

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

CCL INDUSTRIES INC.

Interim periods ended June 30, 2018 and 2017
Unaudited

CCL Industries Inc.

Consolidated condensed interim statements of financial position

Unaudited

In millions of Canadian dollars

	As at June 30		As at December 31
	<u>2018</u>		<u>2017</u>
Assets			
Current assets			
Cash and cash equivalents	\$ 822.4	\$	557.5
Trade and other receivables	907.6		821.3
Inventories	504.5		425.1
Prepaid expenses	35.2		33.6
Income tax recoverable	5.7		13.1
Derivative instruments	0.4		1.0
Total current assets	2,275.8		1,851.6
Non-current assets			
Property, plant and equipment	1,633.3		1,514.7
Goodwill	1,643.3		1,580.7
Intangible assets	1,099.1		1,082.7
Deferred tax assets	34.7		28.8
Equity accounted investments	56.4		54.0
Other assets	34.3		31.5
Total non-current assets	4,501.1		4,292.4
Total assets	\$ 6,776.9	\$	6,144.0
Liabilities			
Current liabilities			
Trade and other payables	\$ 1,059.1	\$	1,018.4
Current portion of long-term debt (note 8)	328.9		230.6
Income taxes payable	50.3		50.7
Total current liabilities	1,438.3		1,299.7
Non-current liabilities			
Long-term debt (note 8)	2,344.7		2,100.8
Deferred tax liabilities	191.6		183.5
Employee benefits	330.1		333.6
Provisions and other long-term liabilities	17.2		17.8
Derivative instruments	47.0		50.7
Total non-current liabilities	2,930.6		2,686.4
Total liabilities	4,368.9		3,986.1
Equity			
Share capital	304.8		279.4
Contributed surplus	83.3		78.0
Retained earnings	2,047.2		1,853.4
Accumulated other comprehensive loss (note 5)	(27.3)		(52.9)
Total equity attributable to shareholders of the Company	2,408.0		2,157.9
Acquisitions (note 3)			
Subsequent events (note 9)			
Total liabilities and equity	\$ 6,776.9	\$	6,144.0

CCL Industries Inc.

Consolidated condensed interim income statements

Unaudited

In millions of Canadian dollars, except per share data

	<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Sales	\$ 1,264.4	\$ 1,252.9	\$ 2,491.5	\$ 2,314.4
Cost of sales	887.7	874.9	1,737.6	1,624.9
Gross profit	376.7	378.0	753.9	689.5
Selling, general and administrative	190.0	204.0	385.8	370.0
Restructuring and other items (note 6)	3.6	5.2	6.9	12.6
Earnings in equity accounted investments	(0.2)	(0.8)	(1.1)	(1.4)
	183.3	169.6	362.3	308.3
Finance cost	22.0	18.4	41.9	35.0
Finance income	(1.2)	(0.5)	(2.1)	(2.5)
Net finance cost	20.8	17.9	39.8	32.5
Earnings before income taxes	162.5	151.7	322.5	275.8
Income tax expense	41.4	41.8	82.7	78.0
Net earnings for the period	\$ 121.1	\$ 109.9	\$ 239.8	\$ 197.8
Basic earnings per Class B share (note 2(d))	\$ 0.69	\$ 0.63	\$ 1.36	\$ 1.13
Diluted earnings per Class B share (note 2(d))	\$ 0.68	\$ 0.63	\$ 1.34	\$ 1.12

CCL Industries Inc.

Consolidated condensed interim statements of comprehensive income

Unaudited

In millions of Canadian dollars

	Three Months Ended June 30		Six Months Ended June 30	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Net earnings	\$ 121.1	\$ 109.9	\$ 239.8	\$ 197.8
Other comprehensive income (loss), net of tax:				
Items that may subsequently be reclassified to income:				
Foreign currency translation adjustment for foreign operations, net of tax recovery of \$1.5 and expense of \$4.3 for the three-month and six-month periods ended June 30, 2018 (2017 - tax recovery of \$4.6 and \$4.0)	(105.6)	(26.3)	93.2	(29.9)
Net gains (losses) on hedges of net investment in foreign operations, net of tax recovery of \$1.6 and \$8.2 for the three-month and six-month periods ended June 30, 2018 (2017 - tax expense of \$1.9 and \$1.1)	(0.2)	13.4	(67.2)	7.6
Effective portion of changes in fair value of cash flow hedges, net of tax of nil and expense of \$0.1 for the three-month and six-month periods ended June 30, 2018 (2017 - tax recovery of \$1.0 and \$0.6)	(0.4)	4.7	0.1	5.5
Net change in the fair value of cash flow hedges transferred to the income statement, net of tax expense of \$0.1 and \$0.1 for the three-month and six-month periods ended June 30, 2018 (2017 - tax expense of \$0.1 and \$0.2)	(0.2)	(0.1)	(0.5)	(0.4)
Other comprehensive income (loss), net of tax	\$ (106.4)	\$ (8.3)	\$ 25.6	\$ (17.2)
Total comprehensive income	\$ 14.7	\$ 101.6	\$ 265.4	\$ 180.6

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

CCL Industries Inc.

Consolidated condensed interim statements of changes in equity

Unaudited

In millions of Canadian dollars

	Class A shares	Class B shares	Shares held in trust	Total share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total equity
Balances, January 1, 2017	\$ 4.5	\$ 286.6	\$ (29.7)	\$ 261.4	\$ 64.2	\$ 1,450.5	\$ (0.9)	1,775.2
Net earnings	-	-	-	-	-	197.8	-	197.8
Dividends declared								
Class A	-	-	-	-	-	(2.7)	-	(2.7)
Class B	-	-	-	-	-	(37.7)	-	(37.7)
Stock-based compensation plan	-	-	-	-	5.6	-	-	5.6
Shares redeemed from trust			0.3	0.3	-	-	-	0.3
Shares purchased and held in trust	-	-	(0.2)	(0.2)	0.2	-	-	-
Stock option expense	-	-	-	-	4.1	-	-	4.1
Stock options exercised	-	13.6	-	13.6	(2.4)	-	-	11.2
Income tax effect related to stock options	-	-	-	-	4.8	-	-	4.8
Other comprehensive loss	-	-	-	-	-	-	(17.2)	(17.2)
Balances, June 30, 2017	\$ 4.5	\$ 300.2	\$ (29.6)	\$ 275.1	\$ 76.5	\$ 1,607.9	\$ (18.1)	\$ 1,941.4

	Class A shares	Class B shares	Shares held in trust	Total share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total equity
Balances, January 1, 2018	\$ 4.5	\$ 304.6	\$ (29.7)	\$ 279.4	\$ 78.0	\$ 1,853.4	\$ (52.9)	2,157.9
Net earnings	-	-	-	-	-	239.8	-	239.8
Dividends declared								
Class A	-	-	-	-	-	(3.0)	-	(3.0)
Class B	-	-	-	-	-	(43.0)	-	(43.0)
Stock-based compensation plan	-	4.3	-	4.3	2.6	-	-	6.9
Shares purchased and held in trust	-	-	(0.2)	(0.2)	0.2	-	-	-
Stock option expense	-	-	-	-	4.8	-	-	4.8
Stock options exercised	-	21.3	-	21.3	(3.6)	-	-	17.7
Income tax effect related to stock options	-	-	-	-	1.3	-	-	1.3
Other comprehensive income	-	-	-	-	-	-	25.6	25.6
Balances, June 30, 2018	\$ 4.5	\$ 330.2	\$ (29.9)	\$ 304.8	\$ 83.3	\$ 2,047.2	\$ (27.3)	\$ 2,408.0

CCL Industries Inc.

