

MANAGEMENT'S DISCUSSION AND ANALYSIS

First Quarters Ended March 31, 2023 and 2022

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 first quarters ended March 31, 2023 and 2022. The information in this interim MD&A is current to May 10, 2023 and should be read in conjunction with the Company's May 10, 2023 unaudited first quarter consolidated condensed interim financial statements ("interim financial statements") released on May 10, 2023, and the 2022 Annual MD&A and annual consolidated financial statements ("annual financial statements"), which form part of CCL Industries Inc.'s 2022 Annual Report, dated February 22, 2023.

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.

Basis of Presentation

The interim and annual financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting and International Financial Reporting Standards ("IFRS"), respectively, and unless otherwise noted, both the interim and annual financial statements and this interim MD&A are expressed in Canadian dollars as the presentation currency. The primary measurement currencies of the Company's operations are the Canadian dollar, U.S. dollar, euro, Argentine peso, Australian dollar, Bangladeshi taka, Brazilian real, Chilean peso, Chinese renminbi, Danish krone, Hong Kong dollar, Hungarian forint, Indian rupee, Israeli shekel, Japanese yen, Malaysian ringgit, Mexican peso, Moroccan dirham, 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 have reviewed this interim MD&A to ensure consistency with the approved strategy and the financial results of the Company.

Cautionary Statement Regarding Forward-Looking Statements

This MD&A contains forward-looking information and forward-looking statements, as defined under applicable securities laws, (hereinafter collectively referred to as "forward-looking statements") that involve a number of risks and uncertainties. Forward-looking statements include all statements that are predictive in nature or depend on future events or conditions. Forward-looking statements are typically identified by the words "believes," "expects," "anticipates," "estimates," "intends," "plans" or similar expressions. Statements regarding the operations, business, financial condition, priorities, ongoing objectives, strategies and outlook of the Company, other than statements of historical fact, are forward-looking statements.

Specifically, this MD&A contains forward-looking statements regarding the anticipated sales, income and profitability of the Company's segments; the Company's capital spending levels and planned capital expenditures in 2023; the adequacy of the Company's financial liquidity including the availability of sufficient cash from operations and available credit capacity to fund the Company's future financial obligations for the next few years; the Company's effective tax rate; the Company's ongoing business strategy; the Company's planned restructuring expenditures; the Company's expectations regarding general business and economic conditions; the impact of the COVID-19 ("CV19") global pandemic and the war in Ukraine on the Company's overall operations, customers, strategy and financial results and on the respective Segments of the Company, including in respect of the second quarter of 2023 and beyond.

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 continuing adverse impact of the CV19 pandemic and the war in Ukraine on the Company, its employees, customers, suppliers, the global economy and financial markets; the impact of competition; consumer confidence and spending preferences; general economic and geopolitical conditions; currency exchange rates; interest rates and credit availability; technological changes; changes in government regulations; risks associated with operating and product hazards; and the Company's ability to attract and retain qualified employees. Do not unduly rely on forward-looking statements as the Company's actual results could differ materially from those anticipated in these forward-looking statements. Forward-looking statements are also based on

a number of assumptions, which may prove to be incorrect, including, but not limited to, assumptions about the following: consumer spending; customer demand for the Company's products; market growth in specific sectors and entering into new markets; the Company's ability to provide a wide range of products to multinational customers on a global basis; the benefits of the Company's focused strategies and operational approach; the achievement of the Company's plans for improved efficiency and lower costs, including stable aluminum and resin costs; the expectations that demand for the CCL and Checkpoint Segments is expected to be stable with strength in Latin America and Europe; that Avery supply chain challenges will abate and distributors will rebuild inventory; the expectation that Avery's Direct-to-Consumer business will outpace legacy product lines; the expectation that Avery's back-to-school surge will reoccur in its normal pattern in the third quarter of 2023; that Innovia polypropylene resin costs have stabilized in Europe and are increasing in the Americas; the expectation that label materials industry will return to normal activity levels for Innovia in the second half of 2023 and the expectation that Innovia will successfully fill the capacity of its new EcoFloat line in Poland. Should one or more risks come to fruition, or should any assumption prove incorrect, then actual results could vary materially from those expressed or implied in the forward-looking statements. Further details on key risks can be found throughout this report and particularly in Section 4: "Risks and Uncertainties" of the 2022 Annual MD&A.

Except as otherwise indicated, forward-looking statements do not take into account the effect that transactions or non-recurring or other special items announced or occurring after the statements are made may have on the Company's business. Such statements do not, unless otherwise specified by the Company, reflect the impact of dispositions, sales of assets, monetizations, mergers, acquisitions, other business combinations or transactions, asset write-downs or other charges announced or occurring after forward-looking statements are made. The financial impact of these transactions and non-recurring and other special items can be complex and depend 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.

1. Overview

First quarter 2023 sales for the Company were sound, with consolidated organic growth of 1.4%, driven by a strong 14.5% organic growth rate at Avery and solid organic gains for CCL Segment and Checkpoint of 2.7% and 1.5%, respectively, offsetting the 17.5% organic decline at Innovia. Consequently, consolidated operating income (a non-IFRS financial measure; refer to definition in Section 14 of this MD&A) increased 12.7% with solid improvements at Avery, Checkpoint and the CCL Segment offsetting the decline in operating income at Innovia. All-in, the Company posted a better than expected first quarter basic and adjusted basic earnings (a non-IFRS financial measure; refer to definition in Section 14 of this MD&A) per class B share of \$0.94 compared to basic and adjusted basic earnings per Class B share of \$0.84 and \$0.85, respectively, for the 2022 first quarter.

