



Sustainable Future

ANNUAL REPORT 2018





21,000

Employees



168

Production Facilities



40

Countries



6

Continents

CCL

CCL is the world's largest 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 banknote substrate and other complementary products and services are sold in parallel to specific end-use markets.

Avery

Avery is the world's largest supplier of labels, specialty converted media and software solutions for short-run digital printing applications for businesses and consumers available alongside complementary products sold through distributors, mass-market stores and e-commerce retailers.

Innovia

Innovia is a leading global producer of specialty, high-performance, multi-layer, surface engineered films for label, packaging and security applications.

Checkpoint

Checkpoint is a leading developer of RF and RFID-based technology systems for loss prevention and inventory management applications, including labeling and tagging solutions, for the retail and apparel industries worldwide.

North America represents

42%
of total sales.

Europe represents

33%
of total sales.

Emerging Markets represent

25%
of total sales.

CAUTION ABOUT FORWARD-LOOKING INFORMATION This annual report contains forward-looking information and forward-looking statements, as defined under applicable securities laws, (hereinafter collectively referred to as "forward-looking statements") that involve a number of risks and uncertainties. Forward-looking statements include all statements that are predictive in nature or depend on future events or conditions. Forward-looking statements are typically identified by, but not limited to, the words "believes," "expects," "anticipates," "estimates," "intends," "plans" or similar expressions. Statements regarding the operations, business, financial condition, priorities, ongoing objectives, strategies and outlook of the Company, other than statements of historical fact, are forward-looking statements. Specifically, this annual report contains forward-looking statements regarding the anticipated growth in sales, income and profitability of the Company's segments; the Company's improvement in market share; the Company's capital spending levels and planned capital expenditures in 2019; the adequacy of the Company's financial liquidity; the Company's targeted return on equity, improved return on total capital, adjusted earnings per share, EBITDA growth rates and dividend payout; the Company's effective tax rate; the Company's ongoing business strategy; the Company's expectations regarding general business and economic conditions; the Company's expectations regarding the completion of the Hinsitsu acquisition; the impact of easing polypropylene resin costs; the Company's expectations that Avery will continue to open up new revenue and profit opportunities in short-run digital printing applications, cross-selling opportunities and consolidation in new territories; Checkpoint will capture sale and profit growth from the evolving radio-frequency identification ("RFID") market and will consider complementary and tuck-in business acquisitions; and the new manufacturing line for Innovia in Mexico will increase plant capacity by fifty percent.

Forward-looking statements are not guarantees of future performance. They involve known and unknown risks and uncertainties relating to future events and conditions including, but not limited to, the impact of competition; consumer confidence and spending preferences; general economic and geopolitical conditions; currency exchange rates; interest rates and credit availability; technological change; changes in government regulations; risks associated with operating and product hazards; and the Company's ability to attract and retain qualified employees. Do not unduly rely on forward-looking statements as the Company's actual results could differ materially from those anticipated in these forward-looking statements. Forward-looking statements are also based on a number of assumptions, which may prove to be incorrect, including, but not limited to, assumptions about the following: higher consumer spending; improved customer demand for the Company's products; continued historical growth trends, market growth in specific segments and entering into new segments; the Company's ability to provide a wide range of products to multinational customers on a global basis; the benefits of the Company's focused strategies and operational approach; the Company's ability to implement its acquisition strategy and successfully integrate acquired businesses; the achievement of the Company's plans for improved efficiency and lower costs, including the ability to pass on polypropylene resin cost increases to its customers; the availability of cash and credit; fluctuations of currency exchange rates; the Company's continued relations with its customers; and general business and economic conditions. Should one or more risks materialize or should any assumptions prove incorrect, then actual results could vary materially from those expressed or implied in the forward-looking statements. Further details on key risks can be found throughout this report and particularly in Section 4: "Risks and Uncertainties" of the 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 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 annual report and the Company does not assume any obligation to update or revise the forward-looking statements to reflect new events or circumstances, except as required by law.

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

2018 LETTER TO SHAREHOLDERS

CCL Industries delivered another strong year in 2018...The Company has paid dividends without omission or reduction for more than three decades...Deep industry experience and an entrepreneurial spirit remain mandates for all key operating leadership roles.

Donald G. Lang
Executive Chairman



Geoffrey T. Martin
President and
Chief Executive Officer



CCL Industries delivered another strong year in 2018, reaching sales of \$5.2 billion and net earnings of \$467 million, slightly below the 2017 result, aided by a one-time \$40 million tax benefit from the United States Tax Cuts & Jobs Act. Solid 4.8% organic sales growth for the CCL Segment and 4.7% at Checkpoint drove our top line, and while both Avery and Innovia profits declined, this was more than offset by acquisitions. Reported sales increased 8.5% and adjusted basic earnings per Class B share* improved from \$2.69 in 2017 to \$2.73 in 2018; foreign currency translation effects were nominal. Restructuring charges and other expenses were \$15 million in 2018, compared to \$11 million in 2017, with transaction fees for the Treofan acquisition and pension expense relating to a landmark legal judgment affecting all U.K. defined benefit pension schemes being the main items. The balance largely related to restructuring charges to improve Checkpoint, Avery and Innovia. Free cash flow from operations* ("operating cash flows") was a record \$443 million.

Global Economy

The world remained volatile in 2018, with tensions around trade and Brexit dominating the agenda. 2019 looks set to mark the longest continuous period of global economic expansion since 1945. Nevertheless, everything has a beginning and an end. Timing of economic changes are impossible to predict, but the clock is ticking and we know the next move is unlikely to be positive. Therefore, our modus operandi is to get prepared for a period where the external world will become more challenging than it has been for more than a decade.

CCL Segment

CCL outperformed again in 2018, with sales reaching \$3.3 billion with 4.8% organic growth on top of 6.2% in 2017. Geographically, we delivered solid progress in North America, strong growth in Latin America and Asia moderated by a flat outcome in Europe while our joint ventures in the Middle East and Russia had record years. Excluding the impact of currency translation, worldwide sales increased 7.2%, and operating income* improved 8.0% compared to 2017. EBITDA* breached \$700 million for the first time, a margin of 21.7%.

Home & Personal Care operations delivered high-single-digit organic growth globally on market share gains in both labels and tubes. Sales in the sector passed \$1 billion for the first time. Organic growth was strongest in North America and Asia with solid results in Latin America while Europe lagged, although still posting modest gains. Results included a significant profit contribution from our new plant in Columbus, Ohio. Emerging Markets were strongest in ASEAN countries, China and the Middle East. Aluminum aerosols had a solid year with revenues up mid-single digit for 2018; results in Mexico were especially strong. A fire interrupted the start-up of our aluminum slug joint venture in the U.S. that is expected to provide raw materials to our aerosol plants; production will not restart until mid-2019, at the earliest.

Healthcare & Specialty sales increased mid-single-digit but profitability for the year was flat. Tough conditions in a highly consolidated Agricultural Chemical industry and market challenges in Healthcare, especially for generic drugs, drove heightened cost-conscious decision making at many customers. North American results were flat, Europe declined but Emerging Markets' profits improved on excellent performance in China and Brazil while losses in Australia reduced significantly.

Food & Beverage again delivered outstanding results in 2018 on strong double-digit organic sales growth with significant profit improvement driving record high operating margins. All product lines and geographic regions progressed but Sleeves excelled, especially in North America. Major new capacity expansions in the United States, UK and Russia will form a base for sales growth in 2019 and beyond. Good performance continued globally for Pressure Sensitive Labels using our proprietary coating technology for "wash-off" labels on glass and PET bottles. New plant constructions are underway in Brazil, China and South Africa for this product line. Wine & Spirits growth was also strong, including the consolidation of our business in Chile, which had its first full year under 100% ownership. The Closure Label business also had another good year as we completed a new plant in Switzerland and added capacity in the United States to complement our existing footprint in Brazil, France, Korea and Thailand.

CCL Design growth all came from the electronics sector as automotive and alkaline battery sales declined in markets that have at best plateaued. Modest sales progress was all foreign exchange and acquisition driven. Underlying profitability followed the sales trend but \$4 million of start-up costs at our new campus serving automotive customers in Guanajuato, Mexico, further impacted results. We underestimated the time needed to qualify at OEMs at a new plant in a new country for this business. We have now secured important new orders for the plant, but reaching profitability is unlikely before 2020, as the new programs will take time to ramp up. The highlight of the year was the performance of our Asian units supplying electronics OEMs posting solid sales growth and good gains in profitability, in part due to a strong U.S. dollar in which we transact globally in this space. In Europe, we acquired new capability to manufacture graphic overlays with membrane switches and moved into a state-of-the-art label manufacturing plant near Stuttgart to provide space to grow in the German industrial and automotive sector. We acquired a presence in Israel, an important technology-driven country, and late in the year announced a transaction giving CCL Design presence in Vietnam, a critical supply chain country for electronics customers. Operating margins in this sector still lag the CCL Segment average and remain a focus area for improvement.

CCL Secure's polymer banknote business met expectations for the year, driven by an exceptionally strong first quarter, but was unable to match 2017's profitability due to large, high-margin new currency issues for a European country that benefitted the prior year. Results at our Australian operations improved significantly, while the U.K. and Mexico declined. In the United States, timing of stamp orders and share loss in security documents resulted in a decline in sales and profitability. Project pipeline for 2019 and beyond is encouraging. Operating margins are above the CCL Segment average, but the quarterly margin differential has a wide range driven by mix and volatile sales order patterns in the government sector.

Avery

Sales and profitability declined in 2018, but Avery posted outstanding operating cash flows* that exceeded operating income.* Consumer preference for purchasing online led to performance challenges and subsequent changes of ownership at a number of our larger distribution partners in North America, hurting our top line. In addition, ongoing secular decline in the ring binder category, combined with increased offshore sourcing of back-to-school volumes by mass-market retailers, led to a significant drop in sales and profitability for this product line. Double-digit growth with e-commerce retailers and our own direct-to-consumer product lines, which exceeded \$100 million in sales including a first-time contribution from our 2018 Imprint Plus acquisition, partly offset. European growth from direct-to-consumer businesses, foreign exchange and acquisitions also offset but smaller international operations declined. Operating income declined \$19 million to \$146 million on sales of \$712 million, a return on sales* of 20.4%. Avery continues to deliver the highest return on capital and operating cash flow* as a percentage of sales in the Company.

Checkpoint

Checkpoint exceeded expectations in 2018 with sales of \$713 million, up 4.7% organically, while operating income increased \$14 million, passing \$100 million for the first time with a margin of 14.2%. Operating cash flow* almost matched 2017, despite significant investments in our supply chain infrastructure. The most important additions were radio frequency identification ("RFID") assets giving us capability to manufacture our own inlays. RFID in the apparel to retail supply chain is growing rapidly; near universal adoption globally over the next decade looks a distinct possibility as the technology improves. We invested in our new HALO hardware and software platforms to help customers implement RFID more effectively. In our core electronic article surveillance business, we launched our new NEO gate system that has the widest signal read in the industry and a raft of new hard tag and label products to protect high theft merchandise. All of these initiatives supported a return to growth in our core Merchandise Availability business aided by two large chain-wide technology orders for U.S. and European retailers implemented in late 2017 and early 2018. Our apparel labeling business posted solid growth and significant profitability gains that contributed materially to the improvement in overall results, although margins still have considerable scope to improve.

Innovia

Results included contributions from the Treofan acquisition closed in mid-year. Sales reached \$482 million with a 12.1% EBITDA* margin compared to 15.9% in 2017. Inflation drove the decline, rising resins in particular, and we singularly failed to pass rising costs along to customers anywhere near fast enough. At legacy Innovia operations, resin inflation has now passed the \$50 million mark since acquiring the business in early 2017. Treofan was also impacted by a U.S. resin spike in the summer of 2018 affecting fourth quarter profitability; prices have since returned to first half 2018 levels. In Europe, resin markets eased in the second half of the year after a long sustained hike; the trend continues in the early weeks of 2019. New customer pricing programs take effect at the beginning of 2019. Highlights for the year were at our internal supply plants in Germany, and especially Australia, that feed our CCL Label and CCL Secure businesses with films. In the second quarter of 2019, we start up our new extrusion line in Mexico, the largest of its kind in the world and the single most significant industrial infrastructure in the Company. Our plant in Mexico remains sold out and badly needs this new capacity and capability, but we will face some start-up costs in 2019 to bed down the new line. We hope 2019 will be an improved, but still transitional year, for a better future in the 2020s.

Delivering to Shareholders

Following our February 2019 Board meeting, we announced a 31% increase in the dividend to keep pace with the step change in the Company's earnings over the last few years. The annualized dividend now stands at \$0.68, up 295% over the last five years. The Company has paid dividends without omission or reduction for more than three decades. Despite spending \$366 million on acquisitions, the Company's net debt to EBITDA ratio ended 2018 comfortably inside investment grade territory and broadly the same as last year at 1.91 times. Priorities for 2019 include improving the performance of Innovia, sustaining organic growth in our other businesses, adding bolt-on transactions that meet our disciplined valuation metrics while paying down debt to build capacity for the future. Working capital results remain at the top end of our peer group. Net of disposals, we invested \$330 million in capital expenditures to improve productivity, expand capabilities and add to geographic reach, compared to \$278 million in depreciation and amortization expense. We plan to invest \$350 million in 2019 compared to an expected \$341 million depreciation and amortization expense. With 97% of sales outside Canada, CCL continues to provide domestic shareholders with considerable geographic risk diversification.