Consolidated condensed interim statements of cash flows

Unaudited

In millions of Canadian dollars

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
Cash provided by (used for)				
Operating activities				
Net earnings	\$ 121.1	\$ 109.9	\$ 239.8	\$ 197.8
Adjustments for:				
Depreciation and amortization	68.3	68.0	136.2	125.4
Earnings (loss) in equity accounted investments, net of dividends received	3.0	(0.8)	2.1	(1.4)
Net finance cost	20.8	17.9	39.8	32.5
Current income tax expense	42.5	40.4	82.5	71.5
Deferred taxes	(1.1)	1.4	0.2	6.5
Equity-settled share-based payment transactions	6.1	6.7	13.2	14.6
Loss (gain) on sale of property, plant and equipment	1.4	(0.2)	0.3	(2.7)
	262.1	243.3	514.1	444.2
Change in inventories	(19.4)	(4.3)	(76.6)	(16.4)
Change in trade and other receivables	(9.1)	(41.8)	(80.8)	(73.3)
Change in prepaid expenses	(1.1)	1.4	(1.5)	(6.5)
Change in trade and other payables	42.5	45.1	28.2	(39.4)
Change in income taxes receivable and payable	(5.0)	(7.7)	(1.9)	8.1
Change in employee benefits	(5.4)	5.8	(3.5)	17.4
Change in other assets and liabilities	(9.5)	(7.4)	(5.5)	(1.4)
	255.1	234.4	372.5	332.7
Net interest paid	(17.8)	(22.6)	(35.1)	(34.2)
Income taxes paid	(46.1)	(34.5)	(72.0)	(67.1)
Cash provided by operating activities	191.2	177.3	265.4	231.4
Financing activities				
Proceeds on issuance of long-term debt	596.4	0.1	637.6	1,186.0
Repayment of long-term debt	(323.4)	(97.5)	(380.9)	(135.6)
Proceeds from issuance of shares	4.6	1.3	17.7	11.2
Dividends paid	(23.1)	(20.2)	(46.1)	(40.5)
Cash provided by (used for) financing activities	254.5	(116.3)	228.3	1,021.1
Investing activities				
Additions to property, plant and equipment	(95.6)	(72.5)	(204.7)	(184.3)
Proceeds on disposal of property, plant and equipment	12.8	0.6	16.6	3.7
Business acquisitions and other long-term investments (note 3)	(39.8)	(30.8)	(47.8)	(1,183.9)
Cash used for investing activities	(122.6)	(102.7)	(235.9)	(1,364.5)
Net increase (decrease) in cash and cash equivalents	323.1	(41.7)	257.8	(112.0)
Cash and cash equivalents at beginning of period	516.5	519.0	557.5	585.1
Translation adjustment on cash and cash equivalents	(17.2)	(0.1)	7.1	4.1
Cash and cash equivalents at end of period	\$ 822.4	\$ 477.2	\$ 822.4	\$ 477.2

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

CCL Industries Inc.

Notes to consolidated condensed interim financial statements

Unaudited

In millions of Canadian dollars, unless otherwise noted

1. Reporting entity

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

2. Basis of preparation and presentation

(a) Statement of compliance

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

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

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

These consolidated condensed interim financial statements were authorized for issue by the Board of Directors on August 9, 2018.

(b) Basis of measurement

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

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

(c) Functional and presentation currency

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

(d) Stock split

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

(e) New standards effective in 2018

IFRS 9 Financial Instruments ("IFRS 9")

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

i Classification and measurement of financial assets and financial liabilities

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

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

CCL Industries Inc.

Notes to consolidated condensed interim financial statements (continued)

Unaudited

In millions of Canadian dollars, unless otherwise noted

2. Basis of preparation and presentation (continued)

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

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

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

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

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

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

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

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

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

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

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

ii Impairment of financial assets

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

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

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

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

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

CCL Industries Inc.

Notes to consolidated condensed interim financial statements (continued)

Unaudited

In millions of Canadian dollars, unless otherwise noted

2. Basis of preparation and presentation (continued)

iii Hedge accounting

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

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

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

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

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

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

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

(f) New standards and interpretations not yet effective

IFRS 16 Leases ("IFRS 16")

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

The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019, using the modified retrospective approach. Under this approach the Company will recognize transitional adjustments in retained earnings on the date of initial application, without restating prior periods. The Company is currently evaluating the impact of IFRS 16 on its consolidated financial statements and has collected and catalogued all existing leases in order to perform an initial assessment with respect to analyzing the impact of the new standard. As such, it is not yet possible to make a reliable estimate of the impact of the new standard on the Company's consolidated condensed interim financial statements.

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

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

CCL Industries Inc.

Notes to consolidated condensed interim financial statements (continued)

Unaudited

In millions of Canadian dollars, unless otherwise noted

3. Acquisitions

- (a) In January 2018, the Company acquired Fascia Graphics Ltd. ("Fascia"), a privately owned company in the United Kingdom for approximately \$9.3 million, net of cash acquired. Fascia is a manufacturer of graphic overlays, membrane-switch control panels and nameplates for large European OEM customers in the electronics and durables sector and will bring expertise in printed electronics to the Company's product lines. Fascia was added to CCL Design within the CCL segment.
- (b) In February and May 2018, the Company and its joint-venture partner each invested an additional \$1.3 million and \$1.9 million, respectively, in Rheinfelden Americas, LLC, a supplier of aluminum slugs for aerosol cans.
- (c) In April 2018, the Company acquired Imprint Plus, a group of privately owned companies with common shareholders, based in Richmond, British Columbia, Canada for approximately \$24.3 million, net of cash. Imprint Plus expanded Avery's printable media depth in custom name badge systems, signage systems and accessories in North America.
- (d) In May 2018, the Company acquired Nortec International Inc. ("Nortec"), a privately owned company in Israel for approximately \$8.8 million in net cash and assumed debt. Nortec is a manufacturer of high performance labels and marking systems for the high technology sector and expands CCL Design's presence in Israel. Nortec was added to the CCL Segment.
- (e) In May 2018, the Company acquired the remaining 50.0% interest in Korsini CCL inmould label joint venture in the United States from its partner for \$3.1 million in net cash and \$6.7 million assumed debt.
- (f) The following table summarizes the allocation of the consideration to the fair value of the assets acquired and liabilities assumed for the Fascia, Imprint Plus, Nortec and Korsini acquisitions:

Cash consideration, net of cash acquired	\$	44.4
Assumed debt		7.8
		<hr/> 52.2
Fair market value of previously held interest (see note 3(e))		3.1
	\$	<hr/> 55.3
Trade and other receivables	\$	5.5
Inventories		2.9
Other current assets		0.1
Property, plant and equipment		11.1
Other long-term assets		0.3
Goodwill and intangibles		41.6
Trade and other payables		(4.9)
Deferred tax liabilities		(1.2)
Provisions and other long-term liabilities		(0.1)
Net assets acquired	\$	<hr/> 55.3

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

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

	Six months ended	
	June 30	
Sales	\$	7.8
Net earnings	\$	1.2

CCL Industries Inc.

Notes to consolidated condensed interim financial statements (continued)

Unaudited

In millions of Canadian dollars, unless otherwise noted

3. Acquisitions (continued)

(h) Pro Forma Information

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

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

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

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

	Six months ended	
	June 30	
Sales	\$	2,502.7
Net earnings	\$	240.7

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

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

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

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

CCL Industries Inc.

Notes to consolidated condensed interim financial statements (continued)

Unaudited

In millions of Canadian dollars, unless otherwise noted

4. Segment reporting and disaggregation of revenue

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

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

The Company's reportable segments are:

- CCL is a converter of pressure sensitive and specialty extruded film materials for a wide range of decorative, instructional, functional and security applications for government institutions and large global customers in the consumer packaging, healthcare & chemicals, consumer electronic device and automotive markets. Extruded & laminated plastic tubes, aluminum aerosols & specialty bottles, folded instructional leaflets, precision decorated & die cut components, electronic displays, polymer bank note substrate and other complementary products and services are sold in parallel to specific end-use markets.
- Avery is a supplier of labels, specialty converted media and software solutions to enable short-run digital printing in businesses and homes alongside complementary office products sold through distributors and mass market retailers. The products are split into three primary lines: (1) Printable Media, including address labels, shipping labels, marketing and product identification labels, business cards, and name badges supported by customized software solutions; (2) Organizational Products Group ("OPG"), including binders, sheet protectors, indexes & dividers and writing instruments; (3) Direct to Consumer digitally imaged media including labels, business cards, name badges, and family oriented identification labels supported by unique web-enabled e-commerce URLs.
- Checkpoint is a manufacturer of technology-driven loss-prevention, inventory-management and labeling solutions, including RF and RFID solutions, to the retail and apparel industry. The Segment has three primary product lines: Merchandise Availability Solutions ("MAS"), Apparel Labeling Solutions ("ALS") and "Meto". The MAS line focuses on electronic-article-surveillance ("EAS") systems; hardware, software, labels and tags for loss prevention and inventory control systems including radio frequency identification ("RFID") solutions. ALS products are apparel labels and tags, some of which are RFID capable. Meto supplies hand-held pricing tools and labels and promotional in-store displays.
- Innovia supplies specialty, high-performance, multi-layer, surface engineered BOPP films from facilities in Australia, Belgium and the United Kingdom to customers in the pressure sensitive label materials, flexible packaging and consumer packaged goods industries worldwide. Additionally a small percentage of the total volume is sold internally to CCL Secure while the smaller legacy facilities produce almost their entire output for CCL Label.

