
Segment operating income (loss)					
CCL	\$ 146.3	\$ 127.3	\$ 117.6	\$ 120.1	\$ 511.3
Avery	24.0	44.6	40.9	36.0	145.5
Checkpoint	22.8	27.6	25.5	25.4	101.3
Innovia	7.5	0.1	2.3	7.7	17.6
Operating income	200.6	199.6	186.3	189.2	775.7
Corporate expenses	19.1	13.0	14.3	16.3	62.7
Restructuring and other items	3.3	3.6	1.3	6.6	14.8
Earnings in equity accounted investments	(0.9)	(0.2)	(1.5)	(2.7)	(5.3)
	179.1	183.2	172.2	169.0	703.5
Finance cost, net	19.0	20.8	21.1	19.8	80.7
Earnings before income taxes	160.1	162.4	151.1	149.2	622.8
Income taxes	41.4	41.3	38.3	35.0	156.0
Net earnings	\$ 118.7	\$ 121.1	\$ 112.8	\$ 114.2	\$ 466.8
Per Class B share					
Basic earnings	\$ 0.67	\$ 0.69	\$ 0.63	\$ 0.65	\$ 2.64
Diluted earnings	\$ 0.66	\$ 0.68	\$ 0.63	\$ 0.64	\$ 2.61
Adjusted basic earnings	\$ 0.69	\$ 0.70	\$ 0.66	\$ 0.68	\$ 2.73

G) Seasonality and Fourth Quarter Financial Results (continued)

2017	Unaudited Qtr 1	Unaudited Qtr 2	Unaudited Qtr 3	Unaudited Qtr 4	Year
Sales					
CCL	\$ 721.6	\$ 781.2	\$ 736.6	\$ 780.0	\$ 3,019.4
Avery	160.8	209.1	212.0	171.0	752.9
Checkpoint	149.3	171.0	162.6	192.3	675.2
Innovia	29.8	91.6	95.6	91.2	308.2
Total sales	\$ 1,061.5	\$ 1,252.9	\$ 1,206.8	\$ 1,234.5	\$ 4,755.7
Segment operating income (loss)					
CCL	\$ 116.4	\$ 118.9	\$ 102.3	\$ 133.4	\$ 471.0
Avery	28.5	45.4	49.9	40.7	164.5
Checkpoint	15.3	19.5	21.7	30.9	87.4
Innovia	(1.3)	4.4	11.4	0.1	14.6
Operating income	158.9	188.2	185.3	205.1	737.5
Corporate expenses	13.4	14.2	12.5	12.6	52.7
Restructuring and other items	7.4	5.2	2.9	(4.2)	11.3
Earnings in equity accounted investments	(0.6)	(0.8)	(1.0)	(1.3)	(3.7)
	138.7	169.6	170.9	198.0	677.2
Finance cost, net	14.6	17.9	18.9	23.8	75.2
Earnings before income taxes	124.1	151.7	152.0	174.2	602.0
Income taxes	36.2	41.8	45.1	4.8	127.9
Net earnings	\$ 87.9	\$ 109.9	\$ 106.9	\$ 169.4	\$ 474.1
Per Class B share					
Basic earnings	\$ 0.50	\$ 0.63	\$ 0.60	\$ 0.97	\$ 2.70
Diluted earnings	\$ 0.49	\$ 0.63	\$ 0.59	\$ 0.95	\$ 2.66
Adjusted basic earnings	\$ 0.57	\$ 0.68	\$ 0.61	\$ 0.83	\$ 2.69

Fourth Quarter Results

Sales for the fourth quarter of 2018 improved 8.0% to \$1,332.8 million, compared to \$1,234.5 million recorded in the 2017 fourth quarter. Excluding currency translation, sales for the fourth quarter of 2018 increased by 6.6% compared to the prior year. This increase was due to 1.5% organic growth and 5.1% impact from acquisitions. The CCL and Innovia Segments posted sales increases of 5.1% and 55.7%, respectively, excluding the impact of currency translation. Solid organic sales growth at CCL and the impact of the Treofan acquisition were offset by pre-foreign currency translation declines of 2.0% and 2.4% for the Avery and Checkpoint Segments, respectively. The decline in sales for Avery can be attributed to the continued weakness in the North American mass-market retail and wholesale channels partially offset by increases in the direct-to-consumer offering.

Checkpoint's sales declined despite improvements in the Apparel Labeling Solutions ("ALS") product offering as the prior year fourth quarter was boosted by two large customer technology installations in the Merchandise Availability Solutions ("MAS") product offering.

Operating income in the fourth quarter of 2018 was \$189.2 million, compared to \$205.1 million in the fourth quarter of 2017. For the fourth quarter of 2018 compared to the same period in 2017, only the Innovia Segment recorded an increase in operating income. The CCL Segment's operating income decline was principally attributable to slower end markets and plant start-up costs for CCL Design and comparative regression to CCL Secure's 2017 fourth quarter that included a large new currency issuance in Europe. Despite Avery's and Checkpoint's aforementioned challenges with distribution channels and MAS installation sales declines, the Segments still posted solid return on sales ("Return on Sales," a non-IFRS financial measure; see "Key Performance Indicators and Non-IFRS Measures" in Section 5A) of 20.8% and 13.4%, respectively, (a non-IFRS measure; see "Key Performance Indicators and Non-IFRS Measures" in Section 5A). Innovia generated operating income of \$7.7 million compared to \$0.1 million due to better mix, productivity initiatives in the European film operations and easing resin input costs. Foreign currency translation had a positive impact of 1.3% to consolidated operating income.

EBITDA for the fourth quarter of 2018 was \$244.2 million compared to the \$259.0 million for the 2017 comparable period.

Corporate expenses were \$16.3 million in the fourth quarter of 2018, compared to \$12.6 million recorded in the prior-year period. The increase is attributable to additional long-term variable compensation expense attributable to the achievement of the cumulative financial hurdle in the final quarter of a three-year cycle.

Net finance cost was \$19.8 million for the fourth quarter of 2018 compared to \$23.8 million for the fourth quarter of 2017. This decrease was attributable to reduced interest costs associated with pension liabilities.

For the fourth quarter of 2018, restructuring costs and other items represented an expense of \$6.6 million (\$5.4 million income after tax) as follows:

- For the CCL Segment, \$1.5 million (\$1.1 million after tax) income increase, representing the reversal of \$1.5 million of over accrued reorganization costs in the Innovia security operations.
- For the Avery Segment, \$2.7 million (\$2.0 million after tax), which was for severance and other reorganization costs in the European operations.
- For the Innovia Segment, \$1.1 million (\$0.9 million after tax), for severance-related costs in the European operations.

- Acquisition transaction costs totalling \$1.0 million (\$0.9 million after tax), primarily for the Treofan acquisition.
- Other expenses of \$3.3 million (\$2.7 million after tax), for the aforementioned actuarial accrual adjustment for guaranteed minimum pension obligation principally for Innovia U.K. operations.

The negative earnings impact of these restructuring and other items for the 2018 fourth quarter was \$0.03 per Class B share.

For the fourth quarter of 2017, restructuring costs and other items represented an income inclusion of \$4.2 million (\$0.7 million income after tax) as follows:

- For the CCL Segment, \$3.1 million (\$2.2 million after tax), the majority of which was for the severance-related expenditures for the security business from the Innovia acquisition.
- For the Checkpoint Segment, \$8.0 million (\$6.6 million after tax) expense primarily for severance costs.
- For the Innovia acquisition, transaction costs of \$0.3 million (\$0.1 million after tax).
- For the settlement of a Checkpoint pre-acquisition lawsuit accrual in the amount of \$15.6 million (\$9.6 million after tax) in favour of the Company.

The positive earnings impact of these restructuring and other items for the 2017 fourth quarter was nominal per Class B share.

Tax expense in the fourth quarter of 2018 was \$35.0 million, resulting in an effective tax rate of 23.9% compared to \$4.8 million and an effective tax rate of 2.8% in the prior-year period. The fourth quarter 2017 tax expense was impacted by the aforementioned \$40.0 million reduction from the TCJA. The TCJA had an impact of \$0.23 on basic earnings per Class B share.

Net earnings in the fourth quarter of 2018 were \$114.2 million, compared to net earnings of \$169.4 million in last year's fourth quarter. This decrease reflects the items described above.

Basic earnings per Class B share were \$0.65 in the fourth quarter of 2018 compared to \$0.97 in the fourth quarter of 2017. The movement in foreign currency exchange rates in the fourth quarter of 2018 compared to 2017 had a positive impact on the translation of the Company's basic earnings of \$0.01 per Class B share.

Adjusted basic earnings per Class B share were \$0.68 for the fourth quarter of 2018, compared to \$0.83 in the corresponding quarter of 2017.

Summary of Seasonality and Quarterly Results

For the CCL and Innovia Segments the first and second quarters are generally the strongest due to the number of work days and various customer-related activities. Also, there are many products that have a spring-summer bias in North America and Europe such as agricultural chemicals and certain beverage products, which generate additional sales volumes for the Company in the first half of the year. The polymer banknote business within the CCL Segment, experiences intra-quarter variations in sales influenced by Central Banks' re-order volatility. For Avery, the third quarter has historically been its strongest, as it benefits from increased demand related to back-to-school activities in North America, although the impact has been diminishing over the previous two years. For the Checkpoint Segment, 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 to the end of the year and prepares for the same in its supply chain from mid-year on. The final quarter of the year is negatively affected from a sales perspective in the northern hemisphere by Thanksgiving and globally by the Christmas and New Year holiday season shut-downs.

Sales and net earnings comparability between the quarters of 2018 and 2017 were primarily affected by regional economic variances, the impact of dramatic foreign currency changes relative to the Canadian dollar, the timing of acquisitions, the effect of restructuring, the impact of Central Bank reorder patterns, tax adjustments and other items.

The CCL Segment has generally experienced strong demand in its existing and newly acquired operations in the past few years. The Segment increased sales, excluding the impact of currency translation, in all four quarters of 2018, primarily driven by organic growth and acquisitions.

The Avery Segment's quarterly results in 2018 deviated from its historical pattern of robust results for the third quarter of each year. The third quarter back-to-school intensity in North America has become more muted due to secular declines in low-margin ring binder sales and the expansion of the Segment into other digital direct-to-consumer business that do not have this seasonal bias. Return on sales for the fourth quarter and 2018 in the Avery Segment was in excess of 20.0% and the highest amongst all of the Company's segments. This evolving seasonal pattern should continue in 2019.

Checkpoint's reoccurring revenues for the 2018 year were consistent with the most active months in the annual retail cycle. However, year-over-year comparative quarterly results can be influenced by large chain-wide customer driven hardware installations that strengthen future reoccurring label revenues for the Segment.

2. BUSINESS SEGMENT REVIEW

A) General

Over the last decade, all divisions invested significant capital and management effort to develop world-class manufacturing operations, with spending allocated to geographic expansion, cost-reduction projects, the development of innovative products and processes, the maintenance and expansion of existing capacity and the continuous improvement in health and safety in the workplace, including environmental management. The Company also makes strategic acquisitions for global competitive advantage, servicing large customers, taking advantage of new geographic markets, finding adjacent and new product opportunities, adding new customer segments, building infrastructure and improving operating performance. The Avery and Checkpoint Segments and the CCL Design business within the CCL Segment are less capital intensive as a percentage of sales than the Company's other businesses. Further discussion on capital spending is provided in the individual Segment discussion sections below.

Although each Segment is a leader in market share or has a significant position in the markets it serves in each of its operating locales, it also operates generally in a mature and competitive environment. In recent years, consumer products and healthcare companies have experienced steady pressure to maintain or even reduce prices to their major retail and distribution channels, which has driven significant consolidation in the Company's customer base. This has resulted in many customers seeking supply-chain efficiencies and cost savings in order to maintain profit margins. Volatile commodity costs have also created challenges to manage pricing with customers. These dynamics have been an ongoing challenge for the Company and its competitors, requiring greater management and financial control and flexible cost structures. Unlike some of its competitors, the Company has the financial strength to invest in the equipment and innovation necessary to constantly strive to be the highest value-added producer in the markets that it serves.

The cost of many of the key raw material inputs for the Company, such as plastic films and resins, paper, specialty chemicals and aluminum, are largely dependent on the supply and demand economics within the petrochemical, energy and base metals industries. The Checkpoint Segment purchases component parts including circuit boards, memory chips and other electronic modules from third parties. The significant cost fluctuations for these inputs can have an impact on the Company's profitability. The Company generally has the ability, due to its size and the use of long-term contracts with both suppliers and customers, to mitigate volatility in purchased costs and, where necessary, to pass these on to the market in higher product prices. However, the Innovia Segment can experience delays in price adjustments up or down to customers due to the nature of its respective relationships and contracts. Innovia's pricing mechanisms are much more

complex with multiple indices for polypropylene used by customers and suppliers, and differing terms in contracts when trigger points are arrived at for price changes. In the second half of 2018, Innovia's management team focused significantly on renegotiating customer contracts to improve earnings and mitigate the impact of volatile input costs for 2019 and beyond. The success of the Company is dependent on each business managing the cost-and-price equation with suppliers and customers.