2. Review of Consolidated Financial Results

The following acquisitions affected the financial comparisons to 2022:

- In May 2022, the Company acquired privately owned Floramedia Group B.V. ("Floramedia"), based in Westzaan, in the Netherlands, for approximately \$53.1 million, net of cash acquired. Floramedia is a European leader in horticulture media with in-house tag and label production complemented with sales offices in six countries. It is reported as part of Avery.

- In April 2022, the Company acquired Adelbras Indústria e Comércio de Adesivos Ltda. and Amazon Tape Indústria e Comércio de Fitas Adesivas Ltda. (collectively “Adelbras”), headquartered in Vinhedo near São Paulo, Brazil, for approximately \$152.3 million, net of cash and debt. Adelbras is a producer of adhesive tapes sold through retailers and distributors to consumers and small businesses under the Adelbras brand name. The new business is reported as part of Avery.
- In January 2022, the Company acquired privately owned McGavigan Holdings Ltd. (“McGavigan”), headquartered in Glasgow, Scotland, and with significant manufacturing operations in China, for \$103.6 million, net of cash acquired and debt assumed. McGavigan is a leading supplier of in-mould decorated components for automotive interiors and forms an integral part of CCL Design.

Sales for the first quarter of 2023 were \$1,652.1 million, an increase of 8.6% compared to \$1,521.7 million recorded in the first quarter of 2022. Sales increased due to organic growth of 1.4%, acquisition-related growth of 3.0% and a 4.2% positive impact from foreign currency translation.

Selling, general and administrative expenses (“SG&A”) were \$235.4 million for the first quarter of 2023 compared to \$201.9 million for first quarter of 2022. The increase in SG&A for the comparative quarters is due to inflation and increased corporate costs associated with long-term variable compensation expense as well as the year-over-year impact of acquired businesses.

The Company recorded an expense of \$0.8 million (\$0.7 million after tax) for restructuring and other items in the first quarter of 2023 compared to an expense of \$1.8 million (\$1.5 million after tax) for the first quarter of 2022. Restructuring and other items for the 2023 first quarter were mainly comprised of severance costs associated with CCL Design due to a slowdown in electronics markets.

Operating income for the first quarter of 2023 improved 12.7% to \$257.7 million, compared to \$228.6 million for the first quarter of 2022. The CCL Segment, Avery and Checkpoint posted improved results, more than offsetting lower profitability at Innovia. Operating income improved 7.5%, excluding the positive impact of foreign currency translation.

Earnings before net finance cost, taxes, earnings in equity accounted investments, depreciation and amortization, restructuring and other items (“Adjusted EBITDA”, a non-IFRS financial measure; refer to definition in Section 14 of this MD&A) improved 10.9% to \$334.4 million for the first quarter of 2023, compared to \$301.5 million for the first quarter of 2022. Excluding the positive impact of foreign currency translation, Adjusted EBITDA increased 6.1%.

Net finance cost was \$19.4 million for the first quarter of 2023, compared to \$14.7 million for the 2022 first quarter. For the first quarter of 2023, the increased finance costs were impacted by the significantly higher floating interest rates on higher levels of floating rate debt.

The overall effective income tax rate was 24.9% for the three-month period ended March 31, 2023, compared to 24.4% for the same period in the prior year. The increase in the effective tax rate is attributable to a higher portion of taxable income earned in higher tax jurisdictions compared to the same period in 2022. The effective tax rate may increase in future periods if a higher portion of the Company's taxable income is earned in higher tax jurisdictions.

Net earnings for the first quarter of 2023 increased 10.8% to \$166.4 million compared to \$150.2 million for the first quarter of 2022. This resulted in basic and diluted earnings of \$0.94 and \$0.93 per Class B share, respectively, for the 2023 first quarter compared to basic and diluted earnings of \$0.84 and \$0.83 per Class B share, respectively, for the prior year first quarter. The weighted average number of shares (comprised of Class A voting shares and Class B non-voting shares) for the 2023 first quarter were 177.2 million basic and 178.3 million diluted shares compared to 179.9 million basic and 181.1 million diluted shares for the comparable period of 2022. Diluted shares include weighted average in-the-money equity compensation arrangements totaling 1.1 million shares (2022 – 1.2 million shares).

Adjusted basic earnings per Class B share were \$0.94 for the first quarter of 2023, compared to \$0.85 for the first quarter of 2022. Changes in foreign exchange rates increased earnings by \$0.05 per Class B share compared to the first quarter of 2022.