	Three Months Ended June 30				Six Months Ended June 30			
	Sales		Operating income		Sales		Operating income	
	2018	2017	2018	2017	2018	2017	2018	2017
CCL	\$ 804.2	\$ 781.1	\$ 127.3	\$ 119.0	\$ 1,611.8	\$ 1,502.8	\$ 273.7	\$ 235.4
Avery	194.0	209.1	44.6	45.4	340.3	369.9	68.6	73.9
Checkpoint	177.4	171.0	27.6	19.5	354.9	320.3	50.3	34.8
Innovia	88.8	91.7	0.1	4.4	184.5	121.4	7.6	3.1
Total operations	<u>\$ 1,264.4</u>	<u>\$ 1,252.9</u>	<u>\$ 199.6</u>	<u>\$ 188.3</u>	<u>\$ 2,491.5</u>	<u>\$ 2,314.4</u>	<u>\$ 400.2</u>	<u>\$ 347.2</u>
Corporate expense			(12.9)	(14.3)			(32.1)	(27.7)
Restructuring and other items			(3.6)	(5.2)			(6.9)	(12.6)
Earnings in equity accounted investments			0.2	0.8			1.1	1.4
Finance cost			(22.0)	(18.4)			(41.9)	(35.0)
Finance income			1.2	0.5			2.1	2.5
Income tax expense			(41.4)	(41.8)			(82.7)	(78.0)
Net earnings			<u>\$ 121.1</u>	<u>\$ 109.9</u>			<u>\$ 239.8</u>	<u>\$ 197.8</u>

CCL Industries Inc.

Notes to consolidated condensed interim financial statements (continued)

Unaudited

In millions of Canadian dollars, unless otherwise noted

4. Segment reporting and disaggregation of revenue (continued)

	<u>Total Assets</u>		<u>Total Liabilities</u>		<u>Depreciation and Amortization</u>		<u>Capital Expenditures</u>	
	<u>June 30</u>	<u>December 31</u>	<u>June 30</u>	<u>December 31</u>	<u>Six Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
CCL	\$ 3,532.7	\$ 3,313.0	\$ 859.1	\$ 821.6	\$ 97.4	\$ 91.8	\$ 171.7	\$ 163.0
Avery	679.4	593.4	233.4	197.1	8.2	8.1	5.3	10.7
Checkpoint	989.8	941.0	419.2	417.4	14.2	14.9	20.4	7.9
Innovia	761.9	751.5	154.7	160.5	15.9	10.2	6.6	2.7
Equity accounted investments	56.4	54.0	-	-	-	-	-	-
Corporate	756.7	491.1	2,702.5	2,389.5	0.5	0.4	0.7	-
Total	\$ 6,776.9	\$ 6,144.0	\$ 4,368.9	\$ 3,986.1	\$ 136.2	\$ 125.4	\$ 204.7	\$ 184.3

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

All revenues are from products and services transferred at a point in time, except \$18.9 million and \$38.5 million for the three month and six month ended June 30, 2018 respectively, (June 30, 2017 - \$16.3 million and \$30.6 million), which are for installation and maintenance service arrangements within the Checkpoint Segment.

5. Accumulated other comprehensive loss

	<u>June 30</u>	<u>December 31</u>
	<u>2018</u>	<u>2017</u>
Unrealized foreign currency translation losses, net of tax recovery of \$7.9 (2017 – tax recovery of \$3.9)	\$ (32.3)	\$ (58.3)
Gains on derivatives designated as cash flow hedges, net of tax expense of \$1.1 (2017 – tax expense of \$1.1)	5.0	5.4
	\$ (27.3)	\$ (52.9)

6. Restructuring and other items

	<u>Three months ended</u>		<u>Six months ended</u>	
	<u>June 30</u>		<u>June 30</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
CCL Segment restructuring	\$ -	\$ 1.0	\$ 0.6	\$ 1.8
Checkpoint Segment restructuring	2.7	2.2	4.5	5.7
Innovia Segment restructuring	-	1.2	-	2.9
Acquisition costs	0.9	0.8	1.8	2.2
Total restructuring and other items	\$ 3.6	\$ 5.2	\$ 6.9	\$ 12.6

For the six months ended June 30, 2018, the CCL Segment recorded \$0.6 million (\$0.4 million, net of tax) and the Checkpoint Segment recorded \$4.5 million (\$3.7 million, net of tax) in restructuring expense primarily related to severance costs. The acquisition cost of \$1.8 million (\$1.8 million, net of tax) were related to the 2017 Innovia acquisition, 2016 Checkpoint acquisition and Treofan America Inc. and Tresaphan Mexico Holdings GmbH ("Treofan") acquisition in 2018, see note 9.

For the six months ended June 30, 2017, of the \$10.4 million (\$7.7 million, net of tax) recorded in restructuring, the CCL Segment recorded an expense of \$1.8 million (\$1.3 million, net of tax), the Checkpoint Segment recorded an expense of \$5.7 million (\$4.3 million, net of tax) and the Innovia Segment recorded an expense of \$2.9 million (\$2.1 million, net of tax). The restructuring expense primarily related to severance cost related to the 2017 Innovia and 2016 Checkpoint acquisitions. The acquisition costs of \$2.2 million (\$2.2 million, net of tax) were recorded primarily for the 2017 Innovia acquisition.

CCL Industries Inc.

Notes to consolidated condensed interim financial statements (continued)

Unaudited

In millions of Canadian dollars, unless otherwise noted

7. Financial instruments

(a) Fair value hierarchy

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

The different levels have been defined as follows:

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

	Level 1	Level 2	Level 3	Total
June 30, 2018				
Other assets measured at FVTOCI	\$ -	\$ 17.1	\$ -	\$ 17.1
Derivative financial assets	-	0.4	-	0.4
Long-term debt	-	-	(2,619.4)	(2,619.4)
Derivative financial liabilities	-	(47.0)	-	(47.0)
	\$ -	\$ (29.5)	\$ (2,619.4)	\$ (2,648.9)

December 31, 2017

Other assets measured at FVTOCI	\$ -	\$ 15.5	\$ -	\$ 15.5
Derivative financial assets	-	1.0	-	1.0
Long-term debt	-	-	(2,309.2)	(2,309.2)
Derivative financial liabilities	-	(50.7)	-	(50.7)
	\$ -	\$ (34.2)	\$ (2,309.2)	\$ (2,343.4)

(b) Fair values versus carrying amounts

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

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

	June 30, 2018		December 31, 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	\$ 2,673.6	\$ 2,619.4	\$ 2,331.4	\$ 2,309.2

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

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

CCL Industries Inc.

Notes to consolidated condensed interim financial statements (continued)

Unaudited

In millions of Canadian dollars, unless otherwise noted

8. Long-term debt

During the first quarter of 2018, the Company amended its syndicated credit facilities extending the maturity of its US\$402.0 million term loan facility from February 2019 to February 2020 and its US\$1.2 billion revolving facility from December 2020 to March 2023. The term loan facility continues to bear principal repayments of US\$12.0 million per quarter. Both the term loan and revolving credit facilities incur interest at the applicable domestic rate plus an interest rate margin linked to the Company's net debt to EBITDA. In addition, the Company signed a bilateral credit commitment for US\$100.0 million, which expires April 2, 2019. This bilateral term loan incurs interest at the applicable domestic rate plus an interest rate margin linked to the Company's net debt to EBITDA.

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

The current portion of long-term debt primarily consists of US\$12.0 million quarterly payments against the Company's term loan facility, the two private debt placements that are expected to be repaid during the third quarter of 2018 and the aforementioned new bilateral credit facility.

During the first six months of 2018, the Company drew down \$244.6 million on its syndicated revolving credit facility and \$91.8 million on its new bilateral credit facility.

9. Subsequent events

The Board of Directors has declared a dividend of \$0.13 per Class B non-voting share and \$0.1275 per Class A voting share, which will be payable to shareholders of record at the close of business on September 14, 2018, to be paid on September 28, 2018.

In July 2018, the Company 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 acquisition will give Innovia a solid strategic presence for BOPP films in both North America and Europe with highly complementary technologies and products. The purchase price, net of cash and debt assumed, is approximately \$255.0 million plus the costs incurred to the closing date for the construction of its new film line which are estimated at \$33.0 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Second Quarters Ended June 30, 2018 and 2017

This Management's Discussion and Analysis of the financial condition and results of operations ("MD&A") of CCL Industries Inc. ("Company") relates to the second quarters ended June 30, 2018 and 2017. The information in this interim MD&A is current to August 9, 2018, and should be read in conjunction with the Company's August 9, 2018, unaudited second quarter consolidated condensed interim financial statements released on August 9, 2018, and the 2017 Annual MD&A and consolidated financial statements, which form part of the CCL Industries Inc.'s 2017 Annual Report, dated February 21, 2018.