Leadership and Governance

With 168 manufacturing facilities in 40 countries around the world, CCL needs global citizens to head our major operating units and a diverse cadre of country/regional leadership in emerging markets. Deep industry experience and an entrepreneurial spirit remain mandates for all key operating leadership roles. Local people, without exception, head our structures in Eastern Europe, Asia and Latin America. Given the growing importance of Asia, we established a small corporate office in Singapore supporting country leaders and overseeing financial matters. Our team includes developing younger people preparing for the next generation at the top, coupled with industry veterans, some with more than four decades of experience. We were saddened in late 2018 to lose John Pedroli, former head of our North American CCL businesses, who passed away after a long battle with cancer. John sponsored the careers of many of our current leaders, most recently as a wise mentor in a part-time, pre-retirement capacity to a number of them. We will not forget him. Given our decentralized philosophy, the corporate team strives to be agile, minimalist and technically excellent, recognizing its responsibilities to the broader stakeholder community.

Ned Guillet, Director and Chairman of the Company's Human Resources Committee, has advised that he intends to retire from the Board of Directors and that he will not stand for re-election at the 2019 annual shareholders' meeting, expected to be held in May. Ned brought deep knowledge of all governance matters in his field, significant insight into our consumer customers, global experience and a sensitivity to the importance of people at CCL, all combined with a great sense of humour and an easy-going personality. We thank him for his invaluable guidance and wise counsel during his tenure. We are very pleased that Alan Horn has agreed to stand for election to the Board at the 2019 annual shareholders' meeting. Alan previously served as a Director of the Company from 2008 to 2017 and is currently President and CEO of Rogers Telecommunications Limited.

Sustainability

This subject moved to the top of mind across our stakeholders as the world confronts both climate change and population growth, challenging declining natural resources. CCL's strategy is to help customers meet their sustainability targets while reducing the planetary impact of our own manufacturing processes, materials and products. We design new plants to the latest standards to conserve energy while using sustainable materials, and many international operations have ISO 14001 and 16001 environmental certifications. Multi-trip returnable systems in collaborative logistic partnerships with suppliers and customers replace corrugated boxes and traditional wood pallets. Label products include paper face stocks based on Forest Stewardship Council certification, and our patented clear film pressure sensitive, wash-off labels facilitate multi-trip use of glass bottles and enable closed-loop PET bottle consumption with easy label removal in reprocessing systems. Release liner recycling and down-gauged films for pressure sensitive labels matched to bottle substrate improve the sustainability of one of our core technologies. We manufacture plastic tubes using post-consumer resins, while our aluminum aerosol products have a zero waste manufacturing process. Checkpoint's "Hard Tag at Source" initiative facilitates closed loop reuse of electronic article surveillance tags removed at retail point of purchase for apparel. CCL Secure's polymer banknotes eliminate waste by reducing the frequency of replacing banknotes in circulation. Unlike paper currency, polymer notes easily reprocess into secondary recycling at end of life. The diversity of these initiatives demonstrates the importance of our focus on customers' sustainability initiatives; if they succeed, we succeed.

2019 Outlook

We enter 2019 with a cautious outlook given all the uncertainties in today's world. Orders have been solid but more checkered than normal, with some business lines and geographies surprisingly robust, others muted. Upside at some of our underperforming businesses gives potential to progress even in a world where demand might slow down.

We close, as always, recognizing the immense contributions of a diverse population of more than 20,000 dedicated employees. We believe our decentralized operating philosophy, giving responsibility and accountability down to the front line, brings results. We hope it also makes our Company an interesting and rewarding place for people to work. In our rapidly expanding emerging market organization, we try to change the lives of our people and their families as we improve the standards of our industry in these locations. We also thank our customers and suppliers in equal measure for their support as we strive to be their best partner in our chosen fields. Without them, we would simply not exist.



Donald G. Lang
Executive Chairman



Geoffrey T. Martin
President and Chief Executive Officer

* Non-IFRS measures; see Section 5A of CCL's Management's Discussion and Analysis for more detail.

FINANCIAL HIGHLIGHTS

(In millions of Canadian dollars, except per share and ratio data)

	2018	2017	%
Sales	\$ 5,161.5	\$ 4,755.7	8.5%
EBITDA	\$ 995.3	\$ 959.2	3.8%
% of sales	19.3%	20.2%	
Restructuring and other items	\$ 14.8	\$ 11.3	
Net earnings	\$ 466.8	\$ 474.1	(1.5%)
% of sales	9.0%	10.0%	
Basic earnings per Class B share			
Net earnings	\$ 2.64	\$ 2.70	(2.2%)
Diluted earnings	\$ 2.61	\$ 2.66	(1.9%)
Adjusted basic earnings per Class B share	\$ 2.73	\$ 2.69	1.5%
Dividends	\$ 0.52	\$ 0.46	13.0%
As at December 31			
Total assets	\$ 7,027.6	\$ 6,144.0	14.4%
Net debt*	\$ 1,902.5	\$ 1,773.9	7.2%
Total equity	\$ 2,673.1	\$ 2,157.9	23.9%
Net debt to EBITDA*	1.91	1.85	
Return on equity (before other expenses)*	20.0%	24.0%	
Number of employees (approximately)	21,000	20,000	5.0%

* A non-IFRS measure; see "Key Performance Indicators and Non-IFRS Measures" in Section 5A.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years ended December 31, 2018 and 2017 (Tabular amounts in millions of Canadian dollars, except per share data)

This Management's Discussion and Analysis of the financial condition and results of operations ("MD&A") of CCL Industries Inc. ("the Company") relates to the years ended December 31, 2018 and 2017. In preparing this MD&A, the Company has taken into account information available until February 21, 2019, unless otherwise noted. This MD&A should be read in conjunction with the Company's December 31, 2018, year-end consolidated financial statements, which form part of the CCL Industries Inc. 2018 Annual Report dated February 21, 2019. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and, unless otherwise noted, both the financial statements and this MD&A are expressed in Canadian dollars as the reporting currency. The major measurement currencies of the Company's operations are the Canadian dollar, U.S. dollar, euro, Argentine peso, Australian dollar, Bangladeshi taka, Brazilian real, Chilean peso, Chinese renminbi, Danish krone, Hong Kong dollar, Hungarian forint, Indian rupee, Israeli shekel, Japanese yen, Malaysian ringgit, Mexican peso, New Zealand dollar, Philippine peso, Polish zloty, Russian ruble, Singaporean dollar, South African rand, South Korean won, Swiss franc, Thai baht, Turkish lira, U.K. pound sterling and Vietnamese dong. All per Class B non-voting share ("Class B share") amounts in this document are expressed on an undiluted basis, unless otherwise indicated. The Company's Audit Committee and its Board of Directors (the "Board") have reviewed this MD&A to ensure consistency with the approved strategy and results of the business.

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

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

FORWARD-LOOKING INFORMATION

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years ended December 31, 2018 and 2017 (Tabular amounts in millions of Canadian dollars, except per share data)

1. CORPORATE OVERVIEW

A) The Company

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

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

B) Customers and Markets

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

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

C) Strategy and Financial Targets

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

A key attribute of this strategy is maintaining focus and discipline. The CCL Segment aspires to be the market leader and the highest value-added producer in each customer sector and region in which it chooses to compete. The primary objective is to invest in growth globally both organically and by acquisition. Avery objectives align to their core competencies in label solutions centered on specialty, converted media that enables short-run digital printing in homes and small businesses; and increasingly using the direct-to-consumer channel, both organically and by acquisition. Checkpoint focuses on technology-driven loss-prevention, inventory-management labeling for the retail and apparel industries. Innovia is a leading global producer of specialty, high-performance, multi-layer, surface-engineered biaxially oriented polypropylene ("BOPP") films for label, packaging and security applications. In July 2018, the Company acquired Treofan America Inc. and Trespaphan Mexico Holdings GmbH ("Treofan") expanding the Innovia manufacturing footprint beyond Europe and Australia to North America. Innovia also provides significant depth and capability to develop proprietary films for label applications.

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

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

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

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

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

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

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years ended December 31, 2018 and 2017 (Tabular amounts in millions of Canadian dollars, except per share data)

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

The Company will continue to focus on generating cash and effectively utilizing the cash flow generated by operations and divestitures. Earnings before net finance cost, taxes, depreciation and amortization, excluding goodwill impairment loss, earnings in equity-accounted investments, non-cash acquisition accounting adjustments, restructuring and other items ("EBITDA," a non-IFRS measure; see "Key Performance Indicators and Non-IFRS Measures" in Section 5A), is considered a good indicator of cash flow and is used by many financial institutions and investment advisors to measure operating results and for business valuations. As a key indicator of cash flow, EBITDA demonstrates the Company's ability to incur or service existing debt, to invest in capital additions and to take advantage of organic growth opportunities and acquisitions that are accretive to earnings per share. Historically, the Company has experienced positive growth in EBITDA:

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

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

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

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

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

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

D) Recent Acquisitions and Dispositions

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

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

- In December 2018, acquired the assets of Unilogo, based near Warsaw, Poland, for approximately \$10.7 million. Unilogo is a supplier of digitally printed, pressure sensitive and sleeve labels for consumer products customers.
- In July 2018, acquired Treofan from their ultimate parent, M&C S.p.A., an Italian public company listed on the Milan stock exchange. Treofan, based in Zacapu, Mexico, is a leading producer of BOPP film for the North American market. The purchase price, net of cash acquired, was approximately \$307.6 million inclusive of \$43.6 million of capital additions incurred between announcement date and closing date for the construction of its new film line. Treofan immediately commenced trading as Innovia Films.
- In May 2018, the remaining 50.0% stake in the CCL-Korsini in-mould label joint venture in the United States from its partner for \$3.1 million, net of cash acquired, and \$6.7 million of assumed debt. As a result of the change in control, the financial results were no longer included as an equity investment but fully consolidated with CCL's Food & Beverage business.
- In May 2018, Nortec International Inc. ("Nortec"), a privately owned company in Israel, for approximately \$8.8 million in net cash and assumed debt. Nortec is a manufacturer of high performance labels and marking systems for the high technology sector added to CCL Design within the CCL Segment.
- In April 2018, Imprint Plus, a group of privately owned companies with common shareholders, based in Richmond, British Columbia, Canada for approximately \$24.3 million net of cash acquired. Imprint Plus expanded Avery's printable media depth in custom name badge systems, signage systems and accessories in North America.
- In January 2018, Fascia Graphics Ltd. ("Fascia"), a privately owned company in the United Kingdom, for approximately \$9.3 million, net of cash acquired. Fascia is a manufacturer of graphic overlays, membrane-switch control panels and nameplates for large European OEM customers in the electronics and durables sector and was added to CCL Design within the CCL Segment.
- In October 2017, acquired the final 37.5% stake in the Acrus-CCL wine label joint venture in Chile from its partner for \$6.3 million. As a result of the change in control, 2017 financial results are no longer included in equity investments but fully consolidated with CCL's Food & Beverage business, without a portion of the earnings attributable to a non-controlling interest since October 2017.
- In April 2017, badgepoint GmbH, badgetech GmbH and Name Tag Systems Inc. ("Badgepoint"), privately owned companies with common shareholders, based near Hamburg, Germany, for approximately \$5.6 million. Badgepoint expanded Avery's printable media offering with patented, premium name tag systems and accessories for the German market.
- In April 2017, Goed Gemerkt B.V. and Goed Gewerkt B.V. ("GGW"), privately owned companies with common shareholders, based near Utrecht in the Netherlands, for approximately \$23.0 million. GGW is a manufacturer of durable, personalized "kids' labels" for the Benelux and German markets, expanding Avery's printable media platform.
- In February 2017, Innovia, headquartered in Wigton, U.K., for approximately \$1.15 billion, debt free and net of cash acquired from a consortium of U.K.-based private equity investors. Innovia is a leading global producer of specialty high-performance, multi-layer, surface engineered BOPP films for label, packaging and security applications. The business has film extrusion, coating and metallizing facilities across the U.K., Belgium and Australia, which form the basis of the Company's Innovia Segment. In the U.K., Australia and Mexico, the business has high-security, specialized polymer banknote operations that have been added to CCL Secure within the CCL Segment.

The acquisitions completed over the past few years, in conjunction with the building of new plants around the world, have positioned the CCL Segment as the global leader for labels in the personal care, healthcare, food and beverage, durables, security and specialty categories. Avery is the world's largest supplier of labels, specialty converted media, and software solutions to enable short-run digital printing in businesses and homes alongside complementary office products. Checkpoint has added technology-driven loss-prevention, inventory-management and labeling solutions, including RF and RFID-based, to the retail and apparel industry. Innovia provides vertical integration driving the Company deeper into polymer sciences, enhancing the development of propriety products for its customers.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years ended December 31, 2018 and 2017 (Tabular amounts in millions of Canadian dollars, except per share data)

E) Subsequent Events

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

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

F) Consolidated Annual Financial Results

Selected Financial Information

Results of Consolidated Operations

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

Comments on Consolidated Results

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

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

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

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

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

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

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

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

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

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

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years ended December 31, 2018 and 2017 (Tabular amounts in millions of Canadian dollars, except per share data)

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

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

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

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

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

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

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

G) Seasonality and Fourth Quarter Financial Results

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

G) Seasonality and Fourth Quarter Financial Results (continued)

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

Fourth Quarter Results

Sales for the fourth quarter of 2018 improved 8.0% to \$1,332.8 million, compared to \$1,234.5 million recorded in the 2017 fourth quarter. Excluding currency translation, sales for the fourth quarter of 2018 increased by 6.6% compared to the prior year. This increase was due to 1.5% organic growth and 5.1% impact from acquisitions. The CCL and Innovia Segments posted sales increases of 5.1% and 55.7%, respectively, excluding the impact of currency translation. Solid organic sales growth at CCL and the impact of the Treofan acquisition were offset by pre-foreign currency translation declines of 2.0% and 2.4% for the Avery and Checkpoint Segments, respectively. The decline in sales for Avery can be attributed to the continued weakness in the North American mass-market retail and wholesale channels partially offset by increases in the direct-to-consumer offering. Checkpoint's sales declined despite improvements in the Apparel Labeling Solutions ("ALS") product offering as the prior year fourth quarter was boosted by two large customer technology installations in the Merchandise Availability Solutions ("MAS") product offering.