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

(In Canadian dollars)	First Quarter	
Adjusted Basic Earnings per Class B Share	<u>2023</u>	<u>2022</u>
Basic earnings per Class B share	\$ 0.94	\$ 0.84
Restructuring and other items	-	0.01
Adjusted basic earnings ⁽¹⁾ per Class B share	\$ 0.94	\$ 0.85

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

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

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

	<u>Qtr 1</u>	<u>Qtr 2</u>	<u>Qtr 3</u>	<u>Qtr 4</u>	<u>Total</u>
Sales					
2023	\$ 1,652.1	\$ -	\$ -	\$ -	\$ 1,652.1
2022	1,521.7	1,615.2	1,658.1	1,587.2	6,382.2
2021	1,349.5	1,406.3	1,488.2	1,488.8	5,732.8
Net earnings					
2023	166.4	-	-	-	166.4
2022	150.2	163.4	163.9	145.2	622.7
2021	147.8	153.0	153.2	145.1	599.1
Net earnings per Class B share					
Basic					
2023	0.94	-	-	-	0.94
2022	0.84	0.91	0.93	0.82	3.50
2021	0.82	0.86	0.85	0.80	3.33
Net earnings per Class B share					
Adjusted basic					
2023	0.94	-	-	-	0.94
2022	0.85	0.94	0.95	0.83	3.57
2021	0.82	0.89	0.85	0.81	3.37
Net earnings per Class B share					
Diluted					
2023	0.93	-	-	-	0.93
2022	0.83	0.91	0.92	0.82	3.48
2021	0.81	0.86	0.84	0.80	3.31

The quarterly financial results above are affected by the seasonality of the business Segments. For the CCL Segment and Innovia, the first and second quarters are generally the strongest due to the number of workdays and various customer-related activities. Also, there are many products that have a spring-summer bias in North America and Europe such as horticultural labels, 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' reorder 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 is expected to diminish in future periods on secular declines in low-margin ring binder sales and the expansion of Avery's direct-to-consumer businesses that do not have this seasonal bias. For Checkpoint, 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. Checkpoint's year-over-year comparative quarterly results often include one-time large chain-wide customer-driven hardware installations that strengthen future reoccurring label revenues. Sales in the final quarter of the year are negatively affected in North America by Thanksgiving and globally by the Christmas and New Year holiday season shutdowns. As result of the impact CV19 on the economy and the

Company's business, historical seasonality trends could be adversely affected or temporarily improved.

3. Business Segment Review

CCL Segment ("CCL")

(\$ millions)	First Quarter		
	<u>2023</u>	<u>2022</u>	<u>+/-</u>
Sales	\$ 1,013.1	\$ 942.0	7.5%
Operating Income ⁽¹⁾	\$ 165.4	\$ 152.8	8.2%
Return on Sales ⁽¹⁾	16.3%	16.2%	
Capital Spending	\$ 73.9	\$ 69.6	6.2%
Depreciation and Amortization ⁽²⁾	\$ 55.9	\$ 53.9	3.7%

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

⁽²⁾ Depreciation and Amortization expense excludes depreciation of \$6.0 million for right-of-use assets in the three-month period ended March 31, 2023 (2022 - \$5.5 million).

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

Sales for CCL were \$1,013.1 million for the first quarter of 2023 compared to \$942.0 million for the same quarter last year. The components of the 7.5% increase in sales are a 2.7% organic growth rate and 4.8% positive impact from foreign currency translation.

North American sales for the first quarter of 2023 were almost flat to the first quarter of 2022, excluding the impact of foreign currency translation. Home & Personal Care sales declined, especially in labels and tubes as customers worked through inventories; profitability improved significantly in aerosols. Healthcare & Specialty results were mixed with robust gains in pharmaceutical markets more than offsetting reduced demand in AgChem especially in the consumer lawn & garden space. Food & Beverage sales improved, principally driven by gains in pressure sensitive markets offsetting reduced demand in Sleeve and In-mould label applications. CCL Design North America sales and profitability improved on gains in automotive markets offsetting a challenging demand

environment for electronics. CCL Secure sales and profitability improved compared to strong prior period on robust demand for passport components. Overall, 2023 first quarter North American operating income increased and return on sales was level, compared to the first quarter of 2022.

Sales in **Europe** were up double digit for the first quarter of 2023, excluding currency translation, but compared to a soft first quarter of 2022. Home & Personal Care results were up overall. Healthcare & Specialty sales and profitability increased significantly on strong demand in pharmaceutical markets despite start-up costs of new folding box operations in Switzerland and a new AgChem operation in Germany. Food & Beverage recorded strong organic sales growth and significant profitability improvement as price increases recovered inflationary raw material costs. CCL Design improved sales and profitability on comparatively stronger automotive markets offsetting reduced profitability in electronics markets. CCL Secure posted improved results on solid sales mix for the comparative quarters. Overall profitability and return on sales in Europe improved.

Sales in **Latin America**, excluding currency translation, improved double digit compared to the first quarter of 2022. Exceptional sales and profitability improvement in Mexico, Argentina and Brazil were partially offset by a modest decline in Chile. Overall operating income increased for the comparative first quarters while return on sales declined slightly.

Asia Pacific sales for the 2023 first quarter, excluding currency translation declined double digits compared to the corresponding solid first quarter in 2022. Results in China were down in all markets, except CCL Design automotive, on comparatively soft end market demand, partly driven by the population's elevated CV19 infection rate early in the quarter but particularly by the global slowdown in electronics and technology markets. Results in ASEAN countries were also mixed, but all-in were almost flush to the results of the 2022 first quarter. In Australia, profitability declined on reduced results for CCL Secure despite improved performance for Healthcare and Wine label operations. The Johannesburg Beverage plant posted strong sales gains but reduced profitability. For the Asia Pacific region, operating income decreased and return on sales declined compared to the first quarter of 2022.