Basis of Presentation

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

Cautionary Statement Regarding Forward-Looking Statements

This MD&A contains forward-looking information and forward-looking statements, as defined under applicable securities laws, (hereinafter collectively referred to as "forward-looking statements") that involve a number of risks and uncertainties. Forward-looking statements include all statements that are predictive in nature or depend on future events or conditions. Forward-looking statements are typically identified by the words "believes," "expects," "anticipates," "estimates," "intends," "plans" or similar expressions. Statements regarding the operations, business, financial condition, priorities, ongoing objectives, strategies and outlook of the Company, other than statements of historical fact, are forward-looking statements. Specifically, this MD&A contains forward-looking statements regarding the anticipated growth in sales, income and profitability of the Company's segments; the Company's anticipated improvement in market share; the Company's capital spending levels and planned capital expenditures in 2018; the adequacy of the Company's financial liquidity; earnings per share and EBITDA growth rates; the Company's effective tax rate; the Company's ongoing business strategy; the Company's planned restructuring expenditures; the Company's expectations regarding general business and economic conditions; the Company's outlook for strong cash flows in 2018 will be sufficient to fund its expected quarterly dividends; the Company's expectation that available credit capacity will be sufficient for future expansion initiatives; the Company's expectation for third quarter 2018 debt repayments; the Company's expectation that the Rheinfelden joint venture will be profitable in 2019; the Company's expectation that emerging market growth rates will outpace mature markets; the Company's expectation that the Avery Segment will benefit from the acquisition of Imprint Plus; the Company's expectation that 2018 back-to-school demand will be below 2017 levels; the Company's expectation that CCL Secure will have a stronger third quarter and higher volumes in the fourth quarter of 2018; the Company's expectation that it will successfully integrate the Treofan America Inc. and Tresaphan Mexico Holdings GmbH ("Treofan") acquisition; the Company's expectation that the Checkpoint restructuring initiative is complete; and the Company's expectation that resin costs will remain high and Innovia will be able to raise prices to its customers.

Forward-looking statements are not guarantees of future performance. They involve known and unknown risks and uncertainties relating to future events and conditions including, but not limited to, the uncertainty of the recovery from the global financial crisis and its impact on the world economy and capital markets; the impact of competition; consumer confidence and spending preferences; general economic and geopolitical conditions; currency exchange rates; interest rates and credit availability; technological

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

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

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

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

1. Overview

Second quarter 2018 sales for the Company were solid, with the CCL Segment posting a 3.3% organic growth rate, cut in half on the anticipated slowdown in polymer banknote orders for CCL Secure compared to the very strong second quarter of 2017. Checkpoint posted substantial improvement in sales and profitability on the final installations of two first quarter 2018 EAS technology rollout programs as well as improved results for the ALS business. Avery posted organic sales declines in North America on continuing challenges in traditional office supply channels and share loss in low margin ring binders. Results for Innovia were disappointing as higher resin costs persisted and this quarter included lower flexible packaging sales and operational issues at the UK site. Consolidated, the Company posted solid second quarter basic earnings per Class B share of \$0.69 compared to basic earnings per Class B share \$0.63 for the 2017 second quarter. Adjusted basic earnings per Class B share (a non-IFRS financial measure; refer to definition in Section 14) for the second quarters of 2018 and 2017 were \$0.70 and \$0.68, respectively.

2. Review of Consolidated Financial Results

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

- 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 in equity investments but fully consolidated with CCL's Food & Beverage business effective June 2018.
- In May 2018, Nortec International Inc. ("Nortec"), a privately owned company in Israel for approximately \$8.8 million in net cash and assumed debt. Nortec is a manufacturer of high performance labels and marking systems for the high technology sector and has been 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 has been added to CCL Design within the CCL Segment.
- In October 2017, acquired the final 37.5% stake in the Acrus-CCL wine label joint venture in Chile from its partner for \$6.3 million. As a result of the change in control, the financial results were no longer included in equity investments but fully consolidated with CCL's Food & Beverage business, without a portion of the earnings attributable to a non-controlling interest effective October 2017.
- In April 2017, badgepoint GmbH, badgetech GmbH and Name Tag Systems Inc. ("Badgepoint"), privately owned companies with common shareholders, based near Hamburg, Germany, for \$5.6 million. Badgepoint expanded Avery's printable media offering with patented, premium badge systems and accessories for the German market.
- In April 2017, Goed Gemerkt B.V. and Goed Gewerkt B.V. ("GGW"), privately owned companies with common shareholders, based near Utrecht in the Netherlands for \$23.0 million. GGW is a manufacturer of durable, personalized "kids' labels" for the Benelux and German markets, expanding Avery's printable media platform.

- In February 2017, the Innovia Group, headquartered in Wigton, U.K., for \$1.15 billion, debt free and net of cash acquired from a consortium of U.K.-based private equity investors. Innovia is a leading global producer of specialty high-performance, multi-layer, surface engineered biaxially oriented polypropylene (“BOPP”) films for label, packaging and security applications. The business has film extrusion, coating and metallizing facilities across the U.K., Belgium and Australia, which now form the basis of the Innovia Segment. In the U.K., Australia and Mexico, the business has high-security, specialized polymer banknote operations since added to CCL Secure within the CCL Segment.

Sales for the second quarter of 2018 were \$1,264.4 million, an increase of 0.9% compared to \$1,252.9 million recorded in the second quarter of 2017. The increase in sales can be attributed to organic growth of 1.3% and acquisition-related growth of 1.0% partially offset by the negative impact from foreign currency translation of 1.4%. For the six-month period ended June 30, 2018, sales were \$2,491.5 million, an increase of 7.7% compared to \$2,314.4 million for the same six-month period a year ago. This improvement in sales can be attributed to 2.3% organic growth, a 5.7% impact of the eight aforementioned acquisitions and a 0.3% negative impact from foreign currency translation.

Selling, general and administrative expenses (“SG&A”) were \$190.0 million and \$385.8 million for the three-month and six-month periods ended June 30, 2018, compared to \$204.0 million and \$370.0 million for same periods in the prior year, respectively. The decline in SG&A expenses for the comparative three-month periods can be attributed to year-over-year restructuring initiatives at Checkpoint and Innovia as well as a reduction in corporate expenses attributable to reduced variable compensation expense.

The Company recorded an expense of \$3.6 million (\$3.0 million after tax) for restructuring and other items in the second quarter of 2018 compared to \$5.2 million (\$4.0 million after tax) for the second quarter of 2017. For the second quarter of 2018 expenses were for severance related restructuring costs of \$2.7 million principally for the 2016 Checkpoint acquisition, plus other transaction costs of \$0.9 million. Restructuring and other expenses for the 2017 second quarter were mainly restructuring and transaction costs related to the acquisition of Checkpoint and the 2017 acquisition of Innovia. For the six-month period ending June 30, 2018, the Company recorded \$6.9 million (\$6.0 million after tax) in restructuring and other items primarily related to the Checkpoint acquisition and other transaction costs. For the six-month period of 2017, restructuring and other items were \$12.6 million (\$9.9 million after tax) primarily related to the Checkpoint and Innovia acquisitions.

Operating income (a non-IFRS financial measure; refer to definition in Section 14) for the second quarter of 2018 was \$199.6 million, compared to \$188.3 million for the second quarter of 2017. However, 2017 quarter operating income included a \$6.4 million non-cash acquisition accounting adjustment to fair value the finished goods inventory related to the Innovia acquisition; therefore comparatively, adjusted operating income was \$194.7 million. This increase was primarily driven by organic improvements

in the CCL and Checkpoint Segments, partially offset by reduced profitability at the Innovia Segment. For the six months ended June 30, 2018, operating income increased 15.3%, including non-cash acquisition accounting adjustment related to finished goods inventory for the Innovia acquisition. The six-month increase was due to the results for the CCL, Checkpoint and Innovia Segments partially offset by declines in the Avery Segment compared to the same six-month period in 2017. Foreign currency translation had a negative 0.5% impact for the comparable six-month periods.