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

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Years ended December 31, 2018 and 2017 (Tabular amounts in millions of Canadian dollars, except per share data)

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

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

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

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

- For the CCL Segment, \$1.5 million (\$1.1 million after tax) income increase, representing the reversal of \$1.5 million of over accrued reorganization costs in the Innovia security operations.
- For the Avery Segment, \$2.7 million (\$2.0 million after tax), which was for severance and other reorganization costs in the European operations.
- For the Innovia Segment, \$1.1 million (\$0.9 million after tax), for severance-related costs in the European operations.
- Acquisition transaction costs totalling \$1.0 million (\$0.9 million after tax), primarily for the Treofan acquisition.
- Other expenses of \$3.3 million (\$2.7 million after tax), for the aforementioned actuarial accrual adjustment for guaranteed minimum pension obligation principally for Innovia U.K. operations.

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

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

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

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

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

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

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

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

Summary of Seasonality and Quarterly Results

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

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years ended December 31, 2018 and 2017 (Tabular amounts in millions of Canadian dollars, except per share data)

2. BUSINESS SEGMENT REVIEW

A) General

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

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

The cost of many of the key raw material inputs for the Company, such as plastic films and resins, paper, specialty chemicals and aluminum, is largely dependent on the supply and demand economics within the petrochemical, energy and base metals industries. The Checkpoint Segment purchases component parts including circuit boards, memory chips and other electronic modules from third parties. The significant cost fluctuations for these inputs can have an impact on the Company's profitability. The Company generally has the ability, due to its size and the use of long-term contracts with both suppliers and customers, to mitigate volatility in purchased costs and, where necessary, to pass these on to the market in higher product prices. However, the Innovia Segment can experience delays in price adjustments up or down to customers due to the nature of its respective relationships and contracts. Innovia's pricing mechanisms are much more complex with multiple indices for polypropylene used by customers and suppliers, and differing terms in contracts when trigger points are arrived at for price changes. In the second half of 2018, Innovia's management team focused significantly on renegotiating customer contracts to improve earnings and mitigate the impact of volatile input costs for 2019 and beyond. The success of the Company is dependent on each business managing the cost-and-price equation with suppliers and customers.

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

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

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

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

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

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

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

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

The Company continues to invest time and capital to upgrade and expand its information technology systems. This investment is critical to keeping pace with customer requirements and in gaining or maintaining a competitive edge. Software packages are, in general, off-the-shelf systems customized to meet the needs of individual business locations. The CCL, Avery, Checkpoint and Innovia Segments communicate with many customers and suppliers electronically, particularly with regard to supply-chain-management solutions and when transferring and confirming design formats and colours. A core attribute of Avery's printable media products is the customized software to enable short-run digital printing in businesses and homes. Avery recognizes that it is critical to develop its software solutions to maintain its market-leading position with consumers. Avery launched WePrint™, expanding its direct-to-consumer software solutions, and acquired Nilles', PCN's, Mabel's, GGW's, Badgepoint's and Imprint Plus's e-commerce platforms to leverage acquired digital-print software into the pre-existing Avery suite.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years ended December 31, 2018 and 2017 (Tabular amounts in millions of Canadian dollars, except per share data)

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

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

Business Segment Results

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

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

Comments on Business Segments

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

B) CCL Segment

Overview

There are five customer sectors inside the CCL Segment. The Company trades in three of them as CCL Label and one each as CCL Design and CCL Secure. The differentiated CCL sub branding, points to the nature of the application for the final product. The sectors have many common or overlapping customers, process technologies, information technology systems, raw material suppliers and operational infrastructures. CCL Label supplies innovative specialized label, plastic tube, aluminum aerosol and specialty bottle solutions to Home & Personal Care and Food & Beverage companies, plus regulated and complex multi-layer labels for major pharmaceutical, consumer medicine, medical instrument and industrial or consumer chemical customers referred to as the Healthcare & Specialty business. CCL Design supplies long-life, high performance labels and other products to automotive, electronics and durable goods companies. CCL Secure supplies polymer banknote substrate, pressure sensitive stamps, passport components, ID cards and other security documents to government institutions.

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

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

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

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

CCL's global customers are requiring more of their suppliers, expecting a full range of product offerings in more geographic regions, further integration into their supply-chain at a global level and protection of their brands, particularly in markets where counterfeiting is rife. These requirements put many of the Segment's competitors at a disadvantage, as do the investment hurdles in converting equipment and technologies to deliver products, services and innovations. Trusted and reliable suppliers are important considerations for global consumer product companies, major pharmaceutical companies and OEMs in the durable goods business and, of course, Central Banks. This is even more important in an uncertain economic environment when many smaller competitors encounter difficulties and customers want to ensure their suppliers are financially viable.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years ended December 31, 2018 and 2017 (Tabular amounts in millions of Canadian dollars, except per share data)

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

CCL Segment Financial Performance

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

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

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

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

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

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

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

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

C) Avery Segment

Avery is the world's largest supplier of labels, specialty converted media and software solutions to enable short-run digital printing in businesses and homes alongside complementary office products sold through distributors and mass market retailers. The products are split into three primary lines: (1) Printable Media: including address labels, shipping labels, marketing and product identification labels, business cards, and name badges supported by customized software solutions; (2) Organizational Products Group: ("OPG"), including binders, sheet protectors, indexes, dividers and writing instruments; (3) Direct to Consumer: digitally imaged media including labels, business cards, name badges, and family oriented identification labels supported by unique web-enabled e-commerce URLs. The majority of products in the Printable Media and Direct to Consumer categories are used by businesses and individual consumers consistently throughout the year; however, in the OPG category, North American consumers engage in the back-to-school surge during the third quarter.

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

Avery reaches its consumers, including small businesses, through distribution channels that include mass-market merchandisers, retail superstores, wholesalers, e-tailers, contract stationers, catalog retailing and direct-to-consumer e-commerce. Merger activity and store closures in these distribution channels can lead to short-term volume declines as customer inventory positions are consolidated. Avery is the leading brand in its core markets, with the principal competition being lower-priced private label products. Avery has experienced secular decline in its core mailing address label product as e-mail and internet-based digital communication has grown rapidly. In response, Avery has developed innovative new products targeted at applications such as shipping labels and product identification. Avery has successfully launched its proprietary direct-to-consumer e-commerce label design software platform WePrint™. In 2014, the acquisitions of Label Connections Ltd. and Nilles expanded Avery's digital-print capabilities to the commercial graphic arts sector and e-commerce platform to custom designed roll fed labels in new markets around the world. With the 2015 acquisitions of PCN and Mabel's in North America, 2017 acquisitions of Badgepoint and GGW and the 2018 acquisition of Imprint Plus, the Company further expanded Avery's digital-print offerings to the meetings and events planning industry and personalized identification labels for children and families. Growth rates in these new printable media e-commerce platforms and the newly acquired business is expected to outpace Avery's legacy product lines and eventually aid in re-establishing a growth rate for the Segment. It is also the Company's expectation that Avery will also continue to open up new revenue streams in short-run digital printing applications.

Avery Segment Financial Performance

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years ended December 31, 2018 and 2017 (Tabular amounts in millions of Canadian dollars, except per share data)

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

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

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

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

D) Checkpoint Segment

Overview

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

Checkpoint is a leading manufacturer of technology-driven loss-prevention, inventory-management and labeling solutions, including RF and RFID solutions, to the retail and apparel industry. The Segment has three primary product lines: MAS, ALS and Retail Merchandising Solutions ("RMS"). The MAS line focuses on electronic-article-surveillance ("EAS") systems; hardware, software, labels and tags for loss prevention and inventory control systems including RFID solutions. ALS products are apparel labels and tags, some of which are RFID capable. RMS, a small European-centric product line, includes hand-held pricing tools and labels and promotional in-store displays. All MAS and ALS products are sold under the Checkpoint brand, and RMS is sold under the Meto brand.

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

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

Checkpoint Segment Financial Performance

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

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

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

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

E) Innovia Segment

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

Polypropylene resin is the most significant input cost for this Segment, derived from oil or natural gas and manufactured globally by a limited number of producers. Polypropylene costs depend on the prices of natural gas, oil and the availability of resin cracking capacity. The Segment does not use derivative financial instruments to hedge its exposure to volatility of polypropylene prices, therefore, the Segment must oversee its customer relationships diligently managing selling prices for the optimal long-term financial benefit of the Company. Since the completion of the Innovia acquisition, underlying input cost pressures pushed polypropylene prices up considerably, although with some signs of easing late in 2018.

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

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

Innovia Segment Financial Performance

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years ended December 31, 2018 and 2017 (Tabular amounts in millions of Canadian dollars, except per share data)

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

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

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

F) Joint Ventures

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

* primarily sales to CCL Segment

Results from the joint ventures in CCL-Kontur, Russia; Pacman-CCL, Middle East; and Rheinfelden Americas, United States, are not proportionately consolidated into the CCL Segment but instead are accounted for as equity investments. The Company's share of the joint ventures net income is disclosed in "Earnings in Equity-Accounted Investments" in the consolidated income statement. Commencing October 2017 and May 2018, equity investments no longer include the financial results of the Acrus-CCL and CCL-Korsini ventures, respectively, due to the Company's increase in ownership of the entities to 100%.

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

3. FINANCING AND RISK MANAGEMENT

A) Liquidity and Capital Resources

The Company's leverage ratio is as follows:

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

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

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

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

In April 2018, the Company closed its initial Canadian offering memorandum for \$300.0 million aggregate principal amount of 3.864% bonds due April 13, 2028. The bonds are unsecured senior obligations. The proceeds of the offering were used to repay drawn debt within the Company's revolving credit facility.

The Company's debt structure at December 31, 2018, was primarily comprised of the 144A private bonds of US\$500.0 million (C\$674.5 million), the \$300.0 million Canadian bond offering, outstanding debt totalling \$1,012.2 million under the unsecured syndicated revolving credit facility and the term loan facility of US\$366.00 million (C\$498.8 million). Outstanding contingent letters of credit totalled \$3.2 million; accordingly there was US\$454.5 million of unused availability on the revolving credit facility at December 31, 2018. The Company's debt structure at December 31, 2017, was principally comprised of bonds of US\$500.0 million (C\$620.3 million), two private debt placements completed in 1998 and 2008 for a total of US\$129.0 million (C\$162.0 million), outstanding debt under the syndicated revolving credit facility of \$1,015.1 million and the term loan facility of US\$414.0 million (C\$520.0 million).

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

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years ended December 31, 2018 and 2017 (Tabular amounts in millions of Canadian dollars, except per share data)

B) Cash Flow

Summary of Cash Flows

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

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

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

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

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

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

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

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

C) Interest Rate, Foreign Exchange Management and Other Hedges

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

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

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

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

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

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

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

D) Equity and Dividends

Summary of Changes in Equity

For the years ended December 31

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years ended December 31, 2018 and 2017 (Tabular amounts in millions of Canadian dollars, except per share data)

E) Commitments and Other Contractual Obligations

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

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

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

Pension Obligations

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

Other Obligations and Commitments

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

F) Controls and Procedures

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

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

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

In accordance with the provisions of NI 52-109, management, including the Chief Executive Officer and the Chief Financial Officer, have limited the scope of their design of the Company's disclosure controls and procedures and internal control over financial reporting to exclude controls, policies and procedures of Treofan. The Company acquired Treofan and its subsidiaries on July 2018.

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

The scope limitation is primarily based on the time required to assess Treofan's disclosure controls and procedures and internal control over financial reporting in a manner consistent with the Company's other operations. The assessment on the design effectiveness of disclosure controls and procedures and internal control over financial reporting is on track for completion by the end of the second quarter of 2019 and the assessment of the operating effectiveness will be completed by the fourth quarter of 2019.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years ended December 31, 2018 and 2017 (Tabular amounts in millions of Canadian dollars, except per share data)

4. RISKS AND UNCERTAINTIES

The Company is subject to the usual commercial risks and uncertainties from operating as a Canadian public company and as a supplier of goods and services to the non-durable consumer packaging and consumer durables industries on a global basis. A number of these potential risks and uncertainties that could have a material adverse effect on the business, financial condition and results of operations of the Company are as follows:

Potential Risks Relating to Significant Operations in Foreign Countries

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

Competitive Environment

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

Foreign Exchange Exposure and Hedging Activities

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

Retention of Key Personnel and Experienced Workforce

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

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

Acquired Businesses

As part of its growth strategy, the Company continues to pursue acquisition opportunities where such transactions are economically and strategically justified. However, there can be no assurance that the Company will be able to identify attractive acquisition opportunities in the future or have the required resources to complete desired acquisitions, or that it will succeed in effectively managing the integration of acquired businesses. The failure to implement the acquisition strategy, to successfully integrate acquired businesses or joint ventures into the Company's structure, or to control operating performance and achieve synergies may have a material adverse effect on the business, financial condition and results of operations of the Company.