Operating income for the first quarter of 2023 was \$165.4 million, compared to \$152.8 million for the first quarter of 2022. Return on sales was 16.3% compared to the 16.2% recorded for the same period in 2022.

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

CCL invested \$73.9 million in capital spending for the first quarter of 2023, compared to \$69.6 million in the same period in 2022. The investments for the first quarter of 2023 were primarily related to capacity additions to support the Home & Personal Care, Healthcare & Specialty and Food & Beverage businesses globally. Depreciation and amortization was \$55.9 million for the first quarter of 2023 compared to \$53.9 million for the same quarter of 2022.

Avery Segment (“Avery”)

(\$ millions)	First Quarter		
	<u>2023</u>	<u>2022</u>	<u>+/-</u>
Sales	\$ 260.3	\$ 180.3	44.4%
Operating Income ⁽¹⁾	\$ 50.6	\$ 33.9	49.3%
Return on Sales ⁽¹⁾	19.4%	18.8%	
Capital Spending	\$ 4.0	\$ 3.7	8.1%
Depreciation and Amortization ⁽²⁾	\$ 8.0	\$ 6.4	25.0%

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

(2) Depreciation and Amortization expense excludes depreciation of \$2.5 million for right-of-use assets in the three-month period ended March 31, 2023 (2022 - \$1.8 million).

Avery is one of the world’s largest suppliers of labels, specialty converted media and software solutions to enable short-run digital printing in businesses and homes alongside complementary products sold through distributors and mass-market retailers and pressure sensitive tapes in Brazil. The products are split into five primary lines: (1) Printable Media: including address labels, product identification labels and name badges/cards supported by customized software solutions where applicable; (2) Organization Products: including binders, indexes, sheet protectors and writing instruments; (3) Direct-to-Consumer: digitally imaged labels, name and event badges, RFID enabled key cards and wristbands, planners and kids-oriented identification labels supported by unique web-enabled e-commerce URLs; (4) Pressure Sensitive Tapes; and (5) Horticultural labels & tags.

Avery sales were \$260.3 million for the first quarter of 2023, compared to \$180.3 million for the same quarter last year. The 44.4% increase in sales is attributed to 14.5% organic sales growth, 24.9% acquisition-related sales growth and 5.0% positive impact from foreign currency translation.

Sales in **North America** for the first quarter of 2023 improved significantly, excluding currency translation compared to the first quarter of 2022. Sales and profitability for PMG and OPG improved on distributors rebuilding inventories after the destocking in the second half of 2022, price increases and reduced supply chain disruptions. Sales and profitability for Direct-to-Consumer improved, principally on robust demand for name badge, event badge and wristband categories compared to the first quarter of 2022, as sports and leisure events, conventions, meetings and conference activities all increased. Sales and profitability also improved in horticultural labels and tags as end markets had worked through post-pandemic excess inventory in the 2022 first quarter.

International sales represented approximately 37% of Avery sales for the first quarter of 2023. Excluding currency translation and acquisitions, organic sales increased double digits, principally driven by gains in the Direct-to-Consumer businesses and flat results for legacy product categories compared to the first quarter of 2022. The newly acquired Adelbras tapes operation and Floramedia horticultural business performed well for the first quarter of 2023.

Operating income increased 49.3% for the first quarter of 2023 to \$50.6 million compared to \$33.9 million for the first quarter of 2022. Return on sales improved to 19.4% for the 2023 first quarter compared to 18.8% recorded for the same quarter in 2022.

Avery invested \$4.0 million in capital spending in the first quarter of 2023 compared to \$3.7 million in the same period a year ago. Depreciation and amortization was \$8.0 million for this year's first quarter compared to \$6.4 million for the 2022 first quarter.

Checkpoint Segment ("Checkpoint")

(\$ millions)	First Quarter		
	2023	2022	+/-
Sales	\$ 210.4	\$ 203.0	3.6%
Operating Income ⁽¹⁾	\$ 30.8	\$ 26.6	15.8%
Return on Sales ⁽¹⁾	14.6%	13.1%	
Capital Spending	\$ 21.0	\$ 8.0	162.5%
Depreciation and Amortization ⁽²⁾	\$ 8.8	\$ 8.3	6.0%

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

(2) Depreciation and Amortization expense excludes depreciation of \$2.5 million for right-of-use assets in the three-month period ended March 31, 2023 (2022 - \$2.1 million).

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

Checkpoint sales were \$210.4 million for the first quarter of 2023, an increase of 3.6% compared to \$203.0 million for the first quarter of 2022 driven by 1.5% organic sales growth and 2.1% positive impact from foreign currency translation. MAS sales and profitability improved on business wins, price increases and significant easing of inflationary pressures, including reduced inter-modal transportation costs, compared to the first quarter of 2022. ALS sales and profitability decreased compared to a very strong comparative quarter in 2022. Demand in the apparel supply chain softened although RFID continued to grow. Meto posted sales growth and significant profitability gains due to price increases and operational initiatives compared to the 2022 first quarter.

Overall, operating income increased 15.8% to \$30.8 million for the first quarter of 2023 compared to \$26.6 million for the first quarter of 2022. Return on sales improved to 14.6% compared to 13.1% for the 2022 first quarter.

Checkpoint invested \$21.0 million in capital spending for the first quarter of 2023 compared to \$8.0 million for the same period of 2022. The majority of the expenditures were for ALS capacity initiatives globally. Depreciation and amortization was \$8.8 million for the first quarter of 2023, compared to \$8.3 million for the first quarter of 2022.