Earnings before net finance cost, taxes, earnings in equity accounted investments, depreciation and amortization, non-cash acquisition accounting adjustments to finished goods inventory expensed to cost of goods sold, restructuring and other items (“EBITDA,” a non-IFRS financial measure; refer to definition in Section 14) was \$255.0 million for the second quarter of 2018, an increase of 2.7% compared to \$ 248.4 million for the second quarter of 2017. Foreign currency translation had a 1.5% negative impact on EBITDA for the comparative second quarters. For the six months ended June 30, 2018, EBITDA was \$504.3 million, an increase of 9.6% compared to \$460.1 million in the comparable 2017 six-month period driven principally by the newly acquired businesses and organic improvements in the legacy operations. Foreign currency translation had a negative 0.4% impact for the comparable six-month periods.

Net finance cost was \$20.8 million and \$39.8 million for the three-month and six-month periods ended June 30, 2018, compared to \$17.9 million and \$32.5 million for same periods in the prior year, respectively. The increase in net finance cost for the three-month and six-month periods ended June 30, 2018, was attributable to a higher average interest cost compared to the 2017 periods and the primarily debt-financed acquisition of Innovia on February 28, 2017, impacting the total interest cost for the six-month period.

The overall effective income tax rate was 25.5% and 25.7% for the three-month and six-month periods ended June 30, 2018, compared to 27.7% and 28.4% for the same periods in the prior year, respectively. The decrease in the effective tax rate for the three-month and six-month periods ended June 30, 2018, was primarily driven by the impact of the U.S. Tax Cuts and Jobs Act which is expected to reduce the overall consolidated effective tax rate for the 2018 year by approximately 3.0%. The effective tax rate may increase in future periods if a higher portion of the Company’s taxable income is earned in higher tax jurisdictions.

Net earnings for the second quarter of 2018 were \$121.1 million compared to \$109.9 million for the second quarter of 2017. This resulted in basic and diluted earnings of \$0.69 and \$0.68 per Class B share, respectively, for the 2018 second quarter compared to basic and diluted earnings of \$0.63, per Class B share for the prior year second quarter.

Net earnings for the six-month period of 2018 were \$239.8 million, an increase of 21.2% compared to \$197.8 million for the same period a year ago. This resulted in basic and diluted earnings of \$1.36 and \$1.34 per Class B share, respectively, for the 2018 six-month period compared to basic and diluted earnings of \$1.13 and \$1.12 per Class B share, respectively, for the prior year six-month period. The weighted average number of shares for the 2018 six-month period were 176.6 million basic and 178.6 million

diluted shares compared to 175.7 million basic and 178.0 million diluted shares for the comparable period of 2017. Diluted shares include weighted average in-the-money equity compensation arrangement totaling 2.0 million shares.

Adjusted basic earnings per Class B share were \$0.70 and \$1.39 for the three-month and six-month periods of 2018, respectively, compared to \$0.68 and \$1.25 for the same periods of 2017.

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

(in Canadian dollars)

Adjusted Basic Earnings per Class B Share	Second Quarter		Year-To-Date	
	2018	2017	2018	2017
Basic earnings per Class B share	\$ 0.69	\$ 0.63	\$ 1.36	\$ 1.13
Restructuring and other items	0.01	0.02	0.03	0.06
Non-cash acquisition accounting adjustment related to finished goods inventory	-	0.03	-	0.06
Adjusted basic earnings ⁽¹⁾ per class B share	\$ 0.70	\$ 0.68	\$ 1.39	\$ 1.25

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

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

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

	<u>Qtr 1</u>	<u>Qtr 2</u>	<u>Qtr 3</u>	<u>Qtr 4</u>	<u>Total</u>
Sales					
2018	\$ 1,227.1	\$ 1,264.4	\$ -	\$ -	\$ 2,491.5
2017	1,061.5	1,252.9	1,206.8	1,234.5	4,755.7
2016	866.8	960.2	1,089.3	1,058.4	3,974.7
Net earnings					
2018	118.7	121.1	-	-	239.8
2017	87.9	109.9	106.9	169.4	474.1
2016	89.7	72.2	86.1	98.3	346.3
Net earnings per Class B share					
Basic					
2018	0.67	0.69	-	-	1.36
2017	0.50	0.63	0.60	0.97	2.70
2016	0.51	0.42	0.49	0.56	1.98
Adjusted basic net earnings per Class B share					
2018	0.69	0.70	-	-	1.39
2017	0.57	0.68	0.61	0.83	2.69
2016	0.53	0.56	0.60	0.59	2.28
Net earnings per Class B share					
Diluted					
2018	0.66	0.68	-	-	1.34
2017	0.49	0.63	0.59	0.95	2.66
2016	0.51	0.41	0.48	0.55	1.95

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

3. Business Segment Review

CCL Segment (“CCL”)

(\$ millions)	Second Quarter			Year-to-Date		
	2018	2017	+/-	2018	2017	+/-
Sales	\$ 804.2	\$ 781.1	3.0%	\$ 1,611.8	\$ 1,502.8	7.3%
Operating Income ⁽¹⁾	\$ 127.3	\$ 119.0	7.0%	\$ 273.7	\$ 235.4	16.3%
Return on Sales ⁽¹⁾	15.8%	15.2%		17.0%	15.7%	
Capital Spending	\$ 82.6	\$ 62.1	33.0%	\$ 171.7	\$ 163.0	5.3%
Depreciation and Amortization	\$ 49.1	\$ 48.6	1.0%	\$ 97.4	\$ 91.8	6.1%

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

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

Sales for CCL were \$804.2 million for the second quarter of 2018, compared to \$781.1 million for the same quarter last year. The 3.0% increase in sales can be attributed to organic growth of 3.3%, the impact from the Acrus-CCL, Fascia, Nortec and Korsini acquisitions of 1.2% and a 1.5% negative impact from foreign currency translation. Sales were modestly impacted comparatively by the timing of Easter.

North American sales were up mid-single digit for the second quarter of 2018, excluding currency translation, compared to the second quarter of 2017. Home & Personal Care sales and profitability increased on market share wins in labels and tubes and an improved operating environment for aluminum aerosols. Healthcare & Specialty sales were up, however profitability declined compared to a strong prior year period, driven primarily by lower sales in the AgChem and specialty markets. CCL Design sales and profitability were down slightly on slower automotive markets. Food & Beverage posted strong growth and robust profitability improvement driven by market share gains in all categories. North American profitability, excluding the negative impact of currency translation, increased and return on sales exceeded the prior year second quarter.

Sales in **Europe** were down mid-single digit for the second quarter of 2018, excluding currency translation and acquisitions, compared to the second quarter of 2017. As expected, CCL Secure results were significantly below a prior year period including a highly profitable, large launch order. Excluding CCL Secure, European sales increased slightly. Home & Personal Care profits increased modestly, despite challenging market conditions. Healthcare & Specialty results declined while Food & Beverage recorded solid improvement in sales and profitability attributable to market share wins. CCL Design sales and profitability gains in German automotive and industrial markets were offset by slower electronics demand. Overall, European operating income, excluding currency translation, declined compared to the prior year second quarter, largely due to reduced profitability at CCL Secure.

Sales in **Latin America**, excluding acquisitions and currency translation, improved high single digit compared to the second quarter of 2017. Strong sales growth across the region drove increased profitability with mixed impact from U.S. dollar exchange rates. All lines of business improved in Brazil and Argentina despite the impact of the national trucking strike. The Wine business in Chile posted a solid profit. Mexican operations were strong overall, but CCL Secure posted a small loss for the second quarter of 2018 on a demand hiatus in the local market compared to a strong prior year second quarter. Excluding the impact of acquisitions and the impact of currency translation, underlying operating income increased significantly and return on sales improved.

Asia Pacific sales, excluding currency translation, were up mid-teens for the second quarter of 2018, compared to the corresponding quarter in 2017. CCL Label sales and profits in China increased significantly, augmented by modest improvement at CCL Design in electronics end markets. Robust sales and profit gains in Thailand plus modest profits in the Philippines and Korea compared to start-up losses in the prior year period added to all round strength in Asia. Australian results for labels were up on progress in Wine & Spirits while Healthcare losses continued. CCL Secure posted solid sales gains but profitability declined on mix. South Africa delivered strong sales gains. For the Asia Pacific region, operating income increased significantly but return on sales declined slightly on mix for the second quarter of 2018 compared to the second quarter of 2017.

Operating income for the second quarter of 2018 was \$127.3 million, compared to \$119.0 million for the second quarter of 2017. Return on sales was 15.8% compared to

the 15.2% recorded for the same period in 2017. The improvement is largely due to the improved results for the legacy CCL Segment operations partially offset by reduced profitability in the CCL Secure polymer banknote operations for the comparative quarters.