A driver common to all Segments for maximizing operating profitability is the discipline of pricing contracts based on size and complexity, including consideration for fluctuations in raw materials and packaging costs, manufacturing run lengths and available capacity. This approach facilitates effective asset utilization and relatively higher levels of profitability. Performance is generally measured by product against estimates used to calculate pricing, including targets for scrap and output efficiency. An analysis of total utilization versus capacity available per production line or facility is also used to manage certain divisions of the business. In most of the Company's operations, the measurement of each sales order shipped is based on actual selling prices and production costs to calculate the amount of actual profit margin earned and its return on sales relative to the established benchmarks. This process ensures that pricing policies and production performance are aligned in attaining profit margin targets by order, by plant and by division.

Management believes it has both the financial and non-financial resources, internal controls and reporting systems and processes in place to execute its strategic plan, to manage its key performance drivers and to deliver targeted financial results over time. In addition, the Company's internal audit function provides another discipline to ensure that its disclosure controls and procedures and internal control over financial reporting will be assessed on a regular basis against current corporate standards of effectiveness and compliance.

The Company is not particularly dependent upon specialized manufacturing equipment. Most of the technology employed by the divisions can be sourced from multiple suppliers. The Company, however, has the resources to invest in large-scale projects to build infrastructure in current and new markets because of its financial strength relative to that of many of its competitors. Direct competitors in the CCL Segment are often smaller and may not have the financial resources to stay current in maintaining state-of-the-art facilities. Certain new manufacturing lines take many months for suppliers to construct, and any delays in delivery and commissioning can have an impact on customer expectations and the Company's profitability. The Innovia Segment, in addition to its unique method for producing BOPP for label and packaging applications, also provides the Company with the know-how and material science capability in proprietary non-commodity-oriented activities. Finally, the Company also uses strategic partnerships as a method of obtaining exclusive technology in order to support growth plans and to expand its product offerings. The Company's major competitive advantage is based on its strong customer service, process technology, the know-how of its people, market-

leading brand awareness and loyalty, and the ability to develop proprietary technologies and manufacturing techniques.

The expertise of the Company's employees is a key element in achieving the Company's business plans. This know-how is broadly distributed throughout the world; therefore, the Company is generally not at risk of losing its competency through the loss of any particular employee or group of employees. Employee skills are constantly being developed through on-the-job training and external technical education, and are enhanced by the Company's entrepreneurial culture of considering creative alternative applications and processes for its products.

The nature of the research carried out by the CCL Segment can be characterized as application or process development. The Company spends meaningful resources on assisting customers to develop new and innovative products. While customers regularly come to CCL with concepts and request assistance to develop products, the Company also takes its own new ideas to the market. Proprietary information is protected through the use of confidentiality agreements and by limiting access to CCL's manufacturing facilities. The Company values the importance of protecting its customers' brands and products from fraudulent use and consequently is selective in choosing appropriate customer and supplier relationships.

Avery has a strong commitment to understanding its ultimate end users, actively seeking product feedback and using consumer focus groups to drive product development initiatives. Furthermore, it leverages the CCL Segment's applications and technology to deliver product innovation that aligns with consumer printable media trends.

Checkpoint has always been an innovator for its industry with a strong dedication to research and development activities. It was the pioneer of RF electronic-article-surveillance hardware and consumables. Checkpoint has made further advances with the active enhancement and deployment of RFID solutions, including inventory management software, to the retail and apparel industry.

Innovia maintains a world class research and development centre, specifically dedicated to the support of label and packaging applications. The new discoveries and product enhancements generated from this centre will be deployed across the entirety of the Company for the benefit of its customers.

The Company continues to invest time and capital to upgrade and expand its information technology systems. This investment is critical to keeping pace with customer requirements and in gaining or maintaining a competitive edge. Software packages are, in general, off-the-shelf systems customized to meet the needs of individual business locations. The CCL, Avery, Checkpoint and Innovia Segments communicate with many customers and suppliers electronically, particularly with regard to supply-chain-management solutions and when transferring and confirming design formats and colours. A core attribute of Avery's printable media

products is the customized software to enable short-run digital printing in businesses and homes. Avery recognizes that it is critical to develop its software solutions to maintain its market-leading position with consumers. Avery launched WePrint™, expanding its direct-to-consumer software solutions, and acquired Nilles', PCN's, Mabel's, GGW's, Badgepoint's and Imprint Plus's e-commerce platforms to leverage acquired digital print software into the pre-existing Avery suite.

Within the Avery Segment, most products are sold under the market-leading "Avery" brand and, with equal prominence in German-speaking countries, the "Zweckform" brand name. Within the Checkpoint Segment, products are predominantly sold under the Checkpoint brand and, for retail merchandising products in Europe and Asia Pacific, the Meto brand. The Company recognizes that in order to maintain the pre-eminent positions for Avery, Zweckform, Checkpoint and Meto, it must continually invest in promoting these brands. Product quality, innovation and performance are recognized attributes to the success of these brands.

The Company has deployed many initiatives to reduce the carbon footprint of its products and services to ensure the business is sustainable. These include collaborative logistic partnerships with customers and suppliers to reduce the usage of wooden pallets and corrugated boxes, and new products that help customers reduce their own carbon footprint such as CCL's Super Stretch Sleeves that decorate PET beverage containers without adhesive or energy and patented "wash off" labels for reusable bottles, which lowers the impact of glass going to landfill. The Company's greenfield sites are designed and constructed to specific standards to reduce their carbon footprint and some sites have adopted the use of solar power to run their facilities.

In addition to its sustainability initiatives, the Company recognizes it must be a socially responsible organization and is committed to fair labour practices, maintaining a safe workplace and giving back to its employees and the communities in which it operates. The confidential ethics hotline allows employees to safely voice concerns and the Employee Assistance Program provides reassuring advice and support for anxieties outside the workplace.

Business Segment Results

	2018	2017
Segment sales		
CCL	\$ 3,255.1	\$ 3,019.4
Avery	711.9	752.9
Checkpoint	712.9	675.2
Innovia	481.6	308.2
Total sales	\$ 5,161.5	\$ 4,755.7
Operating income*		
CCL	\$ 511.3	\$ 471.0
Avery	145.5	164.5
Checkpoint	101.3	87.4
Innovia	17.6	14.6
Operating income	\$ 775.7	\$ 737.5

* This is a non-IFRS measure. Refer to “Key Performance Indicators and Non-IFRS Measures” in Section 5A.

Comments on Business Segments

The above summary includes the results of acquisitions on reported sales and operating income from the date of acquisition.

B) CCL Segment

Overview

There are five customer sectors inside the CCL Segment. The Company trades in three of them as CCL Label 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 Label supplies innovative specialized label, plastic tube, aluminum aerosol and specialty bottle solutions to Home & Personal Care and Food & Beverage companies, plus 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 companies. CCL Secure supplies polymer banknote substrate, pressure sensitive stamps, passport components, ID cards and other security documents to government institutions.

The Segment's product lines include pressure sensitive labels, shrink sleeves, stretch sleeves, in-mould labels, precision printed and die cut metal, glass and plastic components, expanded content labels, pharmaceutical instructional

leaflets, graphic security features, extruded or laminated plastic tubes, aluminum aerosols or specialty bottles and printed polymer security film substrates. It currently operates 131 production facilities located in Canada, the United States (including Puerto Rico), Argentina, Australia, Austria, Brazil, Chile, China, Denmark, Egypt, France, Germany, Hungary, India, Ireland, Israel, Italy, Japan, Korea, Malaysia, Mexico, the Netherlands, New Zealand, Northern Ireland, Oman, Pakistan, Philippines, Poland, Russia, Saudi Arabia, Singapore, Switzerland, Thailand, Turkey, United Arab Emirates, the United Kingdom and Vietnam. The six plants in Russia, six plants in the Middle East, and one plant in the United States are connected to the equity investments in CCL-Kontur, Pacman-CCL, and Rheinfelden Americas Inc., respectively, and are included in the above locations.

This Segment's industry is made up of a very large number of competitors that manufacture a vast array of decorative, product information, identification and security label-type applications. The Company believes that CCL is the largest consolidated operator in most of its defined global market sectors. Competition largely comes from single-plant businesses, often owned by private operators who compete in local markets with the Segment. There are also a few multi-plant competitors in certain regions of the world and specialists in a single market segment globally. However, there is no major competitor that has the product breadth, global reach and scale of the CCL Segment.

The Company has completed numerous label acquisitions, strategic joint ventures and greenfield start-ups geographically and added new product offerings to position CCL Label as a global leader in the Home & Personal Care, Food & Beverage and Healthcare & Specialty end markets. CCL Design is an equally significant financial and geographic market for the CCL Segment, principally focused on the automotive and electronics markets. The high-security, specialized polymer banknote operations included in the Innovia acquisition form an integral part of CCL Secure.

CCL produces labels predominantly from polyolefin films and paper partly sourced from extruding, coating and laminating companies, using raw materials primarily from the petrochemical and paper industries. CCL also coats and laminates pressure sensitive materials and is generally able to mitigate the cost volatility of third-party-sourced materials due to a combination of purchasing leverage, agreements with suppliers and its ability to pass on these cost increases to customers. In the label industry, price changes regularly occur as specifications are constantly changed by the marketers and, as a result, the selling price of these labels is updated, reflecting current market costs and new shapes and designs.

CCL's global customers are requiring more of their suppliers, expecting a full range of product offerings in more geographic regions, further integration into their supply-chain at a global level and protection of their brands, particularly in markets where counterfeiting is rife. These requirements put many of the Segment's competitors at a disadvantage, as do the investment hurdles in converting equipment and technologies to deliver products, services and innovations. Trusted

and reliable suppliers are important considerations for global consumer product companies, major pharmaceutical companies and OEMs in the durable goods business and, of course, Central Banks. This is even more important in an uncertain economic environment when many smaller competitors encounter difficulties and customers want to ensure their suppliers are financially viable.

CCL considers customers' demand levels, particularly in North America and Western Europe, to be reasonably mature and, as such, will continue to focus its expansion plans on innovative and higher growth product lines within those geographies with a view to improving overall profitability. In Asia, Latin America and other emerging markets, a higher level of economic growth is still expected over the coming years, despite the slower conditions experienced in the past few years. This should provide opportunities for the Segment to improve market share and increase profitability in these regions. Furthermore, there is close alignment of label demand to consumer staples other than CCL Design and CCL Secure, which are completely aligned to the automotive and electronics industries and government institutions and Central Banks, respectively. Management believes the Segment will attain the sales volumes, geographic distribution and reach mirroring those of its customers over the next few years through its focused strategy and by capitalizing on following customer trends.

CCL Segment Financial Performance

	2018	% Growth	2017
Sales	\$ 3,255.1	7.8%	\$ 3,019.4
Operating income	\$ 511.3	8.6%	\$ 471.0
Return on sales	15.7%		15.6%

Sales in the CCL Segment for 2018 increased 7.8% to \$3,255.1 million, compared to \$3,019.4 million in 2017. A strong organic rate of 4.8%, coupled with 2.4% acquisition-related growth and 0.6% positive impact from foreign currency translation accounted for the improvement.

Sales in 2018 for **North America** increased mid-single digit compared to 2017, excluding the impact of currency translation. Sales for Healthcare & Specialty improved but profitability declined modestly compared to a strong prior year due to a change in sales mix. Home & Personal Care sales and profitability improved substantially driven by market share gains in labels and tubes. Sales and profitability in the Food & Beverage sector also improved significantly on market share wins in all categories. CCL Design profitability improved on operational execution and strong sales mix in electronics markets while automotive demand reduced. CCL Secure recorded reduced sales and profitability due to slower demand for postage stamps offsetting growth in other security documents. Overall profitability and return on sales increased; foreign currency translation had little impact on results.

European sales were up low-single digit for 2018, excluding currency translation compared to 2017. CCL Secure results were, as expected, below the prior year that included an important new banknote launch in the region. Home & Personal Care sales and profitability improved compared to the prior year driven by strong market share gains and operational efficiencies. Healthcare & Specialty 2018 sales were flat but profitability declined on sales mix changes in Scandinavia, Germany and Italy. Sales and profitability for Food & Beverage improved significantly with robust results for Sleeves and strong improvement at Wine & Spirit operations. The Closures business posted lower sales on production moving to Asia but profitability increased significantly on operating efficiencies achieved in its new Swiss facility. Sales and profitability in automotive and industrial markets were flat to 2017 on slowing demand, however weak results for electronics markets continuing to migrate to Asia resulted in overall reduced profitability for CCL Design. Overall, European operating income, excluding currency translation, declined compared to the prior year, mostly due to reduced profitability at CCL Secure.