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

Long-Term Growth Strategy

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

Lower than Anticipated Demand

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

Exposure to Income Tax Reassessments

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

Risks in Integrating and Restructuring Innovia

The Company acquired the global operations of Innovia on February 28, 2017, and immediately commenced an integration and restructuring initiative. Innovia had 1,200 employees with six manufacturing facilities in four countries supplying BOPP films and polymer banknotes globally. The size, geographic scope and complexity of Innovia's operations exceed the typical acquisition of the Company and therefore the integration and restructuring initiative may be more complex and time consuming. A failure to integrate and restructure the acquired business in a timely and effective manner could have a material adverse effect on the Company's business, financial condition and results of operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years ended December 31, 2018 and 2017 (Tabular amounts in millions of Canadian dollars, except per share data)

Realization of Deferred Tax Assets

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

Fluctuations in Operating Results

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

Insurance Coverage

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

Brexit

In June 2016, a majority of voters in a national referendum approved the United Kingdom's withdrawal from the European Union, commonly referred to as "Brexit". Withdrawal by the United Kingdom from the European Union ("E.U.") is to occur by March 29, 2019, and there exists significant uncertainty as to the nature of the United Kingdom's ongoing relationship with the E.U. following the withdrawal date. While it is anticipated that a process of negotiation regarding the longer term future of the United Kingdom's relationship with the E.U. will continue, there is significant uncertainty about the outcome of such negotiations, which could result in the U.K. losing access to certain aspects of the single E.U. market and the global trade deals negotiated by the E.U. on behalf of its members. Brexit and the perceptions as to the impact of the withdrawal of the U.K. may adversely affect business activity, political stability, consumer and corporate confidence and economic conditions in the U.K., in those countries which have adopted the euro as their currency (the "Eurozone"), in the E.U. and elsewhere. The economic outlook could be further adversely affected by: (i) the risk that one or more other E.U. countries could come under increasing pressure to leave the E.U. (ii) The risk that the euro as the single currency of the Eurozone could cease to exist. (iii) The risk arising from changes in laws and regulations in the U.K. (iv) The risk that movements in the U.K. pound exchange rates related to Brexit could damage competitiveness or profitability as a significant portion of the Company's U.K. transactions are priced in U.S. dollars and euros. Any of these developments, or the perception that any of these developments are likely to occur, could have a material adverse effect on economic growth or business activity in the U.K., the Eurozone, the E.U. or elsewhere and could result in the relocation of businesses, cause business interruptions, lead to economic recession or depression, and impact the stability of the financial markets, availability of credit, political systems or financial institutions and the financial and monetary system. Given that the Company conducts a significant portion of its business in the E.U. and the U.K., any of these developments could have a material adverse effect on the business, financial position, liquidity and results of operations of the Company.

Changes in U.S. Trade Policies

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

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

Dependence on Customers

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

Environmental, Health and Safety Requirements and Other Considerations

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

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

Operating and Product Hazards

The Company’s revenues are dependent on the continued operation of its facilities and its customers. The operation of manufacturing plants involves many risks, including the failure or substandard performance of equipment, natural disasters, suspension of operations and new governmental statutes, regulations, guidelines and policies. The total loss of certain of the Company’s manufacturing plants could have a significant financial impact on the affected business segment, particularly where the plant represents a single or significant source of supply. The operations of the Company and its customers are also subject to various hazards incidental to the production, use, handling, processing, storage and transportation of certain hazardous materials. These hazards can cause personal injury, severe damage to and destruction of property and equipment and environmental damage. Furthermore, the Company may become subject to claims with respect to workplace exposure, workers’ compensation and other matters. The Company’s pharmaceutical and specialty food product operations are subject to stringent federal, state, provincial and local health, food and drug regulations and controls, and may be impacted by consumer product liability claims and the possible unavailability and/or expense of liability insurance. The Company prints information on its labels and containers that, if incorrect, could give rise to product liability claims. A determination by applicable regulatory authorities that any of the Company’s facilities are not in compliance with any such regulations or controls in any material respect may have a material adverse effect on the Company. A successful product liability claim (or a series of claims) against the Company in excess of its insurance coverage could have a material adverse effect on the

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business, financial condition and results of operations of the Company. There can be no assurance as to the actual amount of these liabilities or the timing thereof. The occurrence of material operational problems, including, but not limited to, the above events, could have a material adverse effect on the business, financial condition and results of operations of the Company.

The Timing and Volume of New Banknote Orders

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

Decline in Address Mailing Labels

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

Product Security

CCL Secure's banknote substrate business is involved in high security applications and must maintain highly secured facilities and product shipments. CCL Secure maintains vigorous security and material control procedures. All employees, guests and third party contractors with access to facilities and products are prudently screened and monitored. However, the loss of a product, counterfeiting of a high security feature or the breach of a secured facility as a result of negligence, collusion or theft is possible. Loss of product whilst in transit, particularly during transshipment, through the failure of freight management companies or the loss of the shipment vehicle by accident or act of God is possible. Consequently, the financial damage and potential reputational impairment on CCL Secure may have a material adverse effect on the Company's business, financial condition and results of operations.

Financial Reporting

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

Compliance with Anti-Bribery and Export Laws

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

New Product Developments

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

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

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

Labour Relations

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

Legal Proceedings

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

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

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

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

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

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

Defined Benefit Post-Employment Plans

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

Breach of Legal and Regulatory Requirements

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

Material Disruption of Information Technology Systems

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

The Company maintains information within its IT networks and on the cloud to operate its business, as well as confidential personal employee and customer information. The secure maintenance of this information is critical to the Company's operations and reputation. The Company invests in hardware and software to prevent the risk of intrusion, tampering and theft. Any such unauthorized breach of the IT infrastructure could compromise the data maintained, causing a significant disruption in operations or meaningful harm to the Company's reputation, resulting in a material adverse effect on financial results.

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

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

Raw Materials and Component Parts

Although the Company is a large customer to certain key suppliers, it is also an inconsequential buyer of some materials. The ability to grow earnings will be affected by inflationary and other increases in the cost of electronic sub-assemblies and raw materials, aluminum ingot, slugs and foils, resins, extruded films, pressure sensitive laminates, paper, binder rings and plastic components. Inflationary and other increases in the costs of raw materials, labour and energy have occurred in the past and are expected to recur, and the Company's performance depends in part on its ability to pass these cost increases on to customers in the price of its products and to effect improvements in productivity. The Company may not be able to fully offset

the effects of raw material costs and other sourced components through price increases, productivity improvements or cost-reduction programs. If the Company cannot obtain sufficient quantities of these items at competitive prices, of appropriate quality and on a timely basis, it may not be able to produce sufficient quantities of product to satisfy market demand, product shipments may be delayed, or its material or manufacturing costs may increase. Innovia is sensitive to price movements in polypropylene resin used in its BOPP films for label, packaging and security applications. Polypropylene is the most significant input cost for the Innovia Segment and is traded in the market, with prices linked to the market price of natural gas and refining capacity. Price movements must be managed and, where necessary, passed along to the Segment's customers. Failure to pass along higher costs in a timely and effective manner to its customers could have a material adverse effect on the Innovia Segment's business and profitability. Checkpoint's supply chain relies significantly on components sourced from factories in Asia therefore supply disruption and tariff changes could adversely affect sales and profitability. Avery's U.S. supply chain relies almost completely on its plant in Tijuana, Mexico; supply disruption, changes to border controls or NAFTA could adversely affect sales and profitability. Overall, any of these problems could result in the loss of customers and revenue, provide an opportunity for competing products to gain market acceptance and have a material adverse effect on the Company's business, financial condition and results of operations.

Credit Ratings

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

Share Price Volatility

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

Increase in Interest Rates

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

Protection of Intellectual Property

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

Dividends

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

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5. ACCOUNTING POLICIES AND NON-IFRS MEASURES

A) Key Performance Indicators and Non-IFRS Measures

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

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

Earnings per Class B Share

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

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

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

Days of Working Capital Employed

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

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

Dividend Payout Ratio

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

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

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

EBITDA

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

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

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

Free Cash Flow from Operations

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

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

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

Interest Coverage

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

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

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

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

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

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

Return on Equity before goodwill impairment loss, restructuring and other items, non-cash acquisition accounting adjustments, and tax adjustments (“ROE”) – A measure that provides insight into the effective use of shareholder capital in generating ongoing net earnings. ROE is calculated by dividing annual net earnings before goodwill impairment loss, restructuring and other items, non-cash acquisition accounting adjustments, and tax adjustments by the average of the beginning and the end-of-year equity.

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

Return on Equity

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years ended December 31, 2018 and 2017 (Tabular amounts in millions of Canadian dollars, except per share data)

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

The following table reconciles the return on sales measure to IFRS measures reported in the consolidated statements of earnings in the segmented information per note 4 of the Company's annual financial statements for the periods ended as indicated.

Return on Sales

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

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

B) Accounting Policies and New Standards

Accounting Policies

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

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

Recently Issued New Accounting Standards, Not Yet Effective

In January 2016, IFRS 16, Leases ("IFRS 16"), was issued by the IASB. This standard introduces a single-lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. The new standard is effective for annual periods beginning on or after January 1, 2019. The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019, using the modified retrospective approach. The Company has completed the impact analysis of the new standard and upon adoption of IFRS 16, the Company will recognize \$167.6 million for right-of-use assets, a corresponding \$171.7 million of lease liabilities and a reduction in other liabilities of \$4.1 million in its statement of financial position.

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

C) Critical Accounting Estimates

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

Goodwill and Indefinite-Life Intangibles

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

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

Long-Lived Assets

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

Employee Benefits

The Company accrues its obligation under employee benefit plans and related costs net of plan assets. Pension costs are determined periodically by independent actuaries. The actuarial determination of the accrued benefit obligations for the plans uses the projected unit credit method and incorporates management's best estimate of future salary escalation, retirement age, inflation and other actuarial factors. The cost is then charged as services are rendered. Since these assumptions, which are disclosed in note 19 of the consolidated financial statements, involve forward-looking estimates and are long term in nature, they are subject to uncertainty. Actual results may differ, and the differences may be material.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years ended December 31, 2018 and 2017 (Tabular amounts in millions of Canadian dollars, except per share data)

D) Related Party Transactions

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

6. OUTLOOK

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

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

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

In 2018, Avery grappled with significant deceleration in low margin ring binders and uncertainties in retail and wholesale distribution channels with many mergers and acquisitions among key customers. The outlook for 2019 remains cautious as the historical back-to-school surge will be softer for legacy Avery products despite emphasis on new product opportunities. The growing direct-to-consumer digital-print offering, resulting from eight acquisitions in five years, including E2N that closed in early 2019 and Avery's own new e-commerce platform, provides a product group with higher organic growth rates, cross-selling opportunities and further consolidation aspirations in new territories and products in the core digital-print domain.

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

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

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



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INDEPENDENT AUDITORS' REPORT

To the Shareholders of CCL Industries Inc.

Opinion

We have audited the consolidated financial statements of CCL Industries Inc. (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2018 and December 31, 2017
- the consolidated income statements for the years then ended
- the consolidated statements of comprehensive income for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2018 and December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **"Auditors' Responsibilities for the Audit of the Financial Statements"** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

The information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Annual Report" is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditors' report is Tammy L. Brown.

Vaughan, Canada

February 21, 2019

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In millions of Canadian dollars)

As at December 31	Note	2018	2017
Assets			
Current assets			
Cash and cash equivalents	6	\$ 589.1	\$ 557.5
Trade and other receivables	7	938.0	821.3
Inventories	8	524.6	425.1
Prepaid expenses		34.8	33.6
Income taxes recoverable		38.7	13.1
Derivative instruments	23	—	1.0
Total current assets		2,125.2	1,851.6
Non-current assets			
Property, plant and equipment	10	1,797.5	1,514.7
Goodwill	11,12	1,830.3	1,580.7
Intangible assets	11,12	1,138.9	1,082.7
Deferred tax assets	14	32.5	28.8
Equity-accounted investments	9	59.8	54.0
Other assets		34.3	31.5
Derivative instruments	23	9.1	—
Total non-current assets		4,902.4	4,292.4
Total assets		\$ 7,027.6	\$ 6,144.0
Liabilities			
Current liabilities			
Trade and other payables	13	\$ 1,223.4	\$ 1,018.4
Current portion of long-term debt	17	71.8	230.6
Income taxes payable		51.2	50.7
Derivative instruments	23	0.5	—
Total current liabilities		1,346.9	1,299.7
Non-current liabilities			
Long-term debt	17	2,419.8	2,100.8
Deferred tax liabilities	14	216.6	183.5
Employee benefits	19	320.0	333.6
Provisions and other long-term liabilities		10.6	17.8
Derivative instruments	23	40.6	50.7
Total non-current liabilities		3,007.6	2,686.4
Total liabilities		4,354.5	3,986.1
Equity			
Share capital	15	306.3	279.4
Contributed surplus		92.7	78.0
Retained earnings		2,238.9	1,853.4
Accumulated other comprehensive income (loss)	28	35.2	(52.9)
Total equity attributable to shareholders of the Company		2,673.1	2,157.9
Commitments and contingencies	25		
Acquisitions	5		
Subsequent events	30		
Total liabilities and equity		\$ 7,027.6	\$ 6,144.0

See accompanying explanatory notes to the consolidated financial statements.