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

CCL invested \$171.7 million in capital spending for the first six months of 2018, compared to \$163.0 million in the same period in 2017. The investments for the six-month period are in line with planned capital expenditures for 2018. Major expenditures for the six-month period related to capacity additions to support the Home & Personal Care, Food & Beverage and Healthcare & Specialty businesses globally. Investments will continue in order to add capacity, broaden capabilities, expand geographically, and replace or upgrade existing plants and equipment. Depreciation and amortization was \$97.4 million for the six months ended June 30, 2018, compared to \$91.8 million for the same period of 2017.

Avery Segment (“Avery”)

	Second Quarter			Year-to-Date		
	<u>2018</u>	<u>2017</u>	<u>+/-</u>	<u>2018</u>	<u>2017</u>	<u>+/-</u>
Sales	\$ 194.0	\$ 209.1	(7.2%)	\$ 340.3	\$ 369.9	(8.0%)
Operating Income ⁽¹⁾	\$ 44.6	\$ 45.4	(1.8%)	\$ 68.6	\$ 73.9	(7.2%)
Return on Sales ⁽¹⁾	23.0%	21.7%		20.2%	20.0%	
Capital Spending	\$ 2.7	\$ 3.5	(22.9%)	\$ 5.3	\$ 10.7	(50.5%)
Depreciation and Amortization	\$ 4.3	\$ 4.2	2.4%	\$ 8.2	\$ 8.1	1.2%

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

Avery sales were \$194.0 million for the second quarter of 2018, compared to \$209.1 million for the same quarter last year. The 7.2% decrease in sales can be attributed to the 2.6% negative effect from foreign currency translation and 6.2% organic decline in sales partially offset by the 1.6% impact from the Imprint Plus acquisition.

Sales in **North America** for the second quarter of 2018 were down high single digit excluding currency translation and acquisitions, compared to the second quarter of

2017. Printable Media product lines experienced a modest sales decline due to challenges in traditional office supply channels; however profitability increased on strong product mix and price increases. Direct-to-Consumer product lines continued to post double digit sales and profitability improvements. Sales for OPG declined significantly, principally due to secular declines and share loss in low margin ring binders. Including the negative impact of currency translation, operating income declined in the region but return on sales improved for the second quarter of 2018 compared to the second quarter of 2017.

International sales, largely generated in the Printable Media category, represented approximately 23% of Avery sales for the quarter. Excluding currency translation and acquisitions, sales in Europe and Latin America were up, offsetting declines in Australia compared to the prior year second quarter. Direct-to-Consumer sales and profitability growth rates outpaced traditional business lines. Overall profitability for the second quarter of 2018 declined negligibly compared to the same period in 2017.

Operating income for the second quarter of 2018 was \$44.6 million compared to \$45.4 million for the second quarter of 2017. Return on sales was 23.0%, compared to 21.7% recorded for the same quarter in 2017.

Avery invested \$5.3 million in capital spending in the first six months of 2018 compared to \$10.7 million in the same period a year ago. The majority of the expenditures were capacity additions in the Direct to Consumer operations in North America. Depreciation and amortization was \$8.2 million for the 2018 six-month period compared to \$8.1 million for the 2017 six-month period.

Checkpoint Segment (“Checkpoint”)

(\$ millions)	Second Quarter			Year-to-Date		
	2018	2017	+/-	2018	2017	+/-
Sales	\$ 177.4	\$ 171.0	3.7%	\$ 354.9	\$ 320.3	10.8%
Operating Income ⁽¹⁾	\$ 27.6	\$ 19.5	41.5%	\$ 50.3	\$ 34.8	44.5%
Return on Sales ⁽¹⁾	15.6%	11.4%		14.2%	10.9%	
Capital Spending	\$ 8.8	\$ 5.0	76.0%	\$ 20.4	\$ 7.9	158.2%
Depreciation and Amortization	\$ 6.7	\$ 7.5	(10.7%)	\$ 14.2	\$ 14.9	(4.7%)

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

Checkpoint sales were \$177.4 million for the second quarter of 2018 compared to \$171.0 million for the second quarter of 2017 with 4.7% organic growth and 1.0% negative impact from foreign currency translation. MAS posted strong revenue and profitability improvement especially in the United States and Europe driven by the completion of significant chainwide technology rollouts for two large retailers. ALS posted modest sales growth, but significant profitability improvements as restructuring initiatives implemented over the past two years are taking hold. The small Meto business posted flat profitability for the second quarter of 2018 compared to the same period in 2017.

Operating income increased 41.5% to \$27.6 million for the second quarter of 2018 compared to \$19.5 million for the second quarter of 2017; return on sales increased to 15.6% from 11.4%.

Checkpoint invested \$20.4 million in capital spending for the first six months of 2018, compared to \$7.9 million for the six-month period of 2017. The majority of the expenditures were in the Asia Pacific region to enhance capacity and technology within the MAS and ALS manufacturing facilities. Depreciation and amortization was \$14.2 million for the six month period ended June 30, 2018, compared to \$14.9 million for the six-month period of 2017.

Innovia Segment (“Innovia”)

(\$ millions)	Second Quarter			Year-to-Date		
	2018	2017	+/-	2018	2017	+/-
Sales	\$ 88.8	\$ 91.7	(3.2%)	\$ 184.5	\$ 121.4	52.0%
Operating income ⁽¹⁾	\$ 0.1	\$ 4.4	(97.7%)	\$ 7.6	\$ 3.1	145.2%
Return on Sales ⁽¹⁾	0.1%	4.8%		4.1%	2.6%	
Capital Spending	\$ 1.9	\$ 1.9	-	\$ 6.6	\$ 2.7	144.4%
Depreciation and Amortization	\$ 8.0	\$ 7.5	6.7%	\$ 15.9	\$ 10.2	55.9%

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

Sales for Innovia were \$88.8 million for the second quarter of 2018 compared to \$91.7 million for the second quarter of 2017 resulting from an organic decline of 5.2% partially offset by a 2.0% positive impact from foreign currency translation. Flexible packaging sales declines more than offset label sales gains with the latter all price driven. Operating income was \$0.1 million compared to operating income of \$4.4 million that

included a \$2.3 million finished goods acquisition accounting adjustment. Raw material cost pressures, related pricing challenges, lower flexible packaging sales and operational issues at the U.K. site were the main drivers of the performance.

Innovia invested \$6.6 million in capital spending for the first six months of 2018 compared to \$2.7 million for the four-month period post acquisition. Depreciation and amortization was \$15.9 million for the six months ended June 30, 2018 compared to \$10.2 million for the four-month period of 2017.

Joint Ventures

(\$ millions)	Second Quarter			Year-to-Date		
	<u>2018</u>	<u>2017</u>	<u>+/-</u>	<u>2018</u>	<u>2017</u>	<u>+/-</u>
Sales (at 100%)						
CCL joint ventures	\$ 28.9	\$ 33.2	(13.0%)	\$ 57.4	\$ 64.5	(11.0%)
Rheinfelden*	-	5.0	n.m.	1.3	7.8	(83.3%)
CCL Total	\$ 28.9	\$ 38.2	(24.3%)	\$ 58.7	\$ 72.3	(18.8%)
Earnings (losses) in equity accounted investments						
CCL joint ventures	\$ 0.7	\$ 1.4	(50.0%)	\$ 1.8	\$ 2.5	(28.0%)
Rheinfelden	(0.5)	(0.6)	16.7%	(0.7)	(1.1)	36.4%
CCL Total	\$ 0.2	\$ 0.8	(75.0%)	\$ 1.1	\$ 1.4	(21.4%)

* - primarily sales to the CCL Segment

Results from the joint ventures in CCL-Kontur, Russia; Pacman-CCL, Middle East; CCL-Korsini and Rheinfelden in the United States are not proportionately consolidated into a Segment but instead are accounted for as equity investments. The Company's share of the joint ventures' net earnings is disclosed in "Earnings in Equity Accounted Investments" in the consolidated condensed interim income statements. CCL-Kontur posted improved sales with profitability for the 2018 second quarter in-line with the prior period due to the impact of the weaker Ruble on translated results. Sales at Pacman-CCL for the 2018 second quarter improved over the prior year second quarter; however profitability declined largely due to the write-off of its investment in the Indian operation. CCL-Korsini, prior to consolidation in CCL's results, and Rheinfelden, continued to incur start-up losses. Profitability at the Rheinfelden slug operation will not occur until late 2019 due to a small fire in the facility in the first quarter of 2018 and subsequent delay in new equipment installations. Management decided to stop production until early 2019. Earnings in equity accounted investments amounted \$0.2 million for the second quarter of 2018 compared to income of \$0.8 million for the second quarter of 2017. Commencing October 2017 and May 2018, equity investments no longer include the financial results of the Acrus-CCL and CCL-Korsini ventures, respectively, due to the Company's increase in ownership of the entities to 100%.