Innovia Segment (“Innovia”)

(\$ millions)	First Quarter		
	<u>2023</u>	<u>2022</u>	<u>+/-</u>
Sales	\$ 168.3	\$ 196.4	(14.3%)
Operating Income ⁽¹⁾	\$ 10.9	\$ 15.3	(28.8%)
Return on Sales ⁽¹⁾	6.5%	7.8%	
Capital Spending	\$ 25.0	\$ 15.6	60.3%
Depreciation and Amortization ⁽²⁾	\$ 11.7	\$ 11.7	-

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

(2) Depreciation and Amortization expense excludes depreciation of \$0.7 million for right-of-use assets in the three-month period ended March 31, 2023 (2022 - \$0.4 million).

Innovia supplies specialty, high-performance, multi-layer, surface engineered Biaxially Oriented Polypropylene (“BOPP”) films from facilities in Australia, Belgium, Mexico, Poland and the U.K to customers in the pressure sensitive label materials, flexible packaging and consumer packaged goods industries worldwide. Additionally, a small percentage of the total volume is sold internally to the CCL Segment and more so to CCL Secure. Two smaller non-BOPP facilities, in Germany and the U.S., produce almost their entire output for CCL Label.

Sales for Innovia were \$168.3 million for the first quarter of 2023 compared to \$196.4 million for the first quarter of 2022. Sales decreased 17.5% organically, partially offset by a 3.2% positive impact from foreign currency translation. The sales decline was driven by a reduction in the volume of film sold to external customers in the label materials industry and the impact of reduced sales prices from lower resin indices in the first quarter of 2023 compared to the prior year period. Profitability declined due to lower demand, especially in Europe in the pressure sensitive materials industry, and “EcoFloat” start-up costs in Poland. Results in the Americas improved sequentially compared to the fourth quarter 2022; aided by higher selling prices, on rising resin indices with a lower cost inventory pipeline. Compared to the fourth quarter of 2022, Innovia results improved on better market conditions in North America and reduced transportation and energy costs globally.

Operating income declined 28.8% to \$10.9 million for the first quarter of 2023 compared to operating income of \$15.3 million in the 2022 first quarter.

Innovia invested \$25.0 million in capital spending for the first quarter of 2023 compared to \$15.6 million for the 2022 first quarter. The majority of the investment was for the new environmentally friendly label films facility in Germany. Depreciation and amortization was \$11.7 million for the first quarter of 2023 compared to \$11.7 million for the same period of 2022.

Joint Ventures

	First Quarter		
(\$ millions)	<u>2023</u>	<u>2022</u>	<u>+/-</u>
Sales (at 100%)			
CCL joint ventures	\$ 44.5	\$ 35.9	24.0%
Earnings in equity accounted investments			
CCL joint ventures	\$ 3.1	\$ 3.2	(3.1%)

Results from the joint ventures in CCL-Kontur, Russia and Pacman-CCL, Middle East, are not proportionately consolidated into a Segment but instead are accounted for as equity investments. The Company's share of the joint ventures' net earnings is disclosed in "Earnings in Equity-Accounted Investments" in the consolidated condensed interim income statements. Earnings from our label joint ventures declined modestly on foreign exchange challenges. Earnings in equity accounted investments amounted to \$3.1 million for the first quarter of 2023 compared to \$3.2 million for the first quarter of 2022.

4. Currency Transaction Hedging and Currency Translation

Approximately 98% of sales made in the first quarter of 2023 to end-use customers were denominated in foreign currencies leaving the Company exposed to potentially significant translation variances when reporting results publicly in Canadian dollars. The Company does not hedge or manage such translation movements but does actively manage transaction exposures. Where possible, the Company contracts its business in local currencies with both customers and suppliers of raw materials.

The results of the first quarter of 2023 were negatively impacted by the appreciation of the Canadian dollar against the U.K. pound and Chinese renminbi by 3.2% and 1.0%, respectively, compared to the rates in the same period in 2022. This negative impact was more than offset by the depreciation of the Canadian dollar relative to the U.S. dollar, euro, Brazilian real, Mexican peso and Thai baht of 6.8%, 2.1%, 7.2%, 17.5% and 4.0%, respectively, when comparing the rates in the first quarters of 2023 and 2022. For the first quarter of 2023, currency translation had a \$0.05 positive impact on earnings per Class B share compared to last year's first quarter.

5. Liquidity and Capital Resources

The Company's capital structure is as follows:

(\$ Millions)		
	March 31, 2023	December 31, 2022
Current portion of long-term debt	\$ 5.9	\$ 6.6
Current lease liabilities	41.1	40.0
Long-term debt	2,178.5	2,175.6
Long-term lease liabilities	146.8	139.6
Total debt	2,372.3	2,361.8
Cash and cash equivalents	(787.1)	(839.5)
Net debt ⁽¹⁾	\$ 1,585.2	\$ 1,522.3
Adjusted EBITDA ⁽¹⁾⁽²⁾	\$ 1,264.3	\$ 1,231.4
Net debt to Adjusted EBITDA ⁽¹⁾	1.25	1.24

⁽¹⁾ Net debt, Adjusted EBITDA and net debt to Adjusted EBITDA are non-IFRS financial measures. Refer to definitions in Section 14 of this MD&A.