Sales in **Latin America**, excluding acquisitions and currency translation, increased double digit for 2018 compared to 2017. Strong sales and profitability improvement in Home & Personal Care were offset by softer CCL Design results that included start-up costs for a new automotive plant, and reduced performance for CCL Secure in Mexico. Results for Brazil improved substantially compared to a prior year impacted by soft consumer markets. Operating income increased in the region, however return on sales declined, due to the aforementioned results in Mexico.

Asia Pacific sales, excluding acquisitions and currency translation, increased in the low teens for 2018 compared to 2017. Sales and profits in China increased significantly, driven by strong improvement at CCL Design in electronics end markets, as well as robust gains in Beverage labels. Sales and profits increased in ASEAN countries, especially Thailand, while the new plant in Korea significantly reduced start-up losses compared to 2017. Australian sales increased in all lines of business. Start-up costs for a new Wine & Spirits facility in New Zealand were largely offset by improved Healthcare results. CCL Secure, posted strong sales and profitability improvement compared to 2017. Operating income increased significantly and as a percentage of sales in Asia Pacific due to improvements across the region.

Operating income for the CCL Segment improved by 8.6% to \$511.3 million for 2018 compared to \$471.0 million for 2017. Included in 2017 operating income was an \$8.2 million non-cash accounting adjustment to fair value the acquired inventory of the Security business that was part of the Innovia acquisition. Foreign currency translation had a positive effect of 0.6% on 2018 operating income compared to 2017. Operating income as a percentage of sales was 15.7% in 2018 compared to the 15.6% return generated in the prior year.

The CCL Segment invested \$280.0 million in capital spending in 2018 compared to \$237.3 million last year. The major expenditures were for equipment installations to support capacity additions for the Home & Personal Care, Food & Beverage and Healthcare & Specialty businesses globally. Depreciation and amortization for the CCL Segment was \$194.9 million in 2018, compared to \$185.8 million in 2017.

C) Avery Segment

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. The majority of products in the Printable Media and Direct to Consumer categories are used by businesses and individual consumers consistently throughout the year; however, in the OPG category, North American consumers engage in the back-to-school surge during the third quarter.

Avery operates thirteen manufacturing and three distribution facilities. Sales for Avery are principally generated in North America, Europe and Australia with a market-leading position. There is a small developing presence in Latin America. Most products are sold under the market-leading "Avery" brand and, with equal prominence in German-speaking countries, under the "Zweckform" brand name that is better known by consumers in this part of Europe, as well as the direct-to-consumer "pc/nametag," "Mabel's Labels," "goedgemerkt," "badgepoint" and "Imprint Plus" brands.

Avery reaches its consumers, including small businesses, through distribution channels that include mass-market merchandisers, retail superstores, wholesalers, e-tailers, contract stationers, catalog retailing and direct-to-consumer e-commerce. Merger activity and store closures in these distribution channels can lead to short-term volume declines as customer inventory positions are consolidated. Avery is the leading brand in its core markets, with the principal competition being lower-priced private label products. Avery has experienced secular decline in its core mailing address label product as e-mail and internet-based digital communication has grown rapidly. In response, Avery has developed innovative new products targeted at applications such as shipping labels and product identification. Avery has successfully launched its proprietary direct-to-consumer e-commerce label design software platform WePrint™. In 2014, the acquisitions of Label Connections Ltd. and Nilles expanded Avery's digital print capabilities to the commercial graphic arts sector and e-commerce platform to custom designed roll fed labels in new markets around the world. With the 2015

acquisitions of PCN and Mabel's in North America, 2017 acquisitions of Badgepoint and GGW and the 2018 acquisition of Imprint Plus, the Company further expanded Avery's digital print offerings to the meetings and events planning industry and personalized identification labels for children and families. Growth rates in these new printable media e-commerce platforms and the newly acquired business is expected to outpace Avery's legacy product lines and eventually aid in re-establishing a growth rate for the Segment. It is also the Company's expectation that Avery will also continue to open up new revenue streams in short-run digital printing applications.

Avery Segment Financial Performance

	2018	% Growth	2017
Sales	\$ 711.9	(5.4%)	\$ 752.9
Operating income	\$ 145.5	(11.6%)	\$ 164.5
Return on sales	20.4%		21.8%

Sales in the Avery Segment for 2018 were \$711.9 million compared to the \$752.9 million posted in 2017. Foreign currency translation had a positive impact of 0.5% and acquisitions added 2.1%, offset by organic sales declines of 8.0%, compared to 2017.

North American sales declined double digit for 2018, excluding currency translation and acquisitions, compared to 2017. Sales and profitability declined in Printable Media product lines due to challenges in traditional office supply channels. Profitability improvement outpaced double digit sales growth in direct-to-consumer product lines that included badges, "Kids Label", "WePrint" and Avery.com. Imprint Plus, acquired April 2018, delivered profit margins in excess of expectations. The OPG category continued to experience sales and profitability declines due to secular declines and share loss in low margin back-to-school ring binders for mass-market retailers.

International sales were mostly generated from products in the Printable Media category as well as a full year of results for GGW and Badgepoint in the direct-to-consumer category and together represent approximately 26% of the Avery Segment's sales for 2018. Sales, excluding acquisitions and currency translation, were flat in Europe, and down in Asia Pacific and Latin America. Overall profitability improved slightly due to strong results from the direct-to-consumer businesses.

Operating income for 2018 was \$145.5 million compared to \$164.5 million in 2017. Return on sales of 20.4% for 2018 compared to 21.8% for 2017, although down, remains the highest amongst the Company's four business segments.

The Avery Segment invested \$11.6 million in capital spending for 2018, compared to \$13.8 million for 2017. The majority of the expenditures in 2018 were for capacity additions in the direct-to-consumer operations in North America. Depreciation and amortization for the Avery Segment was \$17.6 million for 2018 compared to \$16.1 million for 2017.

D) Checkpoint Segment

Overview

The Checkpoint Segment is a leading global manufacturer and provider of hardware and software systems plus security labels and tags providing inventory control and loss-prevention solutions to world-leading retailers.

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: MAS, ALS and Retail Merchandising Solutions (“RMS”). The MAS line focuses on electronic-article-surveillance (“EAS”) systems; hardware, software, labels and tags for loss prevention and inventory control systems including RFID solutions. ALS products are apparel labels and tags, some of which are RFID capable. RMS, a small European-centric product line, includes hand-held pricing tools and labels and promotional in-store displays. All MAS and ALS products are sold under the Checkpoint brand, and RMS is sold under the Meto brand.

Checkpoint is supported by eighteen manufacturing facilities, eleven distribution facilities and four product and software development centres around the world. Checkpoint is head quartered in the United States, but uses its global footprint to generate sales internationally. Checkpoint sells directly to retailers or apparel manufacturers and competes with other global retail labeling companies.

Despite Checkpoint’s market-leading position, strong brand recognition and product development pipeline, only modest growth is expected given the changing ‘brick and mortar’ retail landscape. Large contracts with retailers for hardware and software can create significant quarter-to-quarter, and in some case, year-to-year revenue volatility. However, Checkpoint’s comprehensive solution of hardware and software also creates an important high-margin recurring revenue stream for its related consumables. Moreover, CCL is also confident that Checkpoint is well positioned to capture a position in the evolving RFID market as retailers seek omni-channel fulfillment systems.

Checkpoint Segment Financial Performance

	2018	% Growth	2017
Sales	\$ 712.9	5.6%	\$ 675.2
Operating income	\$ 101.3	15.9%	\$ 87.4
Return on sales	14.2%		12.9%

Sales for the Checkpoint Segment were \$712.9 million for 2018, an increase of 5.6% compared to the \$675.2 million with 4.7% organic growth and 0.9% positive impact from foreign currency translation.

The MAS product lines posted solid sales and profit improvement across the board; North America, Latin America, Europe and Asia generating return on sales in excess of the Segment average. MAS organic sales growth was driven by two large chain-wide technology roll outs that commenced in the second half of 2017 and were largely completed in the first half of 2018. ALS posted solid sales growth, largely at European retailers, and strong profitability improvement globally. MAS and ALS operational efficiency gains resulting from restructuring initiatives that completed in the first half of 2018 enhanced results. RMS sales were up slightly and profitability was in line with prior year figures. Operating income for 2018 was \$101.3 million an increase of 15.9% compared to \$87.4 million in 2017. Return on sales improved to 14.2% for 2018, compared to 12.9% for 2017. Return on sales improvement reflected the financial benefits achieved from post-acquisition restructuring initiatives.

The Checkpoint Segment invested \$37.9 million in capital spending for 2018, compared to \$23.3 million for 2017. The majority of expenditures in 2018 were in the Asia Pacific region to enhance capacity and efficiency with the MAS and ALS manufacturing facilities. Depreciation and amortization for the Checkpoint Segment was \$27.9 million for 2018, compared to \$29.0 million for 2017.

E) Innovia Segment

The Innovia Segment consists of acquired Innovia film operations in 2017, the newly acquired Treofan film facility in 2018, plus two small legacy film manufacturing facilities transferred from the CCL Segment. The acquired Innovia and Treofan film operations, which comprise the majority of the Segment, provide a global footprint for the manufacture of specialty high-performance, multi-layer, surface engineered BOPP films with a facility located in each of Australia, Belgium, Mexico and the United Kingdom. These films are sold to customers in the pressure sensitive label materials and consumer packaged goods industries worldwide with a small percentage of the total volume consumed internally by CCL Secure within the CCL Segment. The two smaller legacy facilities, one located in Germany and one in the United States, produce almost their entire output for the CCL Segment's Food & Beverage and Home & Personal Care businesses, respectively.

Polypropylene resin is the most significant input cost for this Segment, derived from oil or natural gas and manufactured globally by a limited number of producers. Polypropylene costs depend on the prices of natural gas, oil and the availability of resin cracking capacity. The Segment does not use derivative financial instruments to hedge its exposure to volatility of polypropylene prices, therefore, the Segment must oversee its customer relationships diligently managing selling prices for the optimal long-term financial benefit of the Company. Since the completion of the Innovia acquisition, underlying input cost pressures pushed polypropylene prices

up considerably, although with some signs of easing late in 2018.

Film innovation remains a strategic focus for the Segment, investing resources in its industry leading research and development people and laboratory in the United Kingdom. This commitment has resulted in the development of unique process technology, highly differentiated specialty BOPP films and innovative surface coating technology keeping film innovation at the forefront for the Segment.

Lastly, since the acquisition of Treofan, the Segment has been engaged in the completion of a new large-scale manufacturing capital project. This new line will add 50% manufacturing capacity to the Mexican facility and is scheduled to start-up in the second quarter of 2019.

Innovia Segment Financial Performance

	2018	% Growth	2017
Sales	\$ 481.6	56.3%	\$ 308.2
Operating income	\$ 17.6	20.5%	\$ 14.6
Return on sales*	3.7%		4.7%

Sales in the Innovia Segment for 2018 were \$481.6 million, including six months post-Treofan acquisition compared to the \$308.2 million tallied for the ten-month period post-Innovia acquisition in 2017. Treofan, acquired early July 2018, added 58.9% acquisition sales growth, foreign currency translation had a 2.3% favourable impact and organic sales declined 4.9%, compared to 2017. Legacy Innovia flexible packaging sales declines more than offset sales price improvements for label films. Treofan posted solid sales for its first six months post acquisition.

Operating income increased 20.5% to \$17.6 million compared to operating income of \$14.6 million for 2017. Both the 2018 and 2017 years included non-cash acquisition accounting adjustments to fair value acquired inventory, inflating cost of goods sold by \$4.3 million and \$7.0 million for the Treofan and Innovia acquisitions, respectively. Comparative operating income was \$21.9 million in 2018, and \$21.6 million in 2017 eliminating the aforementioned charges for the non-cash acquisition accounting adjustments related to the elimination of profit from acquired inventory. Profitability for 2018 was impacted by rising polypropylene resin and other input costs that were not yet passed to the customer base, consequently, return on sales was 3.7% for 2018 compared to 4.7% for 2017.

The Innovia Segment invested \$22.7 million in capital spending for 2018, compared to \$10.9 million for 2017. The majority of expenditures in 2018 were in the European film operations and for the completion of the manufacturing line in the Mexican facility. Depreciation and amortization for the Innovia Segment was \$36.6 million for 2018, compared to \$27.4 million for 2017.