4. Currency Transaction Hedging and Currency Translation

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

The results of the second quarter of 2018 were impacted by the appreciation of the Canadian dollar against the U.S. dollar, Brazilian real and Mexican peso by 4.0%, 14.4% and 8.1%, respectively, compared to the rates in the same period in 2017. This negative impact was more than offset by a depreciation of the Canadian dollar relative to the euro, U.K. pound, Chinese renminbi and Thai baht of 3.8%, 2.0%, 3.3% and 3.2%, respectively, when comparing the rates in the second quarters of 2018 and 2017. For the second quarter of 2018, currency translation had a \$0.02 negative impact on earnings per Class B share compared to last year's second quarter.

5. Liquidity and Capital Resources

The Company's capital structure is as follows:

(\$ Millions)		
	June 30, 2018	December 31, 2017
Current Debt	\$ 328.9	\$ 230.6
Long-term debt	2,344.7	2,100.8
Total debt	2,673.6	2,331.4
Cash and cash equivalents	(822.4)	(557.5)
Net debt ⁽¹⁾	\$ 1,851.2	\$ 1,773.9
EBITDA ⁽¹⁾⁽²⁾	\$ 1,003.4	\$ 959.2
Net debt to EBITDA ⁽¹⁾	1.84	1.85

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

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

During the first quarter of 2018, the Company amended its syndicated credit facilities extending the maturity of its US\$402.0 million term loan facility from February 2019 to February 2020 and its US\$1.2 billion revolving credit facility from December 2020 to March 2023. The term loan facility continues to bear principal repayments of US\$12.0 million per quarter. Both the term loan and revolving credit facilities incur interest at the applicable domestic rate plus an interest rate margin linked to the Company's net debt to EBITDA. In addition, the Company signed a bilateral credit commitment for US\$100.0 million, which expires April 2, 2019. This bilateral term loan incurs interest at the applicable domestic rate plus an interest rate margin linked to the Company's net debt to EBITDA.

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

2028. The bonds are unsecured senior obligations. The proceeds of the offering were used to repay drawn debt within the Company's revolving credit facility.

During the first six months of 2018, the Company drew down \$244.6 million on its syndicated revolving credit facility, \$91.8 million on its new bilateral credit facility and \$300.0 million of the aforementioned Canadian bonds. The majority of the drawdowns on the syndicated and bilateral credit facilities occurred near the end of the second quarter to position proceeds in the appropriate foreign jurisdictions to close the Treofan acquisition on July 2, 2018, a Canadian bank holiday. Payments on debt, including the proceeds from the Canadian bond offering that was used to repay syndicated revolving debt amounted to \$380.9 million for the first six months of 2018.

The Company's debt structure at June 30, 2018, was primarily comprised of the 144A private bonds of US\$500.0 million (C\$656.7 million), the aforementioned Canadian bonds of \$300 million, two private debt placements completed in 1998 and 2008 for a total of US\$129.0 million (C\$169.4 million), outstanding debt totaling of \$947.4 million under the syndicated revolving credit facility, a term loan facility of US\$390.0 million (C\$512.2 million) and US\$70.0 million (C\$91.9 million), drawn on the bilateral credit facility. The Company's debt structure at December 31, 2017, was comprised of the 144A private bonds of US\$500.0 million (C\$620.3 million), two private debt placements completed in 1998 and 2008 for a total of US\$129.0 million (C\$ 162.0 million) and outstanding debt under the syndicated revolving credit facility of \$1.0 billion and the term loan facility of US\$414.0 million (C\$520.0 million).

The current portion of long-term debt primarily consists of US\$12.0 million quarterly payments against the Company's term loan facility, the two private debt placements that are expected to be repaid during the third quarter of 2018 and the aforementioned new bilateral credit facility.

Net debt was \$1,851.2 million at June 30, 2018, \$77.3 million higher than the net debt of \$1,773.9 million at December 31, 2017. The increase in net debt is due to the increased borrowings to fund four business acquisitions in the six-month period ended June 30, 2018 compared to net debt at December 31, 2017.

Net debt to EBITDA, at June 30, 2018, was 1.84 times, compared to 1.85 times at December 31, 2017, reflecting the increase in net debt offset by record profitability over the past twelve months.

Including \$3.5 million of outstanding letters of credit, the Company had approximately US\$475.5 million of available capacity within its revolving credit facility as at June 30, 2018.

The Company's overall average finance rate was 2.9% as at June 30, 2018, and at December 31, 2017. The expected increase in weighted average finance rate that would have been realized when the company completed the 3.864% ten-year Canadian bond, was offset by drawdowns in short-term variable rate debt at the end of the quarter to finance the Treofan acquisition.

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

6. Cash Flow

Summary of Cash Flows	Second Quarter		Year-to-Date	
	2018	2017	2018	2017
Cash provided by operating activities	\$ 191.2	\$ 177.3	\$ 265.4	\$ 231.4
Cash provided by (used in) financing activities	254.5	(116.3)	228.3	1,021.1
Cash used for investing activities	(122.6)	(102.7)	(235.9)	(1,364.5)
Translation adjustments on cash and cash equivalents	(17.2)	(0.1)	7.1	4.1
Increase (decrease) in cash and cash equivalents	\$ 305.9	\$ (41.8)	\$ 264.9	\$ (107.9)
Cash and cash equivalents – end of period	\$ 822.4	\$ 477.2	\$ 822.4	\$ 477.2
Free cash flow from operations ⁽¹⁾	\$ 108.4	\$ 105.4	\$ 77.3	\$ 50.8

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

During the second quarters of 2018 and 2017, the Company generated cash from operating activities of \$191.2 million and \$177.3 million, respectively. Free cash flow from operations was an inflow of \$108.4 million in the 2018 second quarter compared to an inflow of \$105.4 million in the prior year second quarter. The change in free cash flow from operations was primarily due to the increase in net earnings partially offset by increase in net capital expenditures for the comparative quarters.

Capital spending in the second quarter of 2018 amounted to \$95.6 million compared to \$72.5 million in the 2017 second quarter. Depreciation and amortization for the second quarters of 2018 and 2017 were \$68.3 million and \$68.0 million, respectively. Plans for capital spending in 2018, excluding any capital spending associated with the Treofan acquisition, are expected to be approximately \$325.0 million. The Company is continuing to seek investment opportunities to expand its business geographically, add capacity in its facilities and improve its competitiveness.

Dividends in the second quarters of 2018 and 2017 were \$23.1 million and \$20.2 million, respectively. The total number of shares issued and outstanding as at June 30, 2018 and 2017, were 177.0 million and 176.0 million, respectively. Since the Company's current cash flow and financial position are strong and its outlook for the remainder of 2018 continues to be positive, the Board of Directors has approved a dividend of \$ 0.1275 per Class A share and \$0.13 per Class B share to shareholders of record as of September 14, 2018, and payable September 28, 2018. The annualized dividend rate is \$0.51 per Class A share and \$0.52 per Class B share.

7. Interest rate and Foreign Exchange Management

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

As at June 30, 2018, the Company had US\$1,319.5 million, EUR237.6 million, GBP60.3 million and CA\$383.5 million drawn under the private placement, 144A U.S. private bond, Canadian bond, term loan and syndicated bank credit facility, which are hedging a portion of its US\$-based, euro-based and GBP-based investments and cash flows.

As at June 30, 2018, the Company utilized cross-currency interest rate swap agreements ("CCIRSA") to hedge its euro-based assets and cash flows, effectively converting notional US\$264.7 million 3.25% fixed rate debt into 1.23% fixed rate euro debt and US\$111.5 million 3.25% fixed rate debt into 1.16% fixed rate euro debt. The effect of the CCIRSA has been to decrease finance cost by \$4.2 million for the six months ended June 30, 2018.

8. Subsequent Events

On July 2, 2018, the Company closed the previously announced acquisition of Treofan America Inc. and Trespaphan Mexico Holdings GmbH ("Treofan") from their ultimate parent, M&C S.p.A., an Italian public company listed on the Milan stock exchange. Treofan, based in Zacapu, Mexico, is a leading producer of BOPP film for the North American market. The purchase price, net of cash and debt assumed, is approximately \$255 million plus the costs incurred to the closing date for the construction of its new film line, which are estimated at \$33 million.