⁽²⁾ Adjusted EBITDA is calculated on a trailing twelve-month basis. Refer to definitions in Section 14 of this MD&A.

In May 2022, the Company amended its syndicated revolving credit facility extending the maturity an additional two years to February 2027.

The Company's debt structure at March 31, 2023 was primarily comprised of the 144A 3.05% private notes due June 2030 in the principal amount of US\$600.0 million (\$804.4 million), 144A 3.25% private notes due October 2026 in the principal amount of US\$500.0 million (\$672.5 million), the \$300.0 million principal amount 3.864% Series 1 Notes due April 2028, and borrowings of \$400.7 million on the Company's syndicated revolving credit facility. Outstanding contingent letters of credit totaled \$1.2 million; accordingly, there was approximately US\$901.1 million of unused availability on the revolving credit facility at March 31, 2023.

The Company's debt structure at December 31, 2022, was primarily comprised of the 144A 3.05% private notes due June 2030 in the principal amount of US\$600.0 million (\$806.4 million), 144A 3.25% private notes due October 2026 in the principal amount of US\$500.0 million (\$674.2 million), the \$300.0 million principal amount 3.864% Series 1 Notes due April 2028, and borrowings of \$394.1 million on the Company's syndicated revolving credit facility. Outstanding contingent letters of credit totaled \$1.8 million; accordingly, there was approximately US\$910.0 million of unused availability on the revolving credit facility at December 31, 2022.

Net debt was \$1,585.2 million at March 31, 2023, \$62.9 million higher than the net debt of \$1,522.3 million at December 31, 2022. The increase in net debt is principally attributable to the decrease in cash-on-hand at March 31, 2023, compared to December 31, 2022.

Net debt to Adjusted EBITDA at March 31, 2023, increased to 1.25 times, compared to 1.24 times at December 31, 2022, reflecting the aforementioned increase in net debt.

The Company's overall average finance rate, excluding lease liabilities, was 3.0% as at March 31, 2023, compared to 2.9% at December 31, 2022. The increase in the overall average finance rate can be attributed to higher short-term variable interest rates on the Company's syndicated revolving credit facility as at March 31, 2023, compared to December 31, 2022.

The Company's leverage remains low and its liquidity very strong. The Company is in compliance with all its debt covenants at March 31, 2023 and believes that it has sufficient cash on hand, unused credit lines and the ability to generate cash flow from operations to fund its expected financial obligations for the foreseeable future.

6. Cash Flow

(In millions of Canadian dollars)	First Quarter	
Summary of Cash Flows	2023	2022
Cash provided by operating activities	\$ 106.1	\$ 134.3
Cash (used for) provided by financing activities	(43.7)	80.1
Cash used for investing activities	(122.6)	(190.5)
Translation adjustments on cash and cash equivalents	7.8	(9.1)
Increase (decrease) in cash and cash equivalents	\$ (52.4)	\$ 14.8
Cash and cash equivalents – end of period	\$ 787.1	\$ 616.9
Free cash flow from operations ⁽¹⁾	\$ (16.5)	\$ 38.1

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

During the first quarters of 2023 and 2022, the Company generated cash from operating activities of \$106.1 million and \$134.3 million, respectively. Free cash flow from operations was an outflow of \$16.5 million in the 2023 first quarter compared to an inflow of \$38.1 million in the prior year first quarter. An increase in working capital coupled with increased net capital expenditures were the primary drivers of the reduced free cash flow from operations for the first quarter of 2023 compared to the first quarter of 2022.

Capital spending in the first quarter of 2023 amounted to \$123.9 million compared to \$96.9 million in the 2022 first quarter. Total depreciation and amortization for the first quarter of 2023 was \$96.6 million compared to \$90.5 million for the first quarter of 2022. Expected net capital spending for 2023 is estimated to be approximately \$415.0 million. The Company is continuing to seek investment opportunities to expand its business geographically, add capacity in its facilities and improve its competitiveness.

Dividends paid in the first quarters of 2023 and 2022 were \$47.0 million and \$42.9 million, respectively. The total number of shares issued and outstanding as at March 31, 2023 and 2022, were 177.5 million and 178.6 million, respectively. The Board of Directors has approved a dividend of \$0.2625 per Class A voting share and \$0.265 per Class B non-

voting share to shareholders of record as of June 16, 2023, and payable June 30, 2023. The annualized dividend rate is \$1.05 per Class A share and \$1.06 per Class B share.

In May 2022, the Company renewed its share repurchase program under a normal course issuer bid to purchase up to 14.5 million Class B non-voting shares, approximately 8.8% of outstanding Class B non-voting shares of the Company. During the first quarter of 2023, the Company did not repurchase any shares for cancellation under this normal course issuer bid.

7. Interest rate and Foreign Exchange Management

The Company is a global business with a significant asset base in the U.S. and Europe; consequently, a majority of the Company's debt is drawn in U.S. dollars. The Company continues to evaluate the appropriate levels of fixed versus floating interest rate debt and underlying currency of its drawn debt.

As at March 31, 2023, the Company had approximately US\$1.2 billion and €46.0 million drawn under the 144A private bonds and syndicated revolving credit facility, which are hedging a portion of its U.S. dollar-based and euro-based investments and cash flows, inclusive of U.S. dollar debt swapped to euros.