F) Joint Ventures

For the years ended December 31	2018	2017	+/-
Sales (at 100%)			
Label joint ventures	\$ 119.4	\$ 125.2	(4.6%)
Rheinfelden*	1.3	20.3	(93.6%)
* primarily sales to CCL Segment	\$ 120.7	\$ 145.5	(17.0%)
Earnings (losses) in equity accounted investments (at 100%)			
Label joint ventures	\$ 14.1	\$ 11.7	20.5%
Rheinfelden	(3.4)	(4.4)	22.7%
	\$ 10.7	\$ 7.3	46.6%

Results from the joint ventures in CCL-Kontur, Russia; Pacman-CCL, Middle East; and Rheinfelden Americas, United States, are not proportionately consolidated into the CCL Segment but instead are accounted for as equity investments. The Company's share of the joint ventures net income is disclosed in "Earnings in Equity Accounted Investments" in the consolidated income statement. 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%.

CCL-Kontur had a record year as sales and profitability increased significantly on strong product mix and market shares gains from the new shrink sleeve manufacturing facility. Pacman-CCL posted strong increases in sales and profitability contributing meaningfully to overall earnings for 2018 despite the write-off of its investment in the Indian operation. As expected Rheinfelden Americas, the aluminum slug joint venture, reduced losses for the year since the facility remained closed post an early 2018 fire that has temporarily closed operations and postponed installation of the final tranche of capital investment to 2019. Earnings in equity accounted investments amounted to \$5.3 million for 2018, compared to \$3.7 million for 2017.

3. FINANCING AND RISK MANAGEMENT

A) Liquidity and Capital Resources

The Company's leverage ratio is as follows:

For the years ended December 31	2018	2017
Current debt	\$ 71.8	\$ 230.6
Long-term debt	2,419.8	\$ 2,100.8
Total debt ⁽¹⁾	2,491.6	2,331.4
Cash and cash equivalents	(589.1)	(557.5)
Net debt ⁽¹⁾	\$ 1,902.5	\$ 1,773.9
EBITDA	\$ 995.3	\$ 959.2
Net debt to EBITDA ⁽¹⁾	1.91	1.85

⁽¹⁾ Total debt, net debt and net debt to EBITDA are non-IFRS measures; see "Key Performance Indicators and Non-IFRS Measures" in Section 5A.

In February 2017, the Company closed a two-year unsecured US\$450.0 million term loan facility with a syndicate of banks to bolster financing for the Innovia acquisition. Required principal repayments of US\$12.0 million per quarter commenced June 30, 2017. The facility incurs interest at the applicable domestic rate plus an interest rate margin linked to the Company's net debt to EBITDA consistent with the existing syndicated revolving facility.

In March 2018, the Company amended its syndicated credit facilities extending the maturity of the aforementioned term loan facility from February 2019 to February 2020 and its US\$1.2 billion revolving credit facility from December 2020 to March 2023.

In April 2018, the Company closed its initial Canadian offering memorandum for \$300.0 million aggregate principal amount of 3.864% bonds due April 13, 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.

The Company's debt structure at December 31, 2018, was primarily comprised of the 144A private bonds of US\$500.0 million (C\$674.5 million), the \$300.0 million Canadian bond offering, outstanding debt totalling \$1,012.2 million under the unsecured syndicated revolving credit facility and the term loan facility of US\$366.00 million (C\$498.8 million). Outstanding contingent letters of credit totalled \$3.2 million; accordingly there was US\$454.5 million of unused availability on the revolving credit facility at December 31, 2018. The Company's debt structure at December 31, 2017, was principally comprised of 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 \$1,015.1 million and the term loan facility of US\$414.0 million (C\$520.0 million).

Net debt was \$1,902.5 million at December 31, 2018, \$128.6 million higher than the net debt of \$1,773.9 million at December 31, 2017. The increase in net debt was primarily attributable to the debt drawn to finance six acquisitions, the 2018 capital expenditure program, the impact of foreign currency translation on total debt partially offset by the increase in cash and cash equivalents and debt repayments during the year.

Net debt to EBITDA increased to 1.91 times as at December 31, 2018, compared to 1.85 times at the end of 2017, due to the increase in net debt relative to the increase in EBITDA. However, the measure remains very strong after closing six acquisitions for proceeds of approximately \$365.9 million in 2018.

The Company's overall average finance rate was 3.0% as at December 31, 2018, compared to 2.9% as at December 31, 2017. The increase in the average finance rate was caused by an increase in rates on the Company's variable rate debt at December 31, 2018, partially offset by a decrease in average fixed rate debt due to the repayment of the two private placement debts from 1998 and 2008.

Interest coverage (a non-IFRS measure; see "Key Performance Indicators and Non-IFRS Measures" in Section 5A) was 8.8 times and 9.1 times in 2018 and 2017, respectively, indicative of higher net finance costs associated with the increase in total debt and increase in the overall average finance rate.

The Company's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet liabilities when they are due. The Company believes its liquidity will be satisfactory for the foreseeable future due to its significant cash balances, its expected positive operating cash flow and the availability of its unused revolving credit line. The Company anticipates funding all of its future commitments from the above sources but may raise further funds by entering into new debt financing arrangements or issuing further equity to satisfy its future additional obligations or investment opportunities.

B) Cash Flow

Summary of Cash Flows	2018	2017
Cash provided by operating activities	\$ 772.7	\$ 711.2
Cash provided by (used for) financing activities	(67.3)	733.0
Cash used for investing activities	(696.1)	(1,464.3)
Effect of exchange rates on cash	22.3	(7.5)
Increase (decrease) in cash and cash equivalents	\$ 31.6	\$ (27.6)
Cash and cash equivalents – end of year	\$ 589.1	\$ 557.5

In 2018, cash provided by operating activities was \$772.7 million, compared to \$711.2 million in 2017. Free cash flow from operations reached \$442.5 million for 2018, compared to \$438.3 million in the prior year. The free cash flow from operations was primarily attributable to an increase in cash flow from operations, partially offset by an increase in capital additions for the year.

The Company maintains a rigorous focus on its investment in non-cash working capital. Days of working capital employed (a non-IFRS measure; see “Key Performance Indicators and Non-IFRS Measures” in Section 5A) was 18 days and 17 days for the years ended December 31, 2018, and December 31, 2017, respectively. The days working capital employed increased slightly as the Company largely offset trade and other receivables and inventory increases with a corresponding increase in trade and other payables.

Cash used for financing activities in 2018 was \$67.3 million, consisting of net debt borrowings and repayments of long-term debt almost equal and proceeds from the issuance of shares of \$19.1 million due to the exercise of stock options offset by dividend payments of \$92.2 million. In 2017, financing activities provided cash of \$733.0 million, primarily used for the acquisition of Innovia.

Cash used for investing activities in 2018 of \$696.1 million was primarily for acquisitions that totalled \$365.9 million and net capital expenditures of \$330.2 million (see below).

After the above noted items and the \$22.3 million positive effect of foreign currency rates, cash and cash equivalents increased by \$31.6 million in 2018 to \$589.1 million.

Capital spending in 2018 amounted to \$352.9 million and proceeds from capital dispositions were \$22.7 million, resulting in net capital expenditures of \$330.2 million, compared to \$272.9 million in 2017. Net capital spending exceeded annual depreciation and amortization expense as significant capital was required for the capacity-constrained Food & Beverage operations of the CCL Segment and \$12.2 million for the new extrusion line at Treofan. Depreciation and amortization in 2018 amounted to \$278.0 million, compared to \$259.2 million in 2017.

The Company is continuing to seek investment opportunities to expand its business geographically, add capacity in its facilities and improve its competitiveness. As in previous years, capital spending will be monitored closely and adjusted based on the level of cash flow generated.

C) Interest Rate, Foreign Exchange Management and Other Hedges

The Company periodically uses derivative financial instruments to hedge interest rate, foreign exchange. The Company does not utilize derivative financial instruments for speculative purposes.

As the Company operates internationally and less than 3.0% of its 2018 sales to end-use customers are denominated in Canadian dollars, the Company has exposure to market risks from changes in foreign exchange rates. The Company partially manages these exposures by contracting primarily in Canadian dollars, euros, U.K. pounds and U.S. dollars. Additionally, each subsidiary's sales and expenses are primarily denominated in its local currency, further minimizing the foreign exchange impact on the operating results.

The Company also has exposure to market risks related to interest rate fluctuations on its debt. To mitigate this risk, the Company maintains a combination of fixed and floating rate debt.

The Company periodically uses interest rate swap agreements to allocate notional debt between fixed and floating rates. The Company believes that a balance of fixed and floating rate debt can reduce overall interest expense and is in line with its investment in short-term assets such as working capital, and long-term assets such as property, plant and equipment. The Company uses cross-currency interest rate swap agreements ("CCIRSA") as a means to convert U.S. dollar debt into euro debt to hedge a portion of its euro-based investment and cash flows.

As at December 31, 2018, the Company utilized CCIRSAs to effectively convert notional US\$376.2 million 3.25% fixed rate debt into 1.16% and 1.23% fixed rate euro debt, hedging its euro-based assets and cash flows. The effect of the CCIRSAs has been to decrease finance cost by \$9.1 million for the year ended December 31, 2018.

The Company has potential credit risks arising from derivative financial instruments if a counterparty fails to meet its obligations. The Company's counterparties are large international financial institutions and, to date, no such counterparty has failed to meet its financial obligations to the Company. As at December 31, 2018, the Company had no exposure to credit risk arising from derivative financial instruments.

As at December 31, 2018, the Company had US\$1,218.0 million, €223.2 million, C\$379.5 million and £60.3 million drawn under the 144A private bonds, CAD bonds, term credit facility and revolving credit facility, which are hedging a portion of its U.S. dollar-based, euro-based and pound sterling-based investments and cash flows.

D) Equity and Dividends

Summary of Changes in Equity

For the years ended December 31		2018	2017
Net earnings	\$	466.8	\$ 474.1
Dividends		(91.9)	(80.8)
Settlement of exercised stock options		27.2	18.0
Shares released from trust, net of purchase of shares for trust		(0.3)	-
Contributed surplus on expensing of stock options and stock-based compensation plans		14.7	13.8
Defined benefit plan actuarial gains, net of tax		10.6	9.6
Increase in accumulated other comprehensive income (loss)		88.1	(52.0)
Increase in equity		\$ 515.2	\$ 382.7
Equity		\$ 2,673.1	\$ 2,157.9
Shares issued at December 31	– Class A (000s)	11,836	11,837
	– Class B (000s)	165,921	164,951

In 2018, the Company declared dividends of \$91.9 million, compared to \$80.8 million declared in the prior year. As previously discussed, the dividend payout ratio in 2018 was 19% (2017 – 17%) of adjusted earnings. After careful review of the current year results, budgeted cash flow and income for 2019, the Board has declared a 31% increase in the annual dividend: an increase of \$0.04 per Class B share per quarter, from \$0.13 to \$0.17 per Class B share per quarter (\$0.68 per Class B share annualized).

If cash flow periodically exceeds attractive acquisition opportunities available, the Company may also repurchase its shares provided that the repurchase is accretive to earnings per share, is at a valuation equal to or lower than valuations for acquisition opportunities, and will not materially increase financial leverage beyond targeted levels. The Company did not repurchase any of its shares for cancellation in 2018.

E) Commitments and Other Contractual Obligations

The Company's obligations relating to debt, leases and other liabilities at the end of 2018 were as follows:

	December 31, 2017 Carrying Amount	December 31, 2018							
		Carrying Amount	Contractual Cash Flows	Payments Due by Period					
				0-6 Months	6-12 Months	1-2 Years	2-5 Years	More than 5 Years	
Non-derivative financial liabilities									
Secured bank loans	\$ 1.3	\$ 1.4	\$ 1.4	\$ 0.5	\$ 0.5	\$ 0.4	\$ -	\$ -	
Unsecured bank loans	6.5	2.9	2.9	1.4	1.3	0.2	-	-	
Unsecured notes	162.0	1.0	1.0	1.0	-	-	-	-	
Finance lease liabilities	6.2	2.6	2.6	0.8	0.8	0.6	0.4	-	
Unsecured Rule 144A bonds	620.3	674.5	681.8	-	-	-	-	681.8	
Unsecured Canadian bonds	-	298.2	300.0	-	-	-	-	300.0	
Unsecured syndicated bank credit facility	1,015.1	1,012.2	1,013.5	-	-	-	1,013.5	-	
Unsecured syndicated bank term credit facility	520.0	498.8	499.1	32.7	32.7	433.7	-	-	
Interest on unsecured bank credit facilities	*	*	153.6*	24.5	25.6	34.1	69.4	-	
Interest on unsecured Rule 144A bonds	*	*	188.4*	5.6	11.0	22.2	66.5	83.1	
Interest on unsecured Canadian bonds	*	*	104.7*	3.3	5.7	11.6	34.8	49.3	
Interest on other long-term debt	*	*	0.3	0.2	0.1	-	-	-	
Trade and other payables	1,018.4	1,223.4	1,223.4	1,223.4	-	-	-	-	
Accrued post-employment benefit liabilities	*	*	149.5*	2.1	2.1	15.4	42.3	87.6	
Operating leases	-	-	204.8	21.0	21.1	34.5	59.4	68.8	
Total contractual cash obligations	\$ 3,349.8	\$ 3,715.0	\$ 4,527.0	\$ 1,316.5	\$ 100.9	\$ 552.7	\$ 1,286.3	\$ 1,270.6	

*Accrued long-term employee benefit and post-employment benefit liability of \$50.8 million, accrued interest of \$9.2 million on unsecured notes, unsecured bonds, unsecured two-year term loan and unsecured syndicated credit facilities, and accrued interest of \$1.6 million on derivatives are reported in trade and other payables in 2018 (2017: \$10.1 million, \$9.3 million and \$1.2 million, respectively).