9. Accounting Policies

A) Critical Accounting Estimates

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

The 2017 annual audited consolidated financial statements and notes thereto, as well as the 2017 annual MD&A, have identified the accounting policies and estimates that are critical to the understanding of the Company's business operations and results of operations. For the six months ended June 30, 2018, there are no changes to the

critical accounting policies and estimates from those described in the 2017 annual MD&A, except as outlined below.

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

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

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

B) Inter-Company and Related Party Transactions

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

C) Recently Issued New Accounting Standards, Not Yet Effective

In January 2016, IFRS 16, *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 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. Under this approach the Company will recognize transitional adjustments in retained earnings on the date of initial application without restating prior periods. The Company is currently evaluating the impact of IFRS 16 on its consolidated financial statements and has collected and catalogued all existing leases in order to perform an initial assessment with respect to analyzing the impact of the new standard. As such, it is not yet possible to make a reliable estimate of the impact of the new standard on the Company's consolidated financial statements.

10. Commitments and Contingencies

The Company has no material "off-balance sheet" financing obligations, except for long-term operating lease agreements and loan guarantees. The nature of these commitments are described in note 25 and note 26 of the annual consolidated financial statements for the year ended December 31, 2017. There are no defined benefit plans funded with CCL Industries Inc. stock. There have been no material changes during the first six months of 2018.

11. Controls and Procedures

There were no material changes in disclosure controls and procedures and internal control over financial reporting in the six-month period ended June 30, 2018.

12. Risks and Strategies

The 2017 MD&A in the annual report detailed risks to the Company's business and the strategies planned for 2018 and beyond. There have been no material changes to those risks and strategies during the first six months of 2018.

13. Outlook

The second quarter of 2018 was a somewhat mixed period for the Company, with solid organic sales growth at Checkpoint, coupled with the continued benefits from post restructuring operating efficiencies. Legacy CCL Label businesses posted strong results, offset by a modest decline for CCL Design and the expected slowdown for CCL Secure that followed a robust first quarter of 2018. Innovia continued to battle rising input cost pressures and operational issues in the UK. Avery profitability margins improved; however absolute operating income declined due to lower sales. Consolidated second quarter adjusted basic earnings were solid at \$0.70 per class B share.

CCL delivered second quarter organic growth of 3.3%, cut by half on the expected decline at CCL Secure. Second quarter results in 2017 were boosted by a large and highly profitable launch order in Europe. As a result, North American and Emerging

Markets outperformed Europe. CCL Secure expects to have a stronger third quarter against a soft prior year period with improved volume for the fourth quarter.

Avery will benefit from the April 2018 tuck-in acquisition of Imprint Plus in the direct-to-consumer channel in the coming quarters. Back-to-school shipments are now well underway, sales are expected to be below the prior year period as Avery continues to give up share in low margin categories. The third quarter is still anticipated to be Avery's strongest quarter of the year.

Checkpoint has now delivered two years, post-acquisition of outperformance to management expectations. The restructuring process is now complete, with cumulative severance costs amounting to \$40.0 million. Organic growth tailwinds will moderate as the two large technology rollout projects completed in the second quarter of 2018. Initiatives going forward will be more qualitative as manufacturing facilities are improved, the supply chain optimized, new products introduced and customers added.

Financial results for Innovia were disappointing for the second quarter as the operation continues to grapple with protracted periods of polypropylene resin cost increases. Results for the Segment in the coming quarter will include the addition of Treofan. Additional attention will be placed on improving operations, managing the cost-price equation and the integration of Treofan.

Order levels going into the third quarter of 2018 remain stable, with expectations of improved results for CCL Secure and higher demand for CCL Design, Avery and Checkpoint as the electronics industry and consumer retail seasons commence their seasonally stronger period.

The Company finished the second quarter with \$822.4 million of cash-on-hand, including amounts borrowed in the final week of June, to have the proceeds available to close the Treofan acquisition on July 2, 2018, and additional liquidity of US\$475.5 million within its syndicated revolving credit facility. The Company remains focused on vigilantly managing working capital and prioritizing capital to higher-growth organic opportunities or unique acquisitions expected to enhance shareholder value. The Company's capital spending for the year, excluding the Treofan expansion initiative, is expected to be approximately \$325.0 million.

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

14. Key Performance Indicators and Non-IFRS Financial Measures

The Company measures the success of the business using a number of key performance indicators, many of which are in accordance with IFRS as described throughout this report. The following performance indicators are not measurements in accordance with IFRS and should not be considered as an alternative to or replacement of net earnings or any other measure of performance under IFRS. These non-IFRS

measures do not have any standardized meaning and may not be comparable to similar measures presented by other issuers. In fact, these additional measures are used to provide added insight into the Company's results and are concepts often seen in external analysts' research reports, financial covenants in banking agreements and note agreements, purchase and sales contracts on acquisitions and divestitures of the business, and in discussions and reports to and from the Company's shareholders and the investment community. These non-IFRS measures will be found throughout this report and are referenced alphabetically in the definition section below.

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

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

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

(in millions of Canadian dollars) EBITDA	Second Quarter		Year-to-Date	
	2018	2017	2018	2017
Net earnings	\$ 121.1	\$ 109.9	\$ 239.8	\$ 197.8
Corporate expense	12.9	14.3	32.1	27.7
Earnings in equity accounted investments	(0.2)	(0.8)	(1.1)	(1.4)
Finance cost, net	20.8	17.9	39.8	32.5
Restructuring and other items – net loss	3.6	5.2	6.9	12.6
Income taxes	41.4	41.8	82.7	78.0
Operating income (a non-IFRS measure)	\$ 199.6	\$ 188.3	\$ 400.2	\$ 347.2
Less: Corporate expense	(12.9)	(14.3)	(32.1)	(27.7)
Add: Depreciation and amortization	68.3	68.0	136.2	125.4
Add: Non-cash acquisition accounting adjustment to finished goods inventory	-	6.4	-	15.2
EBITDA (a non-IFRS measure)	\$ 255.0	\$ 248.4	\$ 504.3	\$ 460.1
			2018	2017
EBITDA for 12 months ended December 31, 2017 and 2016, respectively			\$ 959.2	\$ 792.7
less: EBITDA for six months ended June 30, 2017 and 2016, respectively			(460.1)	(380.0)
add: EBITDA for six months ended June 30, 2018 and 2017 respectively			\$ 504.3	\$ 460.1
EBITDA for 12 months ended June 30			\$ 1,003.4	\$ 872.8

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

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

(in millions of Canadian dollars) Free Cash Flow from Operations	Second Quarter		Year-to-Date	
	2018	2017	2018	2017
Cash provided by operating activities	\$ 191.2	\$ 177.3	\$ 265.4	\$ 231.4
Less: Additions to property, plant and equipment	(95.6)	(72.5)	(204.7)	(184.3)
Add: Proceeds on disposal of property, plant and equipment	12.8	0.6	16.6	3.7
Free Cash Flow from Operations	\$ 108.4	\$ 105.4	\$ 77.3	\$ 50.8

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

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

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

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

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

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

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

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

(in millions of Canadian dollars)

Industry Segments	Sales Second Quarter		Operating Income Second Quarter		Return on Sales Second Quarter	
	2018	2017	2018	2017	2018	2017
CCL	\$ 804.2	\$ 781.1	\$ 127.3	\$ 119.0	15.8%	15.2%
Avery	194.0	209.1	44.6	45.4	23.0%	21.7%
Checkpoint	177.4	171.0	27.6	19.5	15.6%	11.4%
Innovia	88.8	91.7	0.1	4.4	0.1%	4.8%
Total Operations	\$ 1,264.4	\$ 1,252.9	\$ 199.6	\$ 188.3	15.8%	15.0%

Supplemental Financial Information

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

	Three Months Ended June 30, 2018				Six Months Ended June 30, 2018			
	Organic Growth	Acquisition Growth	FX Translation	Total	Organic Growth	Acquisition Growth	FX Translation	Total
CCL	3.3%	1.2%	(1.5%)	3.0%	3.5%	3.9%	(0.1%)	7.3%
Avery	(6.2%)	1.6%	(2.6%)	(7.2%)	(7.9%)	2.0%	(2.1%)	(8.0%)
Checkpoint	4.7%	-	(1.0%)	3.7%	10.4%	-	0.4%	10.8%
Innovia	(5.2%)	-	2.0%	(3.2%)	(3.6%)	53.0%	2.6%	52.0%
Total	1.3%	1.0%	(1.4%)	0.9%	2.3%	5.7%	(0.3%)	7.7%