As at March 31, 2023, the Company utilized cross-currency interest rate swap agreements ("CCIRSAS") to hedge its euro-based assets and cash flows, effectively converting notional US\$264.7 million 3.25% fixed rate debt into 1.23% fixed rate euro debt, US\$111.5 million 3.25% fixed rate debt into 1.16% fixed rate euro debt, US\$204.6 million 3.05% fixed rate debt into 2.06% fixed rate euro debt and US\$203.9 million 3.05% fixed rate debt into 2.0% fixed rate euro debt. The effect of the CCIRSAS has been to reduce finance cost by \$4.2 million for the three months ended March 31, 2023.

8. Subsequent Events

- In April 2023, the Company acquired privately owned eAgile Inc. ("eAgile"), based in Grand Rapids, Michigan, for approximately \$53.0 million, including estimated net cash assumed. eAgile is a start-up technology company with proprietary, patented hardware and software solutions for the healthcare industry alongside RFID inlays embedded into labels. This business will be integrated into CCL Label's Healthcare & Specialty business.
- In April 2023, the Company acquired the intellectual property of Alert Systems ApS ("Alert"), based in Hoersholm, Denmark, for \$3.0 million. Alert's patent protected anti-theft solutions are sold alongside Checkpoint's Merchandise Availability Solutions product lines.
- In April 2023, the Company acquired privately owned Data Management, Inc. ("DMI"), based in Framington, Connecticut, for approximately \$10.2 million (US\$7.5 million), net of cash and debt. DMI's tracking and identification badges business will be added to the Avery Segment.

9. Accounting Policies

A) Critical Accounting Estimates

The preparation of the Company's consolidated condensed interim financial statements in accordance with IFRS requires management to make estimates and assumptions that impact the reported amounts of assets and liabilities at the date of the consolidated condensed interim financial statements, and the reported amounts of revenue and expenses during the reporting period. The Company evaluates these estimates and assumptions on a regular basis, based upon historical experience and other relevant factors. Actual results could differ materially from these estimates and assumptions. The critical accounting policies are impacted by judgments, assumptions and estimates used in the preparation of the consolidated condensed interim financial statements. The material impact on reported results and the potential impact and any associated risk related to these estimates are discussed throughout this MD&A and in the notes to the consolidated condensed interim financial statements.

The 2022 annual audited consolidated financial statements and notes thereto, as well as the 2022 annual MD&A, have identified the accounting policies and estimates that are critical to the understanding of the Company's business operations and results of operations. For the three months ended March 31, 2023, there are no changes to the critical accounting policies and estimates from those described in the 2022 annual MD&A.

B) Inter-Company and Related Party Transactions

A summary of the Company's related party transactions is set out in note 27 of the annual financial statements for the year ended December 31, 2022. There have been no changes to the nature of, or parties to, the transactions for the three months ended March 31, 2023.

10. Commitments and Contingencies

The Company has no material "off-balance sheet" financing obligations, surety bonds and loan guarantees. The nature of these commitments is described in note 26 and note 27 of the annual financial statements for the year ended December 31, 2022. There are no defined benefit plans funded with CCL Industries Inc. stock.

11. Controls and Procedures

In accordance with the provisions of National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings, management, including the CEO and CFO, have limited the scope of their design of the Company's disclosure controls and procedures and internal control over financial reporting to exclude controls, policies and procedures of Adelbras. This company was acquired in April of 2022 for \$152.3 million.

The scope of the limitation is primarily based on the time required to assess the acquired business's disclosure controls and procedures and internal control over financial reporting in a manner consistent with the Company's other operations. Further details related to

the summary financial information of this acquisition is disclosed in Note 3 of the Company's interim financial statements for the interim periods ended March 31, 2023 and 2022.

Except for the preceding changes, there were no other material changes in internal control over financial reporting in the three-month period ended March 31, 2023.

12. Risks and Strategies

The 2022 Annual MD&A detailed risks to the Company's business and the strategies planned for 2023 and beyond. There have been no material changes to those risks and strategies during the first three months of 2023.

13. Outlook

The 2023 first quarter marked the first anniversary of the Russian invasion of Ukraine, amplifying geopolitical tensions that resulted in a new world of sanctions and embargoes. CV19 mass infections and ensuing civil restrictions appear to be in the rear-view mirror after China reopened its economy and abandoned its zero-tolerance CV19 policy. Government interest rate policy changes in the back half of 2022 and through the first quarter of 2023 appear to have quelled rampant inflation in most parts of the developed world and may have subdued economic activity. Notwithstanding, the Company posted a solid first quarter with 10.6% improvement in adjusted basic earnings per share to \$0.94 compared to a very strong 2022 first quarter.

For the CCL Segment and Checkpoint demand is expected to be stable with strength in Latin America and Europe, and improving conditions in China offsetting potentially softer North American markets. Carefully observing economic activity or the re-emergence of inflationary cost pressures and reacting swiftly with the appropriate measures remain vital for 2023.

Avery had another strong quarter with supply chain challenges abating and distributors rebuilding inventories, which resulted in improved results for OPG and PMG products while the Direct-to-Consumer event and name badging operations benefited from activity rates returning to pre-pandemic levels. The expectation is for Avery's Direct-to-Consumer businesses to outpace legacy product lines. Avery does not expect a repeat of the early start to the back-to-season experienced in the second quarter of 2022 (to the detriment of the third quarter of 2022) and expects a more normalized season in 2023. This creates challenging comparisons for the coming quarter and easier ones for the 2023 third quarter.