On behalf of the Board:



Donald G. Lang
Director



Geoffrey T. Martin
Director

CONSOLIDATED INCOME STATEMENTS

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

Years ended December 31	Note	2018	2017
Sales		\$ 5,161.5	\$ 4,755.7
Cost of sales		3,662.7	3,319.4
Gross profit		1,498.8	1,436.3
Selling, general and administrative expenses		785.8	751.5
Restructuring and other items	29	14.8	11.3
Earnings in equity-accounted investments		(5.3)	(3.7)
		703.5	677.2
Finance cost	18	92.9	87.4
Finance income	18	(12.2)	(12.2)
Net finance cost		80.7	75.2
Earnings before income tax		622.8	602.0
Income tax expense	21	156.0	127.9
Net earnings		\$ 466.8	\$ 474.1
Earnings per share			
Basic earnings per Class B share	2,16	\$ 2.64	\$ 2.70
Diluted earnings per Class B share	2,16	\$ 2.61	\$ 2.66

See accompanying explanatory notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions of Canadian dollars)

Years ended December 31	2018	2017
Net earnings	\$ 466.8	\$ 474.1
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 expense of \$8.7 for the year ended December 31, 2018 (2017 – tax recovery of \$6.4)	206.5	(84.9)
Net gains (losses) on hedges of net investment in foreign operations, net of tax recovery of \$14.9 for the year ended December 31, 2018 (2017 – tax expense of \$4.0)	(112.7)	27.6
Effective portion of changes in fair value of cash flow hedges, net of tax recovery of \$0.2 for the year ended December 31, 2018 (2017 – tax expense of \$0.8)	(0.6)	3.8
Net change in fair value of cash flow hedges transferred to the income statement, net of tax expense of \$1.1 for the year ended December 31, 2018 (2017 – tax recovery of \$0.3)	(5.1)	1.5
Actuarial gains on defined benefit post-employment plans, net of tax expense of \$2.6 for the year ended December 31, 2018 (2017 – tax expense of \$1.8)	10.6	9.6
Other comprehensive income (loss), net of tax	98.7	(42.4)
Total comprehensive income	\$ 565.5	\$ 431.7

See accompanying explanatory notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In millions of Canadian dollars)

	Class A Shares (note 15)	Class B Shares (note 15)	Shares Held in Trust (note 15)	Total Share Capital	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Equity Attributable to Shareholders
Balances, January 1, 2017	\$ 4.5	\$ 286.6	\$ (29.7)	\$ 261.4	\$ 64.2	\$ 1,450.5	\$ (0.9)	\$ 1,775.2
Net earnings	—	—	—	—	—	474.1	—	474.1
Dividends declared								
Class A	—	—	—	—	—	(5.3)	—	(5.3)
Class B	—	—	—	—	—	(75.5)	—	(75.5)
Defined benefit plan actuarial gains, net of tax	—	—	—	—	—	9.6	—	9.6
Stock-based compensation plan	—	3.4	—	3.4	7.9	—	—	11.3
Shares redeemed from trust	—	—	0.3	0.3	—	—	—	0.3
Shares purchased and held in trust	—	—	(0.3)	(0.3)	0.3	—	—	—
Stock option expense	—	—	—	—	8.1	—	—	8.1
Stock options exercised	—	14.6	—	14.6	(2.5)	—	—	12.1
Other comprehensive loss	—	—	—	—	—	—	(52.0)	(52.0)
Balances, December 31, 2017	\$ 4.5	\$ 304.6	\$ (29.7)	\$ 279.4	\$ 78.0	\$ 1,853.4	\$ (52.9)	\$ 2,157.9
Net earnings	—	—	—	—	—	466.8	—	466.8
Dividends declared								
Class A	—	—	—	—	—	(6.0)	—	(6.0)
Class B	—	—	—	—	—	(85.9)	—	(85.9)
Defined benefit plan actuarial gains, net of tax	—	—	—	—	—	10.6	—	10.6
Stock-based compensation plan	—	4.2	—	4.2	8.9	—	—	13.1
Shares purchased and held in trust	—	—	(0.3)	(0.3)	0.3	—	—	—
Stock option expense	—	—	—	—	9.6	—	—	9.6
Stock options exercised	—	23.0	—	23.0	(3.9)	—	—	19.1
Income tax effect related to stock options	—	—	—	—	(0.2)	—	—	(0.2)
Other comprehensive income	—	—	—	—	—	—	88.1	88.1
Balances, December 31, 2018	\$ 4.5	\$ 331.8	\$ (30.0)	\$ 306.3	\$ 92.7	\$ 2,238.9	\$ 35.2	\$ 2,673.1

See accompanying explanatory notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions of Canadian dollars)

Years ended December 31	2018	2017
Cash provided by (used for)		
Operating activities		
Net earnings	\$ 466.8	\$ 474.1
Adjustments for:		
Depreciation and amortization	278.0	259.2
Earnings in equity-accounted investments, net of dividends received	(1.5)	(1.2)
Net finance costs	80.7	75.2
Current income tax expense	139.4	155.2
Deferred tax expense (recovery)	16.6	(27.3)
Equity-settled share-based payment transactions	22.9	19.7
Gain on sale of property, plant and equipment	(3.6)	(0.9)
	999.3	954.0
Change in inventories	(62.1)	8.1
Change in trade and other receivables	(58.5)	(36.1)
Change in prepaid expenses	(1.1)	(7.5)
Change in trade and other payables	149.4	3.6
Change in income taxes receivable and payable	(8.6)	8.4
Change in employee benefits	(13.6)	10.7
Change in other assets and liabilities	1.4	(8.1)
	1,006.2	933.1
Net interest paid	(76.8)	(67.3)
Income taxes paid	(156.7)	(154.6)
Cash provided by operating activities	772.7	711.2
Financing activities		
Proceeds on issuance of long-term debt	888.5	1,186.6
Repayment of long-term debt	(882.7)	(384.5)
Proceeds from issuance of shares	19.1	12.1
Dividends paid	(92.2)	(81.2)
Cash provided by (used for) financing activities	(67.3)	733.0
Investing activities		
Additions to property, plant and equipment	(352.9)	(285.7)
Proceeds on disposal of property, plant and equipment	22.7	12.8
Business acquisitions and other long-term investments (note 5)	(365.9)	(1,191.4)
Cash used for investing activities	(696.1)	(1,464.3)
Net increase (decrease) in cash and cash equivalents	9.3	(20.1)
Cash and cash equivalents at beginning of year	557.5	585.1
Translation adjustments on cash and cash equivalents	22.3	(7.5)
Cash and cash equivalents at end of year	\$ 589.1	\$ 557.5

See accompanying explanatory notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017 (In millions of Canadian dollars, except per share information)

1. REPORTING ENTITY

CCL Industries Inc. (the “Company”) is a public company, listed on the Toronto Stock Exchange, and is incorporated and domiciled in Canada. These consolidated financial statements of the Company as at and for the years ended December 31, 2018 and 2017, comprise the results of 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

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and its interpretations adopted by the International Accounting Standards Board (“IASB”).

These consolidated financial statements were authorized for issue by the Company’s Board of Directors on February 21, 2019.

(b) Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for the following items in the statements 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; and
- 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 financial statements are presented in Canadian dollars, which is the Company’s functional currency. All financial information, except per share information, is presented in millions of Canadian dollars, unless otherwise noted.

(d) Use of estimates and judgments

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of sales and expenses during the year and the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Estimates and assumptions are used mainly in determining the measurement of recognized transactions and balances.

In the process of applying the Company’s accounting policies, management makes various judgments, apart from those involving estimations, that can significantly affect the amounts it recognizes in the financial statements.

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

The Company has applied judgment in its assessment of the classification of financial instruments, the recognition and derecognition of tax losses and provisions, the determination of cash-generating units (“CGUs”), the identification of the indicators of impairment for property and equipment and intangible assets, the level of componentization of property and equipment and the allocation of purchase price adjustments on business combinations.

Estimates are used when determining the amounts recorded for depreciation and amortization of property, plant and equipment and intangible assets, outstanding self-insurance claims, pension and other post-employment benefits, income and other taxes, provisions, certain fair value measures including those related to the valuation of business combinations, share-based payments and financial instruments and also in the valuation of goodwill and intangible assets.

(e) Stock split

On June 5, 2017, the Company effected a 5:1 stock split on its shares of common stock (Class A and Class B). 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017 (In millions of Canadian dollars, except per share information)

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all comparative information presented in these consolidated financial statements.

(a) Basis of consolidation

(i) Business combinations

The Company measures goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss. The Company elects to measure, on a transaction-by-transaction basis, non-controlling interest either at its fair value or at its proportionate share of the recognized amount of the identifiable net assets at the acquisition date. Transaction costs, other than those associated with the issue of debt or equity securities, that the Company incurs in connection with a business combination are expensed as incurred.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed, when necessary, to align them with the policies adopted by the Company.

(iii) Associates and joint arrangements

The Company's interests in equity accounted investees comprise interests in associates and joint ventures.

Associates are those entities in which the Company has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20% and 50% of the voting power of another entity.

The Company classifies its interest in joint arrangements as either joint operations (if the Company has rights to the assets and has obligations for the liabilities relating to an arrangement) or joint ventures (if the Company has the rights only to the net assets of an arrangement). When making this assessment, the Company considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances.

Investments in associates and joint ventures are accounted for using the equity method and are recognized initially at cost. The Company's investments include goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Company's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Company, from the date that significant influence commences until the date that it ceases. When the Company's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee.

(iv) Transactions eliminated on consolidation

Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Company's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Company's entities using exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency using the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in the foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognized in the income statement, except for differences arising on the translation of a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognized directly in other comprehensive income (see note 3(b)(iii)). Foreign currency-denominated non-monetary items, measured at historical cost, have been translated at the rate of exchange at the transaction date.

(ii) Foreign operations

The financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the entity operates.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Canadian dollars using exchange rates at the reporting date. The income and expenses of foreign operations are translated into Canadian dollars using the average exchange rates for the period.

Foreign currency differences are recognized directly in other comprehensive income and presented within the foreign currency translation adjustment.

When a foreign operation is disposed of, the amount in other comprehensive income related to the foreign operation is fully transferred to the income statement. A disposal occurs when the entire interest in the foreign operation is disposed of, or, in the case of a partial disposal, the partial disposal results in the loss of control of a subsidiary or the loss of significant influence. For any partial disposal of the Company's interest in a subsidiary that includes a foreign operation, the Company re-attributes the proportionate share of the relevant amounts in other comprehensive income to non-controlling interests. For any other partial disposal of a foreign operation, the Company reclassifies to the income statement only the proportionate share of the relevant amount in other comprehensive income.

Foreign exchange gains and losses arising from a monetary item receivable from, or payable to, a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognized directly in other comprehensive income and presented within the foreign currency translation adjustment.

(iii) Hedge of net investment in a foreign operation

The Company applies hedge accounting to the foreign currency exposure arising between the functional currency of the foreign operation and the parent entity's functional currency, regardless of whether the net investment is held directly or through an intermediate parent.

Foreign currency differences arising on the translation of a financial liability designated as a hedge of a net investment in a foreign operation are recognized directly in other comprehensive income to the extent that the hedge is effective. To the extent that the hedge is ineffective, such differences are recognized in the income statement. When the hedged part of a net investment is disposed of or partially disposed of, the associated cumulative amount in equity is transferred to the income statement as an adjustment to the income statement on disposal in accordance with the policy described in note 3(b)(ii).

(c) Financial instruments

(i) Financial assets and liabilities

The Company recognizes financial assets and financial liabilities initially at fair value and subsequently measures these at either fair value or amortized cost based on the following classifications:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017 (In millions of Canadian dollars, except per share information)

Amortized cost

The Company classifies financial assets held to collect contractual cash flows at amortized cost, including cash and cash equivalents and trade and other receivables. The Company initially recognizes the carrying amount of such assets on the consolidated balance sheet at fair value plus directly attributable transaction costs, and subsequently measures these at amortized cost using the effective interest rate method, less any impairment losses.

Fair value through profit or loss ("FVTPL")

Financial assets and financial liabilities purchased or incurred, respectively, with the intention of generating earnings in the near term are classified as FVTPL. This category includes derivative assets and derivative liabilities that do not qualify for hedge accounting, if any. For items classified as FVTPL, the Company initially recognizes such financial assets on the consolidated balance sheet at fair value and recognizes subsequent changes in the consolidated income statements. Transaction costs incurred are expensed in the consolidated income statements. The Company does not currently hold any liabilities designated as FVTPL.

Fair value through other comprehensive income ("FVTOCI")

This category includes the Company's investments in securities. Subsequent to initial recognition, they are measured at fair value on the consolidated balance sheet and changes therein are recognized in other comprehensive income. When an investment is derecognized, the accumulated gain or loss in other comprehensive income is not transferred to the consolidated income statement.

Other financial liabilities

This category is for financial liabilities that are not classified as FVTPL and includes trade and other payables and long-term debt. These financial liabilities are recorded at amortized cost on the consolidated balance sheet.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(ii) Derivative financial instruments, including hedge accounting

The Company uses derivative financial instruments to manage its foreign currency and interest-rate-risk exposure and price-risk exposure related to the purchase of raw materials. Embedded derivatives are separated from the host contract and accounted for separately. If the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through the income statement. Changes in the fair value of separable embedded derivatives are recognized immediately in the income statement.

On initial designation of the hedge, the Company formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Company makes periodic assessments of prospective hedge effectiveness.

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the group entity and counterparty when appropriate.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in the hedging reserve in equity. The amount recognized in other comprehensive income is removed and included in profit or loss in the same period that the hedged cash flows affect profit or loss under the same line item in the statement of comprehensive income as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in the income statement.

If the hedging instrument no longer meets the criteria for hedge accounting, expires, or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in other comprehensive income and presented in unrealized gains or losses on cash flow hedges in equity remains there until the forecast transaction affects profit or loss. When the hedged item is a non-financial asset, the amount recognized in other comprehensive income is transferred to the carrying amount of the asset when the asset is recognized. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is recognized immediately in profit or loss. In other cases, the amount recognized in other comprehensive income is transferred to the income statement in the same period that the hedged item affects profit or loss.

Fair value hedges

Fair value hedges are hedges of the fair value of recognized assets, liabilities or unrecognized firm commitments. Changes in the fair value of derivatives that are designated as fair value hedges are recorded in the income statement together with any changes in the fair value of the hedged item that are attributable to the hedged risk.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

The fair value of property, plant and equipment recognized as a result of a business combination is based on the amount for which a property could be exchanged on the date of valuation between knowledgeable, willing parties in an arm's length transaction.

Borrowing costs related to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of the assets.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized within selling, general and administrative expenses in the income statement.

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

(ii) Depreciation

Depreciation is calculated based on the cost of the asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative periods are as follows:

- | | |
|---------------------------|----------------|
| • Buildings | Up to 40 years |
| • Machinery and equipment | Up to 20 years |
| • Fixtures and fittings | Up to 10 years |
| • Minor components | Up to 5 years |

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017 (In millions of Canadian dollars, except per share information)

(e) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries and is tested for impairment annually or more frequently if events or circumstances indicate that the carrying amount may not be recoverable. For measurement of goodwill at initial recognition, see note 3(a)(i).