Pension Obligations

The Company sponsors a number of defined benefit plans in countries that give rise to accrued post-employment benefit obligations. The accrued benefit obligation for these plans at the end of 2018 was \$707.2 million (2017 – \$696.6 million) and the fair value of the plan assets was \$378.7 million (2017 – \$376.9 million), for a net deficit of \$328.5 million (2017 – \$319.7 million). Contributions to defined benefit plans during 2018 were \$20.3 million (2017 – \$18.8 million). The Company expects to contribute \$54.6 million to the pension plans in 2019, inclusive of defined contribution plans. These estimated funding requirements will be adjusted annually, based on various market factors such as interest rates, expected returns and staffing assumptions, including compensation and mortality. The Company's contributions are funded through cash flows generated from operations. Management anticipates that future cash flows from operations will be sufficient to fund expected future contributions. Details of the Company's pension plans and related obligations are set out in note 19, "Employee Benefits," of the consolidated financial statements.

Other Obligations and Commitments

The Company has provided various loan guarantees for its joint ventures and associates totalling \$46.3 million (2017 - \$48.9 million). The Company has posted surety bonds through accredited insurance companies globally totaling \$74.2 million (2017 - \$75.5 million). There are no other material "off-balance sheet" financing obligations except for typical long-term operating lease agreements. The nature of these commitments is described in note 25 of the consolidated financial statements. There are no defined benefit plans funded with the Company's stock.

F) Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the President and Chief Executive Officer ("CEO") and the Senior Vice President and Chief Financial Officer ("CFO"), on a timely basis so that appropriate decisions can be made regarding public disclosure. The Company's Disclosure Committee reviews all external reports and documents before publication to enhance disclosure controls and procedures.

As at December 31, 2018, based on the continued evaluation of the disclosure controls and procedures, the CEO and the CFO have concluded that the Company's disclosure controls and procedures, as defined in National Instrument 52-109, *Certificate of Disclosure in Issuers Annual and Interim Filings* ("NI 52-109"), are effective to ensure that information required to be disclosed in reports and documents that the Company files or submits under Canadian securities

legislation is recorded, processed, summarized and reported within the time periods specified.

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Management is responsible for establishing and maintaining adequate internal control over financial reporting. NI 52-109 requires CEOs and CFOs to certify that they are responsible for establishing and maintaining internal control over financial reporting for the issuer, that internal control has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS, that the internal control over financial reporting is effective, and that the issuer has disclosed any changes in its internal control during its most recent interim period that has materially affected or is reasonably likely to materially affect its internal control over financial reporting.

In accordance with the provisions of NI 52-109, management, including the Chief Executive Officer and the Chief Financial Officer, 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 and its subsidiaries on July 2018.

The Treofan acquisition contributed approximately 2.3% of sales per the Company's consolidated financial statements for the year ended December 31, 2018.

The scope 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. The assessment on the design effectiveness of disclosure controls and procedures and internal control over financial reporting is on track for completion by the end of the second quarter of 2019 and the assessment of the operating effectiveness will be completed by the fourth quarter of 2019.

Except for the preceding changes, based on the evaluation of the design and operating effectiveness of the Company's internal control over financial reporting, the CEO and the CFO concluded that internal control over financial reporting was effective as at December 31, 2018.

There were no material changes in internal control over financial reporting in the financial year ended December 31, 2018.

4. RISKS AND UNCERTAINTIES

The Company is subject to the usual commercial risks and uncertainties from operating as a Canadian public company and as a supplier of goods and services

to the non-durable consumer packaging and consumer durables industries on a global basis. A number of these potential risks and uncertainties that could have a material adverse effect on the business, financial condition and results of operations of the Company are as follows:

Potential Risks Relating to Significant Operations in Foreign Countries

The Company operates plants in North America, Europe, Latin America, Asia, Australia and the Middle East. Sales to customers located outside of Canada in 2018 were 97% of the Company's total sales, a level similar to that in 2017. Non-Canadian operating results are translated into Canadian dollars at the average exchange rate for the period covered. The Company has significant operating bases in both the United States and Europe. In 2018, 39% and 33% of total sales were to customers in the United States and Europe, respectively. The Company's operating results and cash flows could be negatively impacted by slower or declining growth rates in these key markets. The sales from business units in Latin America, Asia, South Africa and Australia in 2018 were 25% of the Company's total sales. In addition, the Company has equity accounted investments in Russia, the United States and the Middle East. There are risks associated with operating a decentralized organization in 168 manufacturing facilities in 40 countries around the world with a variety of different cultures and values. Operations outside of Canada, the United States and Europe are perceived generally to have greater political and economic risks and include the Company's operations in Latin America, parts of Asia, Russia and the Middle East. These risks include, but are not limited to, fluctuations in currency exchange rates, inflation, changes in foreign law and regulations, government nationalization of certain industries, currency controls, potential adverse tax consequences and locally accepted business practices and standards that may not be similar to accepted business practices and standards in North America and Europe. Although the Company has controls and procedures intended to mitigate these risks, these risks cannot be entirely eliminated and may have a material adverse effect on the consolidated financial results of the Company.

Competitive Environment

The Company faces competition from other suppliers in all the markets in which it operates. There can be no assurance that the Company will be able to compete successfully against its current or future competitors or that such competition will not have a material adverse effect on the business, financial condition and results of operations of the Company. This competitive environment may preclude the Company from passing on higher material, labour and energy costs to its customers. Any significant increase in in-house manufacturing by customers of the Company could adversely affect the business, financial condition and results of operations of the Company. In addition, the Company's consolidated financial results may be negatively impacted by competitors developing new products or processes that are of superior quality to those of the Company or that fit the Company's customers' needs better, or have lower costs; or by consolidation

within the Company's competitors or by further pricing pressure being placed on the industry by the large retail chains.

Foreign Exchange Exposure and Hedging Activities

Sales of the Company's products to customers outside Canada account for approximately 97% of the revenue of the Company. Because the prices for such products are quoted in foreign currencies, any increase in the value of the Canadian dollar relative to such currencies, in particular the U.S. dollar and the euro, reduces the amount of Canadian dollar revenues and operating income reported by the Company in its consolidated financial statements. The Company also buys inputs for its products in world markets in several currencies. Exchange rate fluctuations are beyond the Company's control and there can be no assurance that such fluctuations will not have a material adverse effect on the reported results of the Company. The use of derivatives to provide hedges of certain exposures, such as interest rate swaps, forward foreign exchange contracts and aluminum futures contracts, could impact negatively on the Company's operations.

Retention of Key Personnel and Experienced Workforce

Management believes that an important competitive advantage of the Company has been, and will continue to be, the know-how and expertise possessed by its personnel at all levels of the Company. While the machinery and equipment used by the Company are generally available to competitors of the Company, the experience and training of the Company's workforce allows the Company to obtain a level of efficiency and a level of flexibility that management believes to be high relative to levels in the industries in which it competes. To date, the Company has been successful in recruiting, training and retaining its personnel over the long term, and while management believes that the know-how of the Company is widely distributed throughout the Company, the loss of the services of certain of its experienced personnel could have a material adverse effect on the business, financial condition and results of operations of the Company.

The operations of the Company are dependent on the abilities, experience and efforts of its senior management team. To date, the Company has been successful in recruiting and retaining competent senior management. Loss of certain members of the executive team of the Company could have a disruptive effect on the implementation of the Company's business strategy and the efficient running of day-to-day operations. This could have a material adverse effect on the business, financial condition and results of operations of the Company.

Acquired Businesses

As part of its growth strategy, the Company continues to pursue acquisition opportunities where such transactions are economically and strategically justified. However, there can be no assurance that the Company will be able to identify attractive acquisition opportunities in the future or have the required resources to

complete desired acquisitions, or that it will succeed in effectively managing the integration of acquired businesses. The failure to implement the acquisition strategy, to successfully integrate acquired businesses or joint ventures into the Company's structure, or to control operating performance and achieve synergies may have a material adverse effect on the business, financial condition and results of operations of the Company.

In addition, there may be liabilities that the Company has failed or was unable to discover in its due diligence prior to the consummation of the acquisition. In particular, to the extent that prior owners of acquired businesses failed to comply with or otherwise violated applicable laws, including environmental laws, the Company, as a successor owner, may be financially responsible for these violations. A discovery of any material liabilities could have a material adverse effect on the business, financial condition and results of operations of the Company.

Long-Term Growth Strategy

The Company has experienced significant and steady growth since the global economic downturn of 2009. The Company's organic growth initiatives coupled with its international acquisitions over the last number of years can place a strain on a number of aspects of its operating platform including: human infrastructure, operational capacity and information systems. The Company's ability to continually adapt and augment all aspects of its operational platform is critical to realizing its long-term growth strategy. Another key aspect to CCL's growth strategy includes increased development of the Company's presence in emerging markets that could create exposure to unstable political conditions, economic volatility and social challenges. If the Company cannot adjust to its anticipated growth, results of operations may be materially adversely affected.

Lower than Anticipated Demand

Although the Checkpoint Segment enjoys the advantage of significantly lower customer concentration than the rest of the Company; the Segment is heavily dependent on the retail marketplace. Changes in the economic environment including the liquidity and financial condition of its customers, the impact of online customer spending or reductions in retailer spending and new store openings could adversely affect the Segment's sales. A reduction in the commitment for chain-wide installations due to decreased consumer spending that results in reduced demand for loss prevention by retail customers or failure by the Segment to develop new technology that entices the customer to maintain its commitment to Checkpoint's loss prevention products and services may also have a material adverse effect on the Company's business, financial condition and results of operations.

Exposure to Income Tax Reassessments

The Company operates in many countries throughout the world. Each country has its own income tax regulations and many of these countries have additional income and other taxes applied at state, provincial and local levels. The Company's international investments are complex and subject to interpretation in each jurisdiction from a legal and tax perspective. The Company's tax filings are subject to audit by local authorities, and the Company's positions in these tax filings may be challenged. The Company may not be successful in defending these positions and could be involved in lengthy and costly litigation during this process and could be subject to additional income taxes, interest and penalties. This outcome could have a material adverse effect on the business, financial condition and results of operations of the Company.

Risks in Integrating and Restructuring Innovia

The Company acquired the global operations of Innovia on February 28, 2017, and immediately commenced an integration and restructuring initiative. Innovia had 1,200 employees with six manufacturing facilities in four countries supplying BOPP films and polymer banknotes globally. The size, geographic scope and complexity of Innovia'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.

Realization of Deferred Tax Assets

The Company needs to generate sufficient taxable income in future periods in certain foreign and domestic tax jurisdictions to realize the tax benefit. If there is a significant change in the time period within which the underlying temporary difference or loss carry-forwards become taxable or deductible, the Company may have to revise its unrecognized deferred tax assets. This could result in an increase in the effective tax rate and could have a material adverse effect on future results. Changes in statutory tax rate may change the deferred tax asset or liability, with either a positive or negative impact on the effective tax rate. The computation and assessment of the ability to realize the deferred tax asset balance is complex and requires significant judgment. New legislation or a change in underlying assumptions may have a material adverse effect on the business, financial condition and results of the Company.

Fluctuations in Operating Results

While the Company's operating results over the past several years have indicated a general upward trend in sales and net earnings, operating results within particular product forms, within particular facilities of the Company and within particular geographic markets have undergone fluctuations in the past and, in

management's view, are likely to do so in the future. Operating results may fluctuate in the future as a result of many factors in addition to the global economic conditions, and these factors include the volume of orders received relative to the manufacturing capacity of the Company, the level of price competition (from competing suppliers both in domestic and in other lower-cost jurisdictions), variations in the level and timing of orders, the cost of raw materials and energy, the ability to develop innovative solutions and the mix of revenue derived in each of the Company's businesses. Operating results may also be impacted by the inability to achieve planned volumes through normal growth and successful renegotiation of current contracts with customers and by the inability to deliver expected benefits from cost reduction programs derived from the restructuring of certain business units. Any of these factors or a combination of these factors could have a material adverse effect on the business, financial condition and results of operations of the Company.