Polypropylene resin costs appear to have stabilized in Europe and are increasing in the Americas with the expectation that the label material industry will return to normal activity levels in the second half of 2023, auguring well for improved results for Innovia, especially in the third and fourth quarters. Successfully filling the capacity of the proprietary new "EcoFloat" shrink film line in Poland and commencing construction of the new environmentally friendly label film line in Germany are at the forefront for 2023.

The Company finished the first quarter with \$787.1 million cash-on-hand and unused capacity of US\$0.9 billion within its syndicated revolving credit facility. Net debt to Adjusted EBITDA was 1.25 turns. The Company's liquidity position remains robust and positioned for incremental acquisition growth or repurchase of Class B non-voting shares. The Company expects net capital expenditures for 2023 to be approximately \$415.0 million, supporting organic growth and new greenfield opportunities globally. Second-quarter orders to date have been in line with expectations given the uncertain macroeconomic environment so far compared to a strong prior year second quarter.

Foreign currency translation would be a tailwind at current exchange rates for the second quarter of 2023 compared to the same quarter in 2022.

14. Key Performance Indicators and Non-IFRS Financial Measures

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

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

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

capital or organizational structures. Adjusted EBITDA is a measure tracked by financial analysts and investors to evaluate financial performance and is a key metric in business valuations. Adjusted 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 Adjusted EBITDA measures to IFRS financial measures reported in the consolidated condensed interim income statements for the periods ended as indicated.

(In millions of Canadian dollars)	First Quarter	
Adjusted EBITDA	2023	2022
Net earnings	\$ 166.4	\$ 150.2
Corporate expense	19.9	17.6
Earnings in equity accounted investments	(3.1)	(3.2)
Net finance cost	19.4	14.7
Restructuring and other items	0.8	1.8
Income taxes	54.3	47.5
Operating income (a non-IFRS measure)	\$ 257.7	\$ 228.6
Less: Corporate expense	(19.9)	(17.6)
Add: Depreciation and amortization	96.6	90.5
Adjusted EBITDA (a non-IFRS measure)	\$ 334.4	\$ 301.5
Adjusted EBITDA for 12 months ended December 31, 2022 and 2021, respectively	1,231.4	1,173.1
less: Adjusted EBITDA for three months ended March 31, 2022 and 2021, respectively	(301.5)	(293.9)
add: Adjusted EBITDA for three months ended March 31, 2023 and 2022, respectively	334.4	301.5
Adjusted EBITDA for 12 months ended March 31	1,264.3	1,180.7

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

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

(In millions of Canadian dollars)

Free Cash Flow from Operations	First Quarter	
	2023	2022
Cash provided by operating activities	\$ 106.1	\$ 134.3
Less: Additions to property, plant and equipment	(123.9)	(96.9)
Add: Proceeds on disposal of property, plant and equipment	1.3	0.7
Free Cash Flow from Operations	\$ (16.5)	\$ 38.1

Net Debt – A measure indicating the financial indebtedness of the Company assuming that all cash on hand is used to repay a portion of the outstanding debt. It is defined as current debt, which includes bank advances, plus long-term debt and lease liabilities, less cash and cash equivalents.

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

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

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

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

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

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

(In millions of Canadian dollars)

Return on Sales

	Sales First Quarter		Operating Income First Quarter		Return on Sales First Quarter	
	2023	2022	2023	2022	2023	2022
	CCL	\$ 1,013.1	\$ 942.0	\$ 165.4	\$ 152.8	16.3%
Avery	260.3	180.3	50.6	33.9	19.4%	18.8%
Checkpoint	210.4	203.0	30.8	26.6	14.6%	13.1%
Innovia	168.3	196.4	10.9	15.3	6.5%	7.8%
Total Operations	\$ 1,652.1	\$ 1,521.7	\$ 257.7	\$ 228.6	15.6%	15.0%

Supplemental Financial Information

Sales Change Analysis Revenue Growth Rates (%)

	Organic Growth	Acquisition Growth	FX Translation	Total
CCL	2.7%	-	4.8%	7.5%
Avery	14.5%	24.9%	5.0%	44.4%
Checkpoint	1.5%	-	2.1%	3.6%
Innovia	(17.5%)	-	3.2%	(14.3%)
Total	1.4%	3.0%	4.2%	8.6%

15. Outstanding Share Data

As of May 10, 2023, the Company had 11,781,887 million Class A voting shares and 165,694,767 million Class B non-voting shares ("Class B Shares") outstanding. In addition, there were stock options outstanding to purchase 465,000 Class B Shares, 495,862 restricted stock units to issue 495,862 Class B Shares under the Restricted Stock Unit Plan, 194,760 restricted stock units to issue 194,760 Class B Shares under the 2017-2025 Long Term Retention Plan, 129,338 restricted stock units to issue 129,338 million Class B Shares under the 2019 Long Term Retention Plan (collectively the "RSUs") and 254,599 deferred share units ("DSU") to issue 254,599 Class B Shares. Lastly, the Company has a performance stock unit ("PSU") plan to issue up to 1,429,319 Class B Shares to participants, provided the financial performance criteria have been achieved and the participants are still employed by the Company.