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity-accounted investments, the carrying amount of goodwill is included in the carrying amount of the investment.

(ii) Other intangible assets

Intangible assets consist of patents, trademarks, brands, software and the value of acquired customer relationships. Impairment losses for intangible assets where the carrying value is not recoverable are measured based on fair value. Fair value is calculated by using discounted cash flows.

The fair values of customer relationships acquired in a business combination are determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows.

The fair values of brands acquired in a business combination are determined using the multi-period excess earnings method or the relief of royalty method, whereby the value of the brand is equal to the royalty savings from having ownership as opposed to licensing the brand.

Amortization is recognized in the income statement on a straight-line basis over the estimated useful lives of intangible assets, other than indefinite-life intangible assets, such as brands and goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative years are as follows:

- Patents, trademarks and other Up to 15 years
- Customer relationships Up to 20 years

(f) Leases

Leases for which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance cost and the reduction of the outstanding liability. The finance cost is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under operating leases are not recognized in the Company's statement of financial position.

Payments made under operating leases are recognized in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in, first-out principle and includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling.

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business, less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

Estimates regarding obsolete and slow-moving inventory are also computed.

(h) Impairment

(i) Financial assets, including receivables

A financial asset not carried at FVTPL is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have occurred after the initial recognition of the asset that have a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

The Company considers evidence of impairment for financial assets measured at amortized cost at both a specific asset and a collective level. All individually significant financial assets measured at amortized cost are assessed for specific impairment. All individually significant financial assets measured at amortized cost found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

In assessing collective impairment, the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current and expected future economic and credit conditions are such that the actual losses are likely to be greater or less than those suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate and reflected in an allowance account against accounts receivable. Losses are recognized in the income statement. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the impairment would be recognized in the income statement.

Impairments are recorded when the recoverable amount of assets is less than their carrying amount. The recoverable amount is the higher of an asset's or a cash-generating unit's fair value less cost to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses, other than those relating to goodwill, are evaluated for potential reversals when events or changes in circumstances warrant such consideration.

The carrying values of finite-life intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Additionally, the carrying values of goodwill and indefinite-life intangibles are tested annually for impairment.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior years are assessed at each reporting date for any indications that the losses have decreased or no longer exist. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Goodwill that forms part of the carrying amount of an equity-accounted investment is not recognized separately and therefore is not tested for impairment separately. Instead, the entire amount of the equity-accounted investment is tested for impairment as a single asset when there is objective evidence that the equity-accounted investment may be impaired.

(i) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in the income statement in the period that the service is rendered by the employee.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit post-employment plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value using a discount rate comparable to high-quality corporate bonds. Any unrecognized past service costs and the fair value of any plan assets are deducted. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in the income statement.

The Company recognizes all actuarial gains and losses arising from defined benefit plans directly in other comprehensive income immediately and reports them in retained earnings.

The Company determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of the contributions and benefit balances. Net interest expense and other expenses related to the defined benefit plans are recognized in profit or loss. Previously, interest income on plan assets was based on their long-term expected return.

(iii) Termination benefits

Termination benefits are recognized as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date or provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

(iv) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are recognized as the related service is provided.

(v) Share-based payment transactions

For equity-settled share-based plans, the grant date fair value of options granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognized as an expense is adjusted to reflect the actual number of share options for which the related service and non-market vesting conditions are expected to be met. The fair value of employee stock options is measured using the Black-Scholes model. Measurement inputs include the share price on the measurement date, the exercise price of the instrument, the expected volatility, the weighted average expected life of the instrument, the expected dividends, and the risk-free interest rate. Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

For equity-settled share-based deferred share unit ("DSU") plans, the grant date fair value of deferred share units is recognized as an employee expense with a corresponding increase in equity. The grant date fair value is not subsequently remeasured. The value of DSUs received in lieu of dividends is also recognized as a personnel expense in the income statement.

For cash-settled share-based DSU plans, the fair value of the amount payable for deferred share units is recognized as an expense with a corresponding increase in liabilities when they are issued. The fair value of a DSU is measured using the average of the high and low trading prices of the Class B shares for the five trading days immediately preceding the date of issue and is remeasured, using a similar five-day average, at the financial statement date and at the settlement date. Any changes in the fair value of the liability are recognized as a personnel expense in the income statement. The value of DSUs received in lieu of dividends is also recognized as a personnel cost in the income statement.

(j) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost.

(k) Revenue

Revenue is measured based on the consideration specified in a contract with a customer. Revenue is recognized as performance obligations are satisfied and it transfers control over a product to a customer. 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.

Certain contracts with customers contain incentives, including the payment of discounts based on quantities purchased. These incentives represent variable consideration and are estimated and recognized as a deduction of related revenues.

(l) Finance income and costs

Finance income comprises interest income on invested funds, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognized in the income statement. Interest income is recognized as it accrues in the income statement, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognized on financial assets, and losses on hedging instruments that are recognized in the income statement. All borrowing costs are recognized in the income statement using the effective interest method, except for those amounts capitalized as part of the cost of qualifying property, plant and equipment.

(m) Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the income statement except to the extent that it relates to items recognized either in other comprehensive income or directly in equity. In such cases, the tax is also recognized in other comprehensive income or directly in equity, respectively.

(i) Current tax

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period and includes any adjustments to taxes payable in respect of previous years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the statement of financial position. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period and which are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

(iii) Deferred tax liabilities

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, except where the reversal of the temporary difference can be controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(iv) Deferred tax assets

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill or in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination and that affect neither accounting nor taxable profit or loss.

(n) Share capital

All shares are recorded as equity. When share capital is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effect, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When repurchased shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to retained earnings.

(o) Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its Class B shares. Basic EPS is calculated by dividing the profit or loss attributable to shareholders of the Company by the weighted average number of shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to shareholders and the weighted average number of shares outstanding for the effects of all potentially dilutive shares, which primarily comprise share options granted to employees.

(p) Segment reporting

A segment is a distinguishable component of the Company that is engaged either in providing related products (business segment) or in providing products within a particular economic environment (geographical segment) and that is subject to risks and returns that are different from those of other segments. Segment information is presented in respect of the Company's business and geographical segments. The Company's primary format for segment reporting is based on business segments. The business segments are determined based on the Company's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly other investments and related revenue, loans and borrowings and related expenses, corporate assets (primarily the Company's headquarters) and head office expenses. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets, other than goodwill.

(q) 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").

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as 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 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 gains or losses on derecognition are 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.

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.

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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 consolidated financial statements. See note 3 (k).

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

In June 2016, the amendments to IFRS 2 were issued by the IASB. The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature 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 the consolidated financial statements.

(r) New standards and interpretations not yet effective

IFRS 16 Leases ("IFRS 16")

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

The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019, using the modified retrospective approach and the practical expedients related to, i. grandfather previous assessments of which existing contracts are, or contain, leases, ii. short-term leases, and, iii. leases of low-value items. The Company has completed an impact analysis of the new standard and upon adoption of IFRS 16, the Company will recognize \$167.6 million for right-of-use assets, a corresponding \$171.7 million of lease liabilities and a reduction in other liabilities of \$4.1 million in its statement of financial position.

Impacts on financial statements

	January 1, 2019
Operating lease commitment at December 31, 2018 as disclosed in the Company's consolidated financial statement	\$ 204.8
Discounted using the incremental borrowing rate at January 1, 2019	\$ 171.7
Financial lease liabilities recognized as at December 31, 2018	6.0
Recognition exception for	
Short-term leases	(2.6)
Leases of low-value assets	(0.8)
Lease Liabilities recognized at January 1, 2019	\$ 174.3

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 impact of adoption of the interpretation is immaterial on the Company’s consolidated financial statements.

4. SEGMENT REPORTING

Business segments

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 into the CCL Segment, to more closely represent the current management structure and reporting. Comparative segment information has been restated to conform with the 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 banknote 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, 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 radio frequency and radio frequency identification (“RFID”) solutions, to the retail and apparel industry. The Segment has three primary product lines: Merchandise Availability Solutions (“MAS”), Apparel Labeling Solutions (“ALS”) and “Meto”. The MAS line focuses on electronic-article-surveillance (“EAS”) systems; hardware, software, labels and tags for loss prevention and inventory control systems including RFID solutions. ALS products are apparel labels and tags, some of which are RFID capable. Meto supplies hand-held pricing tools and labels and promotional in-store displays.
- Innovia supplies specialty, high-performance, multi-layer, surface engineered biaxially oriented polypropylene (“BOPP”) films from facilities in Australia, Belgium, Mexico and the United Kingdom to customers in the pressure sensitive label materials, flexible packaging and consumer packaged goods industries worldwide. Additionally a small percentage of the total volume is sold internally to CCL Secure while the smaller legacy facilities produce almost their entire output for CCL Label.

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	Sales		Operating Income	
	2018	2017	2018	2017
CCL	\$ 3,255.1	\$ 3,019.4	\$ 511.3	\$ 471.0
Avery	711.9	752.9	145.5	164.5
Checkpoint	712.9	675.2	101.3	87.4
Innovia	481.6	308.2	17.6	14.6
	<u>\$ 5,161.5</u>	<u>\$ 4,755.7</u>	<u>\$ 775.7</u>	<u>\$ 737.5</u>
Corporate expenses			(62.7)	(52.7)
Restructuring and other items			(14.8)	(11.3)
Earnings in equity-accounted investments			5.3	3.7
Finance cost			(92.9)	(87.4)
Finance income			12.2	12.2
Income tax expense			(156.0)	(127.9)
Net earnings			<u>\$ 466.8</u>	<u>\$ 474.1</u>

	Total Assets		Total Liabilities		Depreciation and Amortization		Capital Expenditures	
	2018	2017	2018	2017	2018	2017	2018	2017
CCL	\$ 3,645.8	\$ 3,313.0	\$ 947.5	\$ 821.6	\$ 194.9	\$ 185.8	\$ 280.0	\$ 237.3
Avery	637.4	593.4	237.3	197.1	17.6	16.1	11.6	13.8
Checkpoint	978.0	941.0	451.2	417.4	27.9	29.0	37.9	23.3
Innovia	1,140.7	751.5	225.2	160.5	36.6	27.4	22.7	10.9
Equity-accounted investments	59.8	54.0	—	—	—	—	—	—
Corporate	565.9	491.1	2,493.3	2,389.5	1.0	0.9	0.7	0.4
Total	<u>\$ 7,027.6</u>	<u>\$ 6,144.0</u>	<u>\$ 4,354.5</u>	<u>\$ 3,986.1</u>	<u>\$ 278.0</u>	<u>\$ 259.2</u>	<u>\$ 352.9</u>	<u>\$ 285.7</u>

Geographical segments

The CCL, Avery, Checkpoint and Innovia Segments are managed on a worldwide basis but operate in the following geographical areas:

- Canada;
- United States and Puerto Rico;
- Mexico, Brazil, Chile and Argentina;
- Europe; and
- Asia, Australia, Africa and New Zealand.

	Sales		Property, Plant and Equipment, Goodwill and Intangibles	
	2018	2017	2018	2017
Canada	\$ 152.6	\$ 159.6	\$ 78.8	\$ 40.8
United States and Puerto Rico	1,995.5	1,876.7	1,162.6	997.3
Mexico, Brazil, Chile and Argentina	398.2	293.5	586.0	308.0
Europe	1,682.3	1,597.9	1,643.0	1,590.1
Asia, Australia, Africa and New Zealand	932.9	828.0	1,296.3	1,241.9
Consolidated	<u>\$ 5,161.5</u>	<u>\$ 4,755.7</u>	<u>\$ 4,766.7</u>	<u>\$ 4,178.1</u>

The geographical segment is determined based on the location from which the sale is made.

5. ACQUISITIONS

(a) Acquisition of Treofan America Inc. and Trespaphan Mexico Holdings GmbH

In July 2018, the Company acquired Treofan America Inc. and Trespaphan Mexico Holdings GmbH (“Treofan”) from their ultimate parent, M&C S.p.A., an Italian public company listed on the Milan stock exchange. Treofan, based in Zacapu, Mexico, is a leading producer of BOPP film for the North American market. The purchase price, net of cash acquired, is approximately \$307.6 million inclusive of \$43.6 million of capital additions incurred between announcement date and closing date for the construction of its new film line. Treofan immediately commenced trading as Innovia Films.

Cash consideration, net of cash acquired	\$	307.6
Trade and other receivables	\$	37.0
Inventories		34.5
Other current assets		16.9
Property, plant and equipment		90.4
Other long-term assets		3.8
Goodwill		140.1
Intangible assets		47.7
Trade and other payables		(48.9)
Deferred tax liabilities		(13.9)
Net assets acquired	\$	307.6

Goodwill is comprised of the excess fair value of the consideration paid over the fair value of the net assets acquired. Factors that make up the amount of goodwill recognized include expected synergies and employee knowledge of operations. The total amount of goodwill and intangibles for Treofan is \$187.8 million and is not deductible for tax purposes.

(b) Other acquisitions

In January 2018, the Company acquired Fascia Graphics Ltd. (“Fascia”), a privately owned company in the United Kingdom for approximately \$9.3 million, net of cash acquired. Fascia is a manufacturer of graphic overlays, membrane-switch control panels and nameplates for large European OEM customers in the electronics and durables sector and brings expertise in printed electronics to the Company’s product lines. Fascia was added to the CCL Segment.

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.

In April 2018, the Company acquired Imprint Plus, a group of privately owned companies with common shareholders, based in Richmond, British Columbia, Canada, for approximately \$24.3 million, net of cash. Imprint Plus expands Avery’s printable media depth in custom name badge systems, signage systems and accessories in North America.

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.

In May 2018, the Company acquired the remaining 50.0% interest in CCL-Korsini (“Korsini”) in-mould label joint venture in the United States from its partner for \$3.1 million in net cash and \$6.7 million assumed debt.