Insurance Coverage

Management believes that insurance coverage of the Company's facilities addresses all material insurable risks, provides coverage that is similar to that which would be maintained by a prudent owner/operator of similar facilities and is subject to deductibles, limits and exclusions that are customary or reasonable given the cost of procuring insurance and current operating conditions. However, there can be no assurance that such insurance will continue to be offered on an economically feasible basis or at current premium levels, that the Company will be able to pass through any increased premium costs or that all events that could give rise to a loss or liability are insurable, or that the amounts of insurance will at all times be sufficient to cover each and every loss or claim that may occur involving the assets or operations of the Company.

Brexit

In June 2016, a majority of voters in a national referendum approved the United Kingdom's withdrawal from the European Union, commonly referred to as "Brexit". Withdrawal by the United Kingdom from the European Union ("E.U.") is to occur by March 29, 2019, and there exists significant uncertainty as to the nature of the United Kingdom's ongoing relationship with the E.U. following the withdrawal date. While it is anticipated that a process of negotiation regarding the longer term future of the United Kingdom's relationship with the E.U. will continue, there is significant uncertainty about the outcome of such negotiations, which could result in the U.K. losing access to certain aspects of the single E.U. market and the global trade deals negotiated by the E.U. on behalf of its members. Brexit and the perceptions as to the impact of the withdrawal of the U.K. may adversely affect business activity, political stability, consumer and corporate confidence and economic conditions in the U.K., in those countries which have adopted the euro as their currency (the "Eurozone"), in the E.U. and elsewhere. The economic outlook could be further adversely affected by: (i) the risk that one or more other E.U. countries could come under increasing pressure to leave the E.U. (ii) The risk that the euro

as the single currency of the Eurozone could cease to exist. (iii) The risk arising from changes in laws and regulations in the U.K. (iv) The risk that movements in the U.K. pound exchange rates related to Brexit could damage competitiveness or profitability as a significant portion of the Company's U.K. transactions are priced in U.S. dollars and euros. Any of these developments, or the perception that any of these developments are likely to occur, could have a material adverse effect on economic growth or business activity in the U.K., the Eurozone, the E.U. or elsewhere and could result in the relocation of businesses, cause business interruptions, lead to economic recession or depression, and impact the stability of the financial markets, availability of credit, political systems or financial institutions and the financial and monetary system. Given that the Company conducts a significant portion of its business in the E.U. and the U.K., any of these developments could have a material adverse effect on the business, financial position, liquidity and results of operations of the Company.

Changes in U.S. Trade Policies

The President of the United States and other U.S. governmental officials have made public statements indicating possible significant changes in U.S. trade policy and have taken certain actions impacting trade, including implementing and increasing tariffs on certain goods imported into the U.S. Changes in U.S. trade policy could trigger retaliatory actions by affected countries, resulting in one or more "trade wars".

Trade wars could create significant uncertainty and could have a material adverse effect on economic growth and business activity within the countries involved and more broadly and impact the stability of the financial markets. Any of these developments could have a material adverse effect on the Company's business, financial position, liquidity and results of operations.

Dependence on Customers

The Company has a modest dependence on certain customers. The Company's two largest customers combined accounted for approximately 9.0% of the consolidated revenue for the fiscal year 2018. The five largest customers of the Company represented approximately 16.2% of the total revenue for 2018 and the 25 largest customers represented approximately 36.7% of the total revenue. Several thousand customers make up the remainder of total revenue. Although the Company has strong partnership relationships with its customers, there can be no assurance that the Company will maintain its relationship with any particular customer or continue to provide services to any particular customer at current levels. A loss of any significant customer, or a decrease in the sales to any such customer, could have a material adverse effect on the business, financial condition and results of operations of the Company. Consolidation within the consumer products marketer base and office retail superstores could have a negative impact on the Company's business, depending on the nature and scope of any such consolidation.

Environmental, Health and Safety Requirements and Other Considerations

The Company is subject to numerous federal, provincial, state and municipal statutes, regulations, by-laws, guidelines and policies, as well as permits and other approvals related to the protection of the environment and workers' health and safety. The Company maintains active health and safety and environmental programs for the purpose of preventing injuries to employees and pollution incidents at its manufacturing sites. The Company also carries out a program of environmental compliance audits, including an independent third-party pollution liability assessment for acquisitions, to assess the adequacy of compliance at the operating level and to establish provisions, as required, for environmental site remediation plans. The Company has environmental insurance for most of its operating sites, with certain exclusions for historical matters.

Despite these programs and insurance coverage, further proceedings or inquiries from regulators on employee health and safety requirements, particularly in Canada, the United States and the European Economic Community (collectively, the "EHS Requirements"), could have a material adverse effect on the business, financial condition and results of operations of the Company. In addition, changes to existing EHS Requirements, the adoption of new EHS Requirements in the future, or changes to the enforcement of EHS Requirements, as well as the discovery of additional or unknown conditions at facilities owned, operated or used by the Company, could require expenditures that might materially effect the business, financial condition and results of operations of the Company to the extent not covered by indemnity, insurance or covenant not to sue. Furthermore, while the Company has generally benefited from increased regulations on its customers' products, the demand for the services or products of the Company may be adversely affected by the amendment or repeal of laws or by changes to the enforcement policies of the regulatory agencies concerning such laws.

Operating and Product Hazards

The Company's revenues are dependent on the continued operation of its facilities and its customers. The operation of manufacturing plants involves many risks, including the failure or substandard performance of equipment, natural disasters, suspension of operations and new governmental statutes, regulations, guidelines and policies. The total loss of certain of the Company's manufacturing plants could have a significant financial impact on the affected business segment, particularly where the plant represents a single or significant source of supply. The operations of the Company and its customers are also subject to various hazards incidental to the production, use, handling, processing, storage and transportation of certain hazardous materials. These hazards can cause personal injury, severe damage to and destruction of property and equipment and environmental damage. Furthermore, the Company may become subject to claims with respect to workplace exposure, workers' compensation and other matters. The Company's pharmaceutical and specialty food product operations are subject to stringent federal, state, provincial and local health, food and drug regulations and controls,

and may be impacted by consumer product liability claims and the possible unavailability and/or expense of liability insurance. The Company prints information on its labels and containers that, if incorrect, could give rise to product liability claims. A determination by applicable regulatory authorities that any of the Company's facilities are not in compliance with any such regulations or controls in any material respect may have a material adverse effect on the Company. A successful product liability claim (or a series of claims) against the Company in excess of its insurance coverage could have a material adverse effect on the business, financial condition and results of operations of the Company. There can be no assurance as to the actual amount of these liabilities or the timing thereof. The occurrence of material operational problems, including, but not limited to, the above events, could have a material adverse effect on the business, financial condition and results of operations of the Company.

The Timing and Volume of New Banknote Orders

The CCL Secure banknote substrate operation is dependent on government procurement decisions and the volume and timing of new or replacement banknote orders is often uncertain. These decisions can be influenced by many political factors that could delay or reduce the volume of banknote orders. The impact of new large volume banknote orders may result in the Company having to invest in material capital projects to support government procurement decisions. As a result, volatility may be created in the cash flows and in the financial results of the CCL Secure operations and could have a material adverse effect on the financial condition of the Company.

Decline in Address Mailing Labels

Since the advent of e-mail, traditional mail volumes have declined, particularly over the past decade. Address labels used for traditional mail has historically been a core product for the Avery business. There is a direct correlation of address label sales volumes to the quantity of mail in circulation in each of the markets in which Avery operates. Accordingly, a further dramatic decline in traditional mail volume, without the introduction of offsetting new consumer printable media applications in Avery, could have a material adverse effect on the business, financial condition and results of operations of the Company.

Product Security

CCL Secure's banknote substrate business is involved in high security applications and must maintain highly secured facilities and product shipments. CCL Secure maintains vigorous security and material control procedures. All employees, guests and third party contractors with access to facilities and products are prudently screened and monitored. However, the loss of a product, counterfeiting of a high security feature or the breach of a secured facility as a result of negligence, collusion or theft is possible. Loss of product whilst in transit, particularly during transshipment, through the failure of freight management

companies or the loss of the shipment vehicle by accident or act of God is possible. Consequently, the financial damage and potential reputational impairment on CCL Secure may have a material adverse effect on the Company's business, financial condition and results of operations.

Financial Reporting

The Company prepares its financial reports in accordance with accounting policies and methods prescribed by IFRS. In the preparation of financial reports, management may need to rely upon assumptions, make estimates or use their best judgment in determining the financial condition of the Company. Significant accounting policies are described in more detail in the notes to the Company's annual consolidated financial statements for the year ended December 31, 2018. In order to have a reasonable level of assurance that financial transactions are properly authorized, assets are safeguarded against unauthorized or improper use and transactions are properly recorded and reported, the Company has implemented and continues to analyze its internal control systems for financial reporting. Although the Company believes that its financial reporting and financial statements are prepared with reasonable safeguards to ensure reliability, the Company cannot provide absolute assurance in that regard.

Compliance with Anti-Bribery and Export Laws

Due to the Company's global operations, the Company is subject to many laws governing international relations, including those that prohibit improper payments to government officials and commercial customers, and which may restrict where the Company can do business, what information or products the Company can supply to certain countries and what information the Company can provide to foreign governments, including but not limited to the Canadian Corruption of Foreign Public Officials Act ("CFPOA"), the U.S. Foreign Corrupt Practices Act ("FCPA"), the U.K. Bribery Act and the U.S. Export Administration Act. The Company's policies mandate compliance with these anti-bribery laws. The Company operates in many parts of the world that have experienced governmental corruption to some degree and, in certain circumstances, strict compliance with anti-bribery laws may conflict with local customs and practices. Given the high level of complexity of these laws, there is a risk that some provisions may be inadvertently or intentionally breached, for example through fraudulent or negligent behavior of individual employees, the Company's failure to comply with certain formal documentation requirements or otherwise. Additionally, the Company may be held liable for actions taken by local dealers and partners. If the Company is found to be liable for CFPOA, FCPA or other violations (either due to the Company's own acts or through inadvertence, or due to the acts or inadvertence of others), the Company could suffer from civil and criminal penalties or other sanctions, which could have a material adverse impact on the Company's business, financial condition, and results of operations.

New Product Developments

Markets are continually evolving based on the ingenuity of the Company and its competitors, consumer preferences and new product identification and information technologies. To the extent that any such new developments result in a decrease in the use of any of the Company's products, a material adverse effect on the financial condition and results of operations could occur.

Checkpoint's ability to create new products and to sustain existing products is affected by whether the Company can develop and fund technological innovations, such as those related to the next generation of product solutions, evolving RFID technologies, and other innovative security devices, software and systems initiatives. The failure to develop and launch successful new products could have a material adverse effect on Checkpoint's business, financial condition and results of operations.

Although the Innovia Segment has a unique manufacturing process for its BOPP and CCL Secure is the leading manufacturer of polymer banknote substrate, it is dependent on its ability to constantly evolve the technological capabilities of its products to meet the demands of its customer base. New scientific advancements in polymer film manufacturing could curtail the use of Innovia's BOPP, while the advancement of e-commerce and cashless societies may outmode the need for polymer banknotes. Failure to invest in intellectual properties and perpetually innovate may result in lower demand for films and banknote substrate and could have a material adverse effect on the Company's business, financial condition and results of operations.

Labour Relations

While labour relations between the Company and its employees have been stable in the recent past and there have been no material disruptions in operations as a result of labour disputes, the maintenance of a productive and efficient labour environment cannot be assured. Accordingly, a strike, lockout or deterioration of labour relationships could have a material adverse effect on the business, financial condition and results of operations of the Company.

Legal Proceedings

Any alleged failure by the Company to comply with applicable laws and regulations in the countries of operation may lead to the imposition of fines and penalties or the denial, revocation or delay in the renewal of permits and licenses issued by governmental authorities. In addition, governmental authorities, as well as third parties, may claim that the Company is liable for environmental damages. A significant judgment against the Company, the loss of a significant permit or other approval or the imposition of a significant fine or penalty could have a material adverse effect on the business, financial condition and results of operations of the Company.

Moreover, the Company may from time to time be notified of claims that it may be infringing patents, copyrights or other intellectual property rights owned by other third parties. Any litigation could result in substantial costs and diversion of resources, and could have a material adverse effect on the business, financial condition and results of operations of the Company. In the future, third parties may assert infringement claims against the Company or its customers. In the event of an infringement claim, the Company may be required to spend a significant amount of money to develop a non-infringing alternative or to obtain licenses. The Company may not be successful in developing such an alternative or obtaining a license on reasonable terms, if at all. In addition, any such litigation could be lengthy and costly and could have a material adverse effect on the business, financial condition and results of operations of the Company.

The Company may also be subject to claims arising from its failure to manufacture a product to the specifications of its customers or from personal injury arising from a consumer's use of a product or component manufactured by the Company. While the Company will seek indemnity from its customers for claims made against the Company by consumers, and while the Company maintains what management believes to be appropriate levels of insurance to respond to such claims, there can be no assurance that the Company will be fully indemnified by its customers or that insurance coverage will continue to be available or, if available, will be adequate to cover all costs arising from such claims. In addition, the Company could become subject to claims relating to its prior or acquired businesses, including environmental and tax matters, or claims by third parties, such as distributors or agents. There can be no assurance that insurance coverage will be adequate to cover all costs arising from such claims.

Specifically during 2018, the Federal Court of Australia awarded a judgment and costs against a subsidiary of the Company, CCL Secure Pty Ltd. (formerly Innovia Security Pty Ltd.) ("ISPL"), totaling AUD 70.0 million (C\$67.3), finding a wrongful termination of an agency agreement with Benoy Berry and a company controlled by him, Global Secure Currency Ltd. (collectively "Berry"), an arm's length third party in Nigeria. ISPL is appealing the judgment. As part of the appeals process, the Australian court mandated that the Company guarantee the entire judgment in order to stay execution of the judgment pending resolution of the appeal. The Company maintains a provision in its accounts of its estimate of the likely final award and liability of ISPL.

In the first quarter of 2019, a hearing on a jurisdictional issue is expected to be heard in respect of a lawsuit launched in 2011 by Berry in Nigerian Federal Court against ISPL and Innovia Films Ltd. (collectively "IFL"), as well as other defendants not affiliated with ISPL. The lawsuit alleges that IFL and the co-defendants committed to build a banknote substrate plant in Nigeria and Berry seeks an order requiring IFL and the co-defendants to build the plant or in lieu thereof, grant an award of total damages in the amount of €1.5 billion (C\$2.3 billion). IFL intends to vigorously defend this claim, which the Company considers to be without merit and accordingly, the Company has made no provision for the matter.

Events surrounding these cases occurred at a time when the Reserve Bank of Australia had a 50% equity interest in ISPL.

Defined Benefit Post-Employment Plans

The Company is the sponsor of a number of defined benefit plans in ten countries that give rise to accrued post-employment benefit obligations. Although the Company believes that its current financial resources combined with its expected future cash flows from operations and returns on post-employment plan assets will be sufficient to satisfy the obligations under these plans in future years, the cash outflow and higher expenses associated with these plans may be higher than expected and may have a material adverse impact on the financial condition of the Company.

Breach of Legal and Regulatory Requirements

CCL Secure's banknote substrate operation has the highest accreditation within the security printing industry. This accreditation provides governments and Central Banks with assurance in respect of safeguarding high ethical standards and business practices. Violation of CCL Secure's highly strict requirements and constant detailed oversight in relation to bribery, corruption and anti-competitive activities remains a risk in an industry expecting the highest ethical standards. Consequently, the financial damage and potential reputational impairment on CCL Secure which could arise if the standards and practices are compromised, or perceived to have been compromised, may have a material adverse effect on the Company's business, financial condition and results of operations.

Material Disruption of Information Technology Systems

The Company is increasingly dependent on information technology ("IT") systems to manufacture its products, process transactions, respond to customer questions, manage inventory, purchase, sell and ship goods on a timely basis and maintain cost-efficient operations as well as maintain its e-commerce websites. Any material disruption or slowdown of the systems, including a disruption or slowdown caused by the Company's failure to successfully upgrade its systems, system failures, viruses or other causes could have a material adverse effect on the business, financial condition and results of operations of the Company. If changes in technology cause the Company's information systems to become obsolete, or if information systems are inadequate to handle growth, the Company could incur losses and costs due to interruption of its operations.

The Company maintains information within its IT networks and on the cloud to operate its business, as well as confidential personal employee and customer information. The secure maintenance of this information is critical to the Company's operations and reputation. The Company invests in hardware and software to prevent the risk of intrusion, tampering and theft. Any such

unauthorized breach of the IT infrastructure could compromise the data maintained, causing a significant disruption in operations or meaningful harm to the Company's reputation, resulting in a material adverse effect on financial results.

Impairment in the Carrying Value of Goodwill and Indefinite-Life Intangible Assets

As of December 31, 2018, the Company had approximately \$2.3 billion of goodwill and indefinite-life intangible assets on its statement of financial position, the value of which is reviewed for impairment at least annually. The assessment of the value of goodwill and intangible assets depends on a number of key factors requiring estimates and assumptions about earnings growth, operating margins, discount rates, economic projections, anticipated future cash flows and market capitalization. There can be no assurance that future reviews of goodwill and intangible assets will not result in an impairment charge. Although it does not affect cash flow, an impairment charge does have the effect of reducing the Company's earnings, total assets and equity.

Raw Materials and Component Parts

Although the Company is a large customer to certain key suppliers, it is also an inconsequential buyer of some materials. The ability to grow earnings will be affected by inflationary and other increases in the cost of electronic sub-assemblies and raw materials, aluminum ingot, slugs and foils, resins, extruded films, pressure sensitive laminates, paper, binder rings and plastic components. Inflationary and other increases in the costs of raw materials, labour and energy have occurred in the past and are expected to recur, and the Company's performance depends in part on its ability to pass these cost increases on to customers in the price of its products and to effect improvements in productivity. The Company may not be able to fully offset the effects of raw material costs and other sourced components through price increases, productivity improvements or cost-reduction programs. If the Company cannot obtain sufficient quantities of these items at competitive prices, of appropriate quality and on a timely basis, it may not be able to produce sufficient quantities of product to satisfy market demand, product shipments may be delayed, or its material or manufacturing costs may increase. Innovia is sensitive to price movements in polypropylene resin used in its BOPP films for label, packaging and security applications. Polypropylene is the most significant input cost for the Innovia Segment and is traded in the market, with prices linked to the market price of natural gas and refining capacity. Price movements must be managed and where necessary, passed along to the Segment's customers. Failure to pass along higher costs in a timely and effective manner to its customers could have a material adverse effect on the Innovia Segment's business and profitability. Checkpoint's supply chain relies significantly on components sourced from factories in Asia therefore supply disruption and tariff changes could adversely affect sales and profitability. Avery's U.S. supply chain relies almost completely on its plant in Tijuana, Mexico; supply disruption, changes to border controls or NAFTA could adversely affect sales and profitability. Overall,

any of these problems could result in the loss of customers and revenue, provide an opportunity for competing products to gain market acceptance and have a material adverse effect on the Company's business, financial condition and results of operations.

Credit Ratings

The credit ratings currently assigned to the Company by Moody's Investors Service and S&P Global, or that may in the future be assigned by other rating agencies, are subject to amendment in accordance with each agency's rating methodology and subjective modifiers driving the credit rating opinion. There is no assurance that any rating assigned to the Company will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a rating agency in the future. A downgrade in the credit rating assigned by one or more rating agencies could increase the Company's cost of borrowing or impact the Company's ability to renegotiate debt, and may have a material adverse effect on the Company's financial condition and profitability.

Share Price Volatility

Changes in the Company's stock price may affect access to, or cost of, financing from capital markets and may affect stock-based compensation arrangements. The Company's stock price has appreciated significantly over the last five years and is influenced by the financial results of the Company, changes in the overall stock market, demand for equity securities, relative peer group performance, market expectation of future financial performance and competitive dynamics among many other things. There is no assurance that the Company's share price will not be volatile in the future.

Increase in Interest Rates

At December 31, 2018, approximately 61% of the Company's outstanding debt was subject to variable interest rates. Increases in short-term interest rates would directly impact interest costs. Significant increases in short-term interest rates will increase borrowing costs and could have a material adverse impact on the financial results of the Company.

Protection of Intellectual Property

Certain of the Company's products involve complex technology and chemistry and the Company relies on maintaining protection of this intellectual property and proprietary information to maintain a competitive advantage. The infringement, expiration or other loss of these patents and other proprietary information would reduce the barriers to entry into the Company's existing lines of business and may result in loss of market share and a decrease in the Company's competitiveness, which could have an adverse effect on the Company's financial condition, results of operations and cash flows. There also can be no assurance that the patents

previously obtained or to be obtained by the Company in the future will provide adequate protection of such intellectual property or adequately maintain any competitive advantage.

Dividends

The declaration and payment of dividends is subject to the discretion of the Board of Directors taking into account current and anticipated cash flow, capital requirements, the general financial condition of the Company and global economy as well as the various risk factors set out above. The Board of Directors intends to pay a consistent dividend with consistent increases over time, however, the Board of Directors may in certain circumstances determine that it is in the best interests of the Company to reduce or suspend the dividend. In that situation the trading price of the Company's Class A and Class B shares may be materially affected.

5. ACCOUNTING POLICIES AND NON-IFRS MEASURES

A) Key Performance Indicators and Non-IFRS Measures

CCL 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 dispositions, goodwill impairment loss, non-cash acquisition accounting adjustments, restructuring and other items and tax adjustments.

Earnings per Class B Share	Fourth Quarter		Year-to-Date	
	2018	2017	2018	2017
Basic earnings	\$ 0.65	\$ 0.97	\$ 2.64	\$ 2.70
Net loss from restructuring and other items	0.03	-*	0.07	0.07
Non-cash acquisition accounting adjustment to inventory	-	-	0.02	0.06
TCJA remeasurement of deferred tax on indefinite life intangibles	-	(0.14)	-	(0.14)
Adjusted basic earnings	\$ 0.68	\$ 0.83	\$ 2.73	\$ 2.69

*The net after-tax impact of restructuring and other items was nominal

Days of Working Capital Employed - A measure indicating the relative liquidity and asset intensity of the Company's working capital. It is calculated by multiplying the net working capital by the number of days in the quarter and then dividing by the quarterly sales. Net working capital includes trade and other receivables, inventories, prepaid expenses, trade and other payables, and income taxes recoverable and payable. The following table reconciles the net working capital used in the days of working capital employed measure to IFRS measures reported in the consolidated statements of financial position as at the periods ended as indicated.

Days of Working Capital Employed

At December 31	2018	2017
Trade and other receivables	\$ 938.0	\$ 821.3
Inventories	524.6	425.1
Prepaid expenses	34.8	33.6
Income taxes recoverable	38.7	13.1
Trade and other payables	(1,223.4)	(1,018.4)
Income taxes payable	(51.2)	(50.7)
Net working capital	\$ 261.5	\$ 224.0
Days in quarter	92	92
Fourth quarter sales	\$ 1,332.8	\$ 1,234.5
Days of working capital employed	18	17

Dividend Payout Ratio – The ratio of earnings paid out to the shareholders. It provides an indication of how well earnings support the dividend payments. Dividend payout is defined as dividends declared divided by earnings, excluding goodwill impairment loss, non-cash acquisition accounting adjustments, restructuring and other items, and tax adjustments, expressed as a percentage.

	Year-to-Date	
Dividend Payout Ratio	2018	2017
Dividends declared per equity	\$ 91.9	\$ 80.8
Adjusted earnings	\$ 482.5	\$ 471.7
Dividend payout ratio	19%	17%

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, earnings in equity accounted investments, non-cash acquisition accounting adjustments, restructuring and other items. The Company believes that EBITDA is an important measure as it allows the assessment of the Company's ongoing business without the impact of net finance costs, 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 Company's 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 measures reported in the consolidated income statements for the periods ended as indicated.

EBITDA	Fourth Quarter		Year-to-Date	
	2018	2017	2018	2017
Net earnings	\$ 114.2	\$ 169.4	\$ 466.8	\$ 474.1
Corporate expense	16.3	12.6	62.7	52.7
Earnings in equity accounted investments	(2.7)	(1.3)	(5.3)	(3.7)
Finance cost, net	19.8	23.8	80.7	75.2
Restructuring and other items – net loss (gain)	6.6	(4.2)	14.8	11.3
Income taxes	35.0	4.8	156.0	127.9
Operating Income	\$ 189.2	\$ 205.1	\$ 775.7	\$ 737.5
Less: Corporate expense	(16.3)	(12.6)	(62.7)	(52.7)
Add: Depreciation and amortization	71.3	66.5	278.0	259.2
Add: Non-cash accounting adjustment to inventory	-	-	4.3	15.2
EBITDA (a non-IFRS measure)	\$ 244.2	\$ 259.0	\$ 995.3	\$ 959.2

Free Cash Flow from Operations – A measure indicating the relative amount of cash generated by the Company during the year 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 measure of free cash flow from operations to IFRS measures reported in the consolidated statements of cash flows for the periods ended as indicated.