In December 2018, the Company acquired assets of Unilogo in Poland for approximately \$10.7 million in net cash and acquired lease obligations. Unilogo is a supplier of digitally printed, pressure sensitive and sleeve labels for consumer products customers. Unilogo was added to the CCL Segment.

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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, Korsini and Unilogo acquisitions:

Cash consideration, net of cash acquired	\$	55.1
Assumed debt		7.8
		62.9
Fair market value of previously held interest		3.1
	\$	66.0
Trade and other receivables	\$	7.9
Inventories		2.9
Other current assets		0.1
Property, plant and equipment		11.7
Other long-term assets		0.3
Goodwill and intangibles		49.2
Trade and other payables		(5.4)
Deferred tax liabilities		(0.3)
Provisions and other long-term liabilities		(0.4)
Net assets acquired	\$	66.0

(c) Revenue and profit from acquirees

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

	Twelve Months Ended December 31, 2018	
Sales	\$	143.8
Net earnings	\$	1.7

(d) Pro forma information

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

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

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

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

	Twelve Months Ended December 31, 2018	
Sales	\$	5,296.8
Net earnings	\$	474.1

(e) Acquisition of Innovia Group of Companies

In February 2017, the Company completed the share acquisition of Innovia Group of Companies (“Innovia”) for approximately \$1.15 billion. Innovia is a leading global manufacturer of BOPP films supplying highly differentiated specialty products to 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 newly created 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 required. 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.

(f) Summary of 2017 acquisitions

In April 2017, the Company acquired Goed Gemeert 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.

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.

In October 2017, the Company announced it had acquired the remaining 37.5% minority interest in its Acrus CCL venture for approximately \$6.3 million in cash.

In 2017, the Company and its joint-venture partner invested an additional \$3.3 million in Rheinfelden Americas, LLC, a supplier of aluminum slugs for aerosol cans.

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6. CASH AND CASH EQUIVALENTS

	December 31, 2018	December 31, 2017
Bank balances	\$ 577.7	\$ 513.0
Restricted cash	8.1	7.3
Short-term investments	3.3	37.2
Cash and cash equivalents	\$ 589.1	\$ 557.5

7. TRADE AND OTHER RECEIVABLES

	December 31, 2018	December 31, 2017
Trade receivables	\$ 847.3	\$ 754.8
Other receivables	90.7	66.5
Trade and other receivables	\$ 938.0	\$ 821.3

8. INVENTORIES

	December 31, 2018	December 31, 2017
Raw material	\$ 210.7	\$ 161.2
Work in progress	58.3	50.5
Finished goods	255.6	213.4
Total inventories	\$ 524.6	\$ 425.1

The total amount of inventories recognized as an expense in 2018 was \$3,662.7 million (2017 – \$3,319.4 million), including depreciation of \$223.3 million (2017 – \$209.7 million).

9. EQUITY-ACCOUNTED INVESTMENTS

Summary financial information for equity-accounted investments, including joint ventures and associates, not adjusted for the percentage ownership held by the Company is as follows:

	Associates	Joint Ventures	Total
At December 31, 2018			
Net earnings	\$ 5.6	\$ 5.1	\$ 10.7
Other comprehensive income	0.7	9.1	9.8
Total comprehensive income	\$ 6.3	\$ 14.2	\$ 20.5
Carrying amount of investments in associates and joint ventures	\$ 26.6	\$ 33.2	\$ 59.8
	Associates	Joint Ventures	Total
At December 31, 2017			
Net earnings	\$ 4.0	\$ 3.3	\$ 7.3
Other comprehensive loss	(1.2)	(4.2)	(5.4)
Total comprehensive income (loss)	\$ 2.8	\$ (0.9)	\$ 1.9
Carrying amount of investments in associates and joint ventures	\$ 25.4	\$ 28.6	\$ 54.0

10. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	Machinery and Equipment	Fixtures, Fittings and Other	Total
Cost				
Balance at January 1, 2017	\$ 577.0	\$ 1,805.5	\$ 31.4	\$ 2,413.9
Acquisitions through business combinations	64.4	177.7	1.5	243.6
Other additions	42.8	238.1	4.8	285.7
Disposals	(1.9)	(77.7)	(0.1)	(79.7)
Effect of movements in exchange rates	1.0	(56.1)	(0.8)	(55.9)
Balance at December 31, 2017	\$ 683.3	\$ 2,087.5	\$ 36.8	\$ 2,807.6
Acquisitions through business combinations	19.5	82.0	0.6	102.1
Other additions	62.7	285.6	4.6	352.9
Disposals	(22.7)	(60.7)	(1.0)	(84.4)
Effect of movements in exchange rates	63.0	89.7	3.4	156.1
Balance at December 31, 2018	\$ 805.8	\$ 2,484.1	\$ 44.4	\$ 3,334.3
Accumulated depreciation and impairment losses				
Balance at January 1, 2017	\$ 155.1	\$ 1,023.6	\$ 18.3	\$ 1,197.0
Depreciation for the year	27.2	178.5	4.0	209.7
Disposals	(1.5)	(66.1)	(0.2)	(67.8)
Effect of movements in exchange rates	(1.5)	(43.4)	(1.1)	(46.0)
Balance at December 31, 2017	\$ 179.3	\$ 1,092.6	\$ 21.0	\$ 1,292.9
Depreciation for the year	30.5	188.4	4.4	223.3
Disposals	(12.5)	(51.9)	(0.9)	(65.3)
Effect of movements in exchange rates	18.9	65.1	1.9	85.9
Balance at December 31, 2018	\$ 216.2	\$ 1,294.2	\$ 26.4	\$ 1,536.8
Carrying amounts				
At December 31, 2017	\$ 504.0	\$ 994.9	\$ 15.8	\$ 1,514.7
At December 31, 2018	\$ 589.6	\$ 1,189.9	\$ 18.0	\$ 1,797.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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11. INTANGIBLE ASSETS

	Customer Relationships	Patents, Trademarks and Other	Brands	Total	Goodwill
Cost					
Balance at January 1, 2017	\$ 361.3	\$ 33.6	\$ 268.6	\$ 663.5	\$ 1,131.8
Acquisitions through business combinations	280.0	157.5	169.4	606.9	475.6
Effect of movements in exchange rates	(4.1)	(9.1)	(13.0)	(26.2)	(26.7)
Balance at December 31, 2017	\$ 637.2	\$ 182.0	\$ 425.0	\$ 1,244.2	\$ 1,580.7
Acquisitions through business combinations	49.3	6.1	—	55.4	181.6
Effect of movements in exchange rates	23.1	8.3	28.5	59.9	68.0
Balance at December 31, 2018	\$ 709.6	\$ 196.4	\$ 453.5	\$ 1,359.5	\$ 1,830.3
Amortization and impairment losses					
Balance at January 1, 2017	\$ 93.7	\$ 20.2	\$ —	\$ 113.9	\$ —
Amortization for the year	40.3	9.2	—	49.5	—
Effect of movements in exchange rates	0.4	(2.3)	—	(1.9)	—
Balance at December 31, 2017	\$ 134.4	\$ 27.1	\$ —	\$ 161.5	\$ —
Amortization for the year	43.2	11.5	—	54.7	—
Effect of movements in exchange rates	3.2	1.2	—	4.4	—
Balance at December 31, 2018	\$ 180.8	\$ 39.8	\$ —	\$ 220.6	\$ —
Carrying amounts					
At December 31, 2017	\$ 502.8	\$ 154.9	\$ 425.0	\$ 1,082.7	\$ 1,580.7
At December 31, 2018	\$ 528.8	\$ 156.6	\$ 453.5	\$ 1,138.9	\$ 1,830.3

12. GOODWILL AND INDEFINITE-LIFE INTANGIBLE ASSETS

Impairment testing for cash-generating units containing goodwill and indefinite-life intangible assets

For the purpose of impairment testing, goodwill and indefinite-life intangible assets are allocated to the Company's operating segments, which represent the lowest level within the Company at which the goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill and indefinite-life intangible assets allocated to each unit are as follows:

	December 31, 2018	December 31, 2017
Goodwill		
CCL	\$ 1,127.9	\$ 1,065.2
Avery	139.5	118.7
Checkpoint	207.3	192.8
Innovia	355.6	204.0
	\$ 1,830.3	\$ 1,580.7
Indefinite-life intangible assets – brands		
Avery	\$ 202.4	\$ 188.4
Checkpoint	194.8	181.6
Innovia	56.3	55.0
	\$ 453.5	\$ 425.0

Impairment testing for goodwill and indefinite-life intangible assets was done by a comparison of the asset's carrying amount to its estimated value in use, determined by discounting the CGUs future cash flows. Key assumptions used in the determination of the value in use include a growth rate of 2%–8%, and a pre-tax discount rate of 10%–17%. Discount rates reflect current market assumptions and risks related to the CGUs and are based upon the weighted average cost of capital. The Company's historical growth rates are used as a basis in determining the growth rate applied for impairment testing.

The Company completed its impairment testing as at September 30, 2018.

The estimated value in use of CCL, Avery, Checkpoint and Innovia assets exceeded their carrying values. As a result, no goodwill and indefinite-life intangible assets impairment was recorded.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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13. TRADE AND OTHER PAYABLES

	December 31, 2018	December 31, 2017
Trade payables	\$ 673.0	\$ 551.7
Other payables	550.4	466.7
Trade and other payables	\$ 1,223.4	\$ 1,018.4

14. DEFERRED TAX

(a) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	December 31, 2018	December 31, 2017
Deductible temporary differences	\$ 16.9	\$ 16.4
Tax losses	72.9	77.6
Income tax credits	7.7	7.1
	\$ 97.5	\$ 101.1

The unrecognized deferred tax assets on tax losses of \$15.1 million will expire between 2019 and 2028, \$8.4 million will expire beyond 2028 and \$49.4 million may be carried forward indefinitely. The deductible temporary differences do not expire under current tax legislation. Income tax credits of \$7.7 million will expire between 2019 and 2027 and relate mainly to foreign tax credits in the United States. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable income will be available against which the Company can utilize the benefits therefrom.

(b) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets			Liabilities		Net (Assets) Liabilities	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017	
Property, plant and equipment	\$ 6.2	\$ 6.4	\$ 68.2	\$ 52.4	\$ 62.0	\$ 46.0	
Intangible assets	—	—	269.4	253.2	269.4	253.2	
Derivatives	8.0	1.4	—	0.4	(8.0)	(1.0)	
Inventory reserves	12.8	11.5	0.5	0.3	(12.3)	(11.2)	
Employee benefit plans	57.7	56.0	—	—	(57.7)	(56.0)	
Share-based payments	14.3	13.5	—	—	(14.3)	(13.5)	
Capitalized research and development	12.6	14.6	—	—	(12.6)	(14.6)	
Provisions and other items	32.4	31.2	7.8	5.7	(24.6)	(25.5)	
Tax loss carry-forwards	17.8	22.7	—	—	(17.8)	(22.7)	
Foreign tax credit	—	—	—	—	—	—	
Balance before offset	161.8	157.3	345.9	312.0	184.1	154.7	
Offset of tax	(129.3)	(128.5)	(129.3)	(128.5)	—	—	
Balance after offset	\$ 32.5	\$ 28.8	\$ 216.6	\$ 183.5	\$ 184.1	\$ 154.7	

	Balance at December 31, 2017 Liability (Asset)	Recognized in Income Statement	Acquisitions	Translation and Others	Recognized in Other Comprehensive Income/Equity	Balance at December 31, 2018 Liability (Asset)
Property, plant and equipment	\$ 46.0	\$ 5.2	\$ 6.6	\$ 4.2	\$ —	\$ 62.0
Intangible assets	253.2	(0.8)	13.9	3.1	—	269.4
Derivatives	(1.0)	(0.4)	—	(0.2)	(6.4)	(8.0)
Inventory reserves	(11.2)	(0.8)	0.2	(0.5)	—	(12.3)
Employee benefit plans	(56.0)	(0.7)	(0.7)	(2.9)	2.6	(57.7)
Share-based payments	(13.5)	(0.2)	—	(0.8)	0.2	(14.3)
Capitalized research and development	(14.6)	3.1	—	(1.1)	—	(12.6)
Provisions and other items	(25.5)	2.9	(2.6)	0.6	—	(24.6)
Tax loss carry-forwards	(22.7)	8.3	(1.9)	(1.5)	—	(17.8)
Foreign tax credit	—	—	—	—	—	—
	\$ 154.7	\$ 16.6	\$ 15.5	\$ 0.9	\$ (3.6)	\$ 184.1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017 (In millions of Canadian dollars, except per share information)

	Balance at December 31, 2016 Liability (Asset)	Recognized in Income Statement	Acquisitions	Translation and Others	Recognized in Other Comprehensive Income/Equity	Balance at December 31, 2017 Liability (Asset)
Property, plant and equipment	\$ 67.4	\$ (20.5)	\$ 1.1	\$ (2.0)	\$ —	\$ 46.0
Intangible assets	150.8	(60.1)	164.4	(1.9)	—	253.2
Derivatives	6.7	(5.4)	(1.3)	—	(1.0)	(1.0)
Inventory reserves	(15.6)	4.7	(0.6)	0.3	—	(11.2)
Employee benefit plans	(57.9)	14.5	(15.6)	1.2	1.8	(56.0)
Share-based payments	(18.7)	(0.6)	—	0.3	5.5	(13.5)
Capitalized research and development	(29.5)	13.0	0.4	1.5	—	(14.6)
Provisions and other items	(15.6)	6.2	(15.6)	(0.5)	—	(25.5)
Tax loss carry-forwards	(31.6)	26.3	(18.5)	1.1	—	(22.7)
Foreign tax credit	(9.4)	(5.4)	14.2	0.6	—	—
	\$ 46.6	\$ (27.3)	\$ 128.5	\$ 0.6	\$ 6.3	\$ 154.7

The aggregate amount of temporary differences associated with investments in subsidiaries and joint ventures for which deferred tax liabilities were not recognized as at December 31, 2018 is \$1,727.1 million (2017 – \$1,344.9 million).