Free Cash Flow from Operations	2018	2017
Cash provided by operating activities	\$ 772.7	\$ 711.2
Less: Additions to property, plant and equipment	(352.9)	(285.7)
Add: Proceeds on disposal of property, plant and equipment	22.7	12.8
Free cash flow from operations	\$ 442.5	\$ 438.3

Interest Coverage – A measure indicating the relative amount of operating income earned by the Company compared to the amount of net finance cost incurred by the Company. It is calculated as operating income (see definition below), including discontinued items, less corporate expense, divided by net finance cost on a twelve-month rolling basis.

The following table reconciles the interest coverage measure to IFRS measures reported in the consolidated income statements for the periods ended as indicated.

Interest Coverage	2018	2017
Operating income (a non-IFRS measure; see definition below)	\$ 775.7	\$ 737.5
Less: Corporate expense	(62.7)	(52.7)
	\$ 713.0	\$ 684.8
Net finance cost	\$ 80.7	\$ 75.2
Interest coverage	8.8	9.1

Leverage Ratio (or “net debt to EBITDA”) - A measure that indicates the financial leverage of the Company. It indicates the Company’s ability to service its existing debt.

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 including cash advances, plus long-term debt, less cash and cash equivalents.

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

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

Restructuring and Other Items and Tax Adjustments – A measure of significant non-recurring items that are included in net earnings. The impact of restructuring and other items and tax adjustments on a per share basis is measured by dividing the after-tax income of the restructuring and other items and tax adjustments 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 Equity before goodwill impairment loss, restructuring and other items non-cash acquisition accounting adjustments, and tax adjustments (“ROE”) – A measure that provides insight into the effective use of shareholder capital in generating ongoing net earnings. ROE is calculated by dividing annual net earnings before goodwill impairment loss, restructuring and other items, non-cash acquisition accounting adjustments, and tax adjustments by the average of the beginning and the end-of-year equity.

The following table reconciles net earnings used in calculating the ROE measure to IFRS measures reported in the consolidated statements of financial position and in the consolidated income statements for the periods ended as indicated.

Return on Equity	Year-To-Date	
	2018	2017
Net earnings	\$ 466.8	\$ 474.1
Restructuring and other items, (net of tax)	12.6	11.6
Non-cash acquisition accounting adjustment to inventory, (net of tax)	3.1	11.0
TCJA remeasurement of deferred tax on indefinite life intangibles	-	(25.0)
Adjusted net earnings	\$ 482.5	\$ 471.7
Average equity	\$ 2,415.5	\$ 1,966.6
Return on equity	20.0%	24.0%

Return on Total Capital before goodwill impairment loss, non-cash acquisition accounting adjustments, restructuring and other items and tax adjustments (“ROTC”) – A measure of the returns the Company is achieving on capital employed. ROTC is calculated by dividing annual net income before goodwill impairment loss, restructuring and other items, non-cash acquisition accounting adjustments, and tax adjustments by the average of the beginning- and the end-of-year equity and net debt.

The following table reconciles net earnings used in calculating the ROTC measure to IFRS measures reported in the consolidated statements of financial position and in the consolidated income statements for the periods ended as indicated.

	Year-To-Date	
	2018	2017
Net earnings	\$ 466.8	\$ 474.1
Restructuring and other items, (net of tax)	12.6	11.6
Non-cash acquisition accounting adjustment to inventory, (net of tax)	3.1	11.0
TCJA remeasurement of deferred tax on indefinite life intangibles	-	(25.0)
Adjusted net earnings	\$ 482.5	\$ 471.7
Average total capital	\$ 4,253.7	\$ 3,361.6
Return on total capital	11.3%	14.0%

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 measures reported in the consolidated statements of earnings in the segmented information per note 4 of the Company's annual financial statements for the periods ended as indicated.

Return on Sales	Three months ended <u>December 31</u>		Twelve months ended <u>December 31</u>	
<u>Sales</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
CCL	\$ 827.2	\$ 780.0	\$ 3,255.1	\$ 3,019.4
Avery	173.1	171.0	711.9	752.9
Checkpoint	189.2	192.3	712.9	675.2
Innovia	143.3	91.2	481.6	308.2
Total sales	\$ 1,332.8	\$ 1,234.5	\$ 5,161.5	\$ 4,755.7
<u>Operating income</u>				
CCL	\$ 120.1	\$ 133.4	\$ 511.3	\$ 471.0
Avery	36.0	40.7	145.5	164.5
Checkpoint	25.4	30.9	101.3	87.4
Innovia	7.7	0.1	17.6	14.6
Total operating income	\$ 189.2	\$ 205.1	\$ 775.7	\$ 737.5
<u>Return on sales</u>				
CCL	14.5%	17.1%	15.7%	15.6%
Avery	20.8%	23.8%	20.4%	21.8%
Checkpoint	13.4%	16.1%	14.2%	12.9%
Innovia	5.4%	0.1%	3.7%	4.7%
Total return on sales	14.2%	16.6%	15.0%	15.5%

Total Debt – A measure indicating the financial indebtedness of the Company. It is defined as current debt, including bank advances, plus long-term debt.

B) Accounting Policies and New Standards

Accounting Policies

The above analysis and discussion of the Company's financial condition and results of operation are based on its consolidated financial statements prepared in accordance with IFRS.

A summary of the Company's significant accounting policies is set out in note 3 of the consolidated financial statements.

Recently Issued New Accounting Standards, Not Yet Effective

In January 2016, IFRS 16, Leases (“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. The Company has completed the impact analysis of the new standard and upon adoption of IFRS 16, the Company will recognize \$167.6 million for right-of-use assets, a corresponding \$171.7 million of lease liabilities and a reduction in other liabilities of \$4.1 million in its statement of financial position.

In June 2017, *IFRIC Interpretation 23, Uncertainty over Income Tax Treatments* (“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 IFRIC 23 in its financial statements for the annual period beginning on January 1, 2019. The impact of adoption of the Interpretation is immaterial on the Company’s consolidated financial statements.

C) Critical Accounting Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of sales and expenses during the year and the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. In particular, estimates are used when determining the amounts recorded for depreciation and amortization of property, plant and equipment and intangible assets, outstanding self-insurance claims, pension and other post-employment benefits, income and other taxes, provisions, certain fair value measures including those related to the valuation of business combinations, share-based payments and financial instruments and also in the valuation of goodwill and intangible assets.

Goodwill and Indefinite-Life Intangibles

Goodwill represents the excess of the purchase price of the Company's interest in the businesses acquired over the fair value of the underlying net identifiable tangible and intangible assets arising on acquisitions. Goodwill and indefinite-life intangibles are not amortized but are required to be tested for impairment at least annually or if events or changes in circumstances indicate that the carrying amount may not be recoverable.

During the fourth quarter, the Company completed its impairment test as at September 30, 2018. Impairment testing for the cash-generating units ("CGU"), CCL, Avery, Checkpoint, and Innovia Segments was done by a comparison of the unit's carrying amount to its estimated value in use, determined by discounting future cash flows from the continuing use of the unit. Key assumptions used in the determination of the value in use include growth rates of 2% to 8% and pre-tax discount rates ranging from 10% to 17%. Discount rates reflect current market assumptions and risks related to the Segments and are based upon the weighted average cost of capital for the Segment. The Company's historical growth rates are used as a basis in determining the growth rate applied for impairment testing. Significant management judgment is required in preparing the forecasts of future operating results that are used in the discounted cash flow method of valuation. In 2018 and 2017, it was determined that the carrying amount of goodwill and indefinite-life intangibles was not impaired. Since the process of determining fair values requires management judgment regarding projected results and market multiples, a change in these assumptions could impact the fair value of the reporting units, resulting in an impairment charge.

Long-Lived Assets

Long-lived assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Performance of this evaluation involves management estimates of the associated business plans, economic projections and anticipated cash flows. Specifically, management considers forecasted operating cash flows, which are subject to change due to economic conditions, technological changes or changes in operating performance. An impairment loss would be recognized if the carrying amount of the asset held for use exceeded the discounted cash flow or fair value. Changes in these estimates in the future may result in an impairment charge.

Employee Benefits

The Company accrues its obligation under employee benefit plans and related costs net of plan assets. Pension costs are determined periodically by independent actuaries. The actuarial determination of the accrued benefit obligations for the plans uses the projected unit credit method and incorporates management's best estimate of future salary escalation, retirement age, inflation and other actuarial factors. The cost is then charged as services are rendered. Since these

assumptions, which are disclosed in note 19 of the consolidated financial statements, involve forward-looking estimates and are long term in nature, they are subject to uncertainty. Actual results may differ, and the differences may be material.

D) Related Party Transactions

The Company has entered into a number of agreements with its subsidiaries that govern the management and commercial and cost-sharing arrangements with and among the subsidiaries. These inter-company structures are established on terms typical of arm's length agreements. A summary of the Company's related party transactions is set out in note 26 of the consolidated financial statements.

6. OUTLOOK

2018 was another solid year for the Company with revenue increasing 8.5%, surpassing the \$5.0 billion milestone. Adjusted basic earnings per Class B share improved 1.5% to \$2.73 compared to \$2.69 per class B Share; however 2017 included a \$0.09 per share benefit from TCJA reform. The best financial indicator of the Company remained its strong cash returns. In addition, the Company closed on \$365.9 million of acquisitions significantly broadening the Innovia footprint in North America, enhancing CCL Design product offering in the U.K. and Israel and finally adding more depth in digital print products for Avery in North America.

2018 will be recognized for the political rhetoric in North America, endless Brexit uncertainty and a trade war between two of the world's more influential countries, China and the United States. Many 2019 global growth forecasts moderated the outlook for developed economies with growth in China and other emerging markets continuing, but at a slower pace. Uncertainties in the world add to commodity cost volatility. Continued emphasis will be given to monitoring volatile foreign currency markets and passing on inflationary cost pressures throughout CCL.

The Company, in the coming year, will continue to execute its global growth strategy for its CCL Segment pursuing expansion plans in new and existing markets with its core customers where the opportunity meets the Company's long-term profitability objectives. CCL Secure will continue to develop market leading security technology to pursue long-term widespread adoption of polymer banknotes amongst central bankers. The Company is confident this strategy will continue to generate strong cash flows that will support additional investment opportunities and allow CCL to further expand its geographic and market segment reach.

In 2018, Avery grappled with significant deceleration in low margin ring binders and uncertainties in retail and wholesale distribution channels with many mergers and acquisitions among key customers. The outlook for 2019 remains cautious as the historical back-to-school surge will be softer for legacy Avery products despite emphasis on new product opportunities. The growing direct-to-consumer digital

print offering, resulting from eight acquisitions in five years, including E2N that closed in early 2019 and Avery's own new e-commerce platform, provide a product group with higher organic growth rates, cross-selling opportunities and further consolidation aspirations in new territories and products in the core digital print domain.

The Checkpoint Segment had a successful 2018 delivering a return on sales of 14.2%, in-line with the Company's legacy businesses just over two years post-acquisition. Initiatives for 2019 and beyond will be focused on evolving Checkpoint's product and service offering to a developing omni-channel retail landscape while achieving modest organic growth and solid profitability. Further investments will be made in capital equipment to make Checkpoint primary in manufacturing of its RFID products and enhance capacity. Lastly, with the successful completion of post-acquisition restructuring initiatives consideration of complimentary and tuck-in business acquisitions are being considered by management.

The 2018 financial results for the Innovia Segment were disappointing as inflationary cost pressures from increased resin prices, transportation and other chemical additives impaired profit with limited offset in higher pricing. With the addition of Treofan mid-2018, management believes the Segment has enough scale and operating footprint to compete in the BOPP film market. For 2019, strategic focus will be centered on managing customer relationships through periods of cost inflation, adjusting pricing agreements and developing new sources of supply to reduce in-market supplier concentration. It is management's belief that longer term, the Innovia Segment will provide robust expertise in polymer sciences delivering proprietary materials across the Company.

The Company concluded the year with cash-on-hand of \$589.1 million and unused availability on the revolving credit facility was US\$454.5 million. The Company's aforementioned liquidity position is robust, leverage is low with a net debt leverage ratio of 1.91 times EBITDA at the end of the current year. As always, 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 expects capital expenditures for 2019 to be approximately \$350.0 million in order to support the organic growth and new greenfield opportunities globally. The first quarter consolidated order book looks solid, with particular geographies and business lines healthy and others quieted by economic and political concerns.