The aggregate amount of temporary differences associated with investments in subsidiaries and joint ventures for which deferred tax assets were not recognized as at December 31, 2018, is \$26.9 million (2017 – \$14.4 million).

15. SHARE CAPITAL

Shares issued (in millions)	Class A Shares	Amount	Class B Shares	Amount	Total
Balance, January 1, 2017	11.8	\$ 4.5	164.1	\$ 286.6	\$ 291.1
Stock options exercised	—	—	0.8	14.6	14.6
Director share units exercised	—	—	0.1	3.4	3.4
Balance, December 31, 2017	11.8	\$ 4.5	165.0	\$ 304.6	\$ 309.1
Stock options exercised	—	—	0.8	23.0	23.0
Director share units exercised	—	—	0.1	4.2	4.2
Balance, December 31, 2018	11.8	\$ 4.5	165.9	\$ 331.8	\$ 336.3

At December 31, 2018, the authorized share capital comprised an unlimited number of Class A voting shares and an unlimited number of Class B non-voting shares. The Class A and Class B shares have no par value. All issued shares are fully paid. Both Class A and Class B shares are classified as equity.

(i) Class A

The holders of Class A shares receive dividends set at \$0.01 per share per annum less than Class B shares, are entitled to one vote per share at meetings of the Company and their shares are convertible at any time into Class B shares.

(ii) Class B

Class B shares rank equally in all material respects with Class A shares, except as follows:

- Holders of Class B shares are entitled to receive material and attend, but not to vote at, regular shareholder meetings.
- Holders of Class B shares are entitled to voting privileges when consideration for the Class A shares, under a takeover bid when voting control has been acquired, exceeds 115% of the market price of the Class B shares.
- Holders of Class B shares are entitled to receive, or have set aside for payment, dividends declared by the Board of Directors from time to time, set at \$0.01 per share per annum greater than Class A shares.

Dividends

The annual dividends per share were as follows:

	2018		2017	
Class A share	\$	0.51	\$	0.45
Class B share	\$	0.52	\$	0.46

Shares held in trust

During 2016, the Company granted awards totalling 124,500 Class B shares of the Company. Shares to be used to satisfy this obligation were purchased in the open market and are restricted in nature. These share awards are dependent on the Company's performance and continuing employment. The grant date fair value of these stock awards is being amortized over the vesting period and recognized as compensation expense.

16. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share for the year ended December 31, 2018, was based on profit attributable to Class A shares of \$31.1 million (2017 – \$31.8 million) and Class B shares of \$435.7 million (2017 – \$442.3 million) and a weighted average number of Class A shares outstanding of 11.8 million (2017 – 11.8 million) and Class B shares outstanding of 165.0 million (2017 – 164.0 million).

Weighted average number of shares (in millions)

	2018		2017	
	Class A Shares	Class B Shares	Class A Shares	Class B Shares
Issued and outstanding shares at January 1	11.8	164.3	11.8	163.3
Effect of stock options exercised	—	0.6	—	0.6
Effect of deferred share units exercised	—	0.1	—	0.1
Weighted average number of shares at December 31	11.8	165.0	11.8	164.0

Diluted earnings per share

The calculation of diluted earnings per share for the year ended December 31, 2018, was based on profit attributable to Class A shares of \$30.8 million (2017 – \$31.4 million) and Class B shares of \$436.0 million (2017 – \$442.7 million) and a diluted weighted average number of Class A shares outstanding of 11.8 million (2017 – 11.8 million) and Class B shares outstanding of 166.9 million (2017 – 166.4 million).

Weighted average number of shares – diluted (in millions)

	December 31, 2018	December 31, 2017
Weighted average number of shares (basic)	176.8	175.8
Effect of deferred share units on issue	0.3	0.4
Effect of reciprocal shareholdings	0.7	0.7
Effect of share options on issue	0.9	1.3
Weighted average number of shares (diluted)	178.7	178.2

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the year that the options were outstanding.

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17. LOANS AND BORROWINGS

	December 31, 2018	December 31, 2017
Current liabilities		
Current portion of unsecured notes (i)	\$ —	\$ 162.0
Current portion of unsecured syndicated bank credit facilities (ii)	65.5	60.3
Current portion of finance lease liabilities	1.6	2.2
Current portion of other loans (iv)	4.7	6.1
	\$ 71.8	\$ 230.6
Short-term operating credit lines available (v)	\$ 27.7	\$ 20.1
Short-term operating credit lines used	\$ 10.5	\$ 6.8
Non-current liabilities		
Unsecured syndicated bank credit facilities (ii)	\$ 1,445.5	\$ 1,474.8
Unsecured bonds (iii)	972.7	620.3
Finance lease liabilities	1.0	4.0
Other loans (iv)	0.6	1.7
	\$ 2,419.8	\$ 2,100.8

(i) Unsecured notes

As at December 31, 2018, the Company had nil private debt placements outstanding. Two private debt placements completed in 1998 and 2008 for a total of US\$129.0 million (\$162.0 million) were outstanding at December 31, 2017. US\$51.0 million with an interest rate of 7.09% and US\$78.0 million with an interest rate of 6.62% were repaid on their maturities of July 8, 2018, and September 26, 2018, respectively.

(ii) Unsecured syndicated bank credit facilities

As at December 31, 2018, the Company had an unsecured US\$1.2 billion revolving credit facility with a syndicate of banks. The facility bears interest at the applicable benchmark interest rate plus an interest rate margin linked to the Company's net debt to EBITDA and matures March 29, 2023. As at December 31, 2018, US\$352.0 million (\$480.0 million; LIBOR plus 1.45%), €223.2 million (\$349.0 million; EURIBOR plus 1.45%), €60.3 million (\$104.9 million; GBP LIBOR plus 1.45%), \$79.5 million (BA plus 1.45%) and \$3.2 million of contingent letters of credits were drawn on this syndicated bank credit facility.

As at December 31, 2017, US\$271.0 million (\$340.7 million; LIBOR plus 1.45%), €155.8 million (\$235.0 million; EURIBOR plus 1.45%), €60.3 million (\$102.4 million; GBP LIBOR plus 1.45%), \$337.0 million (BA plus 1.45%) and \$3.5 million of contingent letters of credits were drawn on the syndicated bank credit facility.

As at December 31, 2018, the Company had an unsecured US\$366 million (\$499.1 million; LIBOR plus 1.45%; 2017: \$520.4 million; LIBOR plus 1.45%) non-revolving amortizing term loan facility with a syndicate of banks. This facility, maturing in February 2020 with quarterly principal repayments of US\$12.0 million that started on June 30, 2017, bears interest at the applicable domestic rate plus an interest rate margin linked to the Company's net debt to EBITDA consistent with the existing syndicated revolving facility.

The unused portion of the revolving syndicated bank credit facility was US\$454.5 million at December 31, 2018 (December 31, 2017 – US\$397.7 million).

As at December 31, 2018, transaction costs related to the unsecured syndicated bank credit facilities were \$1.5 million (December 31, 2017 – \$0.4 million).

(iii) Unsecured bonds

Unsecured bonds as at December 31, 2018, consisted of \$298.2 million (2017 – nil) principal amount of 3.864% bonds, issued by offering memorandum in Canada on April 13, 2018, maturing April 13, 2028, and US\$500 million (\$674.5 million; 2017 – \$620.3 million) principal amount of 3.25% bonds, offered under a Rule 144A private placement in the United States on September 20, 2016, maturing on October 1, 2026. These notes bear interest payable semi-annually. The net proceeds of both bond offerings were used to partially repay amounts borrowed under the unsecured syndicated bank credit facility.

As at December 31, 2018, the Company utilized a cross-currency interest rate swap agreement to effectively convert notional US\$376.2 million (2017 – US\$264.7 million) of the 3.25% fixed rate debt into €340.0 million (2017 – €250.0 million) 1.16% and 1.23% fixed rate debt in order to hedge its euro-based assets and cash flows (note 23(a)).

(iv) Other loans

Other loans include term bank loans at various rates and repayment terms.

(v) Operating credit lines

Interest rates charged on the credit lines are based on rates varying with LIBOR, the prime rate and similar market rates for other currencies.

(vi) Reconciliation of changes in liabilities arising from financing activities

Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the statement of cash flows as financing activities. Changes in the Company's liabilities arising from financing activities are as follows:

	2018	2017
Balance at January 1	\$ 2,331.4	\$ 1,601.3
Financing cash flows	5.8	802.1
Acquisitions	7.8	8.3
Foreign exchange	148.2	(81.8)
Other	(1.6)	1.5
Balance at December 31	\$ 2,491.6	\$ 2,331.4

As at December 31, 2018, the carrying amount of financial and non-financial assets pledged as collateral, against \$2.7 million (2017 – \$5.0 million) of long-term debt, amounted to \$19.9 million (2017 – \$20.3 million).

18. FINANCE INCOME AND COST

Recognized in income statement

	2018	2017
Interest expense on financial liabilities measured at amortized cost	\$ 82.3	\$ 71.4
Fees and interest recognized on other financial instruments	(5.2)	(1.0)
Interest expense on post-employment defined benefit plans	15.8	17.0
Finance cost	92.9	87.4
Interest income on cash and cash equivalents	3.7	3.3
Interest income on other assets	0.8	0.2
Interest income on post-employment defined benefit plans	7.7	8.7
Finance income	12.2	12.2
Net finance cost recognized in income statement	\$ 80.7	\$ 75.2

The above finance income and expense are all with respect to assets (liabilities) not at fair value through profit or loss.

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19. EMPLOYEE BENEFITS

	December 31, 2018	December 31, 2017
Present value of wholly unfunded defined benefit obligations	\$ 274.9	\$ 260.9
Present value of partially funded defined benefit obligations	432.3	435.7
Total present value of obligations	707.2	696.6
Fair value of plan assets	(378.7)	(376.9)
Recognized liability for defined benefit obligations	328.5	319.7
Liability for long-service leave and jubilee plans	13.4	11.7
Liability for long-term incentive plan	28.9	13.2
Total employee benefits	370.8	344.6
Total employee benefits reported in other payables	50.8	11.0
Total employee benefits reported in non-current liabilities	\$ 320.0	\$ 333.6

(i) Defined contribution post-employment plans

The Company sponsors defined contribution post-employment plans in Canada, the U.S., Thailand and the U.K. A post-employment plan is classified as a defined contribution plan if the Company pays fixed contributions into a fund at a separate entity and the Company has no further obligation to pay any further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The expense for company-sponsored defined contribution post-employment plans was \$24.5 million in 2018 (2017 – \$23.6 million) of which \$0.1 million (2017 – \$0.1 million) was for key management personnel. Company contributions into defined contribution state plans are included in the line “Compulsory social security contributions” of the table in note 20.

(ii) Defined benefit post-employment plans

The Company also has defined benefit post-employment plans in various countries of the world. Although some of these plans have elements common to defined contribution plans, the Company has accounted for these as defined benefit plans as they are not fully funded at a separate entity.

Partially funded defined benefit obligations

The Company’s defined benefit post-employment plans are not fully funded. The obligation of these plans, net of any assets, is recorded in non-current liabilities on the Statement of Financial Position in employee benefits or, for payments expected to be made within the next twelve months, in trade and other payables in current liabilities. Fluctuations in the pension liabilities resulting from actuarial gains or losses due to changes in risk factors are recorded in other comprehensive income. The primary partially funded plans are in Canada, the United Kingdom, Switzerland and the Netherlands. Details of these plans are as follows:

- (a) In Canada, the Company has a registered partially funded defined benefit pension plan for seven retired executives and one active employee. The Company makes all required contributions to the plans. Benefits are based on employee earnings. An actuary is involved in measuring the obligation of the plan and in calculating the expense and any contributions required. The plan is closed to new members. The primary risk factors for this plan are longevity of plan beneficiaries, discount rate volatility for the value of the obligation and market risk on the assets. The Company has determined that any surplus in the plan after all obligations have been covered is fully available to the Company.

- (b) In the U.K., the Company has two registered partially funded defined benefit pension plans. The Company's plan has no active members and is closed to new members. Benefits are based on final salary. All members of the plan are either deferred or retired and benefits are provided to spouses or dependents in the event of a member's death before or after retirement. The Company is required to make payments of £0.7 million in deficit funding contributions annually. An actuary is involved in measuring the obligation of the plan and in calculating the expense and any contributions required. The primary risk factors for this plan are longevity of plan beneficiaries and discount rate volatility for the value of the obligation, and market risk on the assets. The Company has determined that any surplus in the plan after all obligations have been covered is fully available to the Company. While the Innovia plan does have active members, it is closed to new members. Benefits are based on a member's final pensionable salaries and length of service at retirement. Benefits are provided to spouses in the event of a member's death before or after retirement. Contributions are required by active members and the Company. The Company is required to make payments of £1.0 million in deficit funding contributions annually. An actuary is involved in measuring the obligation of the plan and in calculating the expense and any contributions required. The primary risk factors for this plan are longevity of plan beneficiaries and discount rate volatility for the value of the obligation, and market risk on the assets. The Company has determined that any surplus in the plan after all obligations have been covered is available to the Company if the plan is wound up. However, any surplus while the plan is ongoing is under the authority of the trustees.
- (c) In Switzerland, the Company provides a mandatory legislated contribution-based cash balance plan for employees that is accounted for as a post-employment defined benefit plan. Benefits from the plan are paid out at retirement, disability or death. If an employee terminates from the Company prior to retirement, the vested benefit equal to the accumulated savings account balance is transferred to the pension plan of the new employer. The plan is governed by a foundation board that is legally responsible for the operation of the plan and includes employer and employee representation, in equal numbers. A legally required minimum level of retirement benefit is based on age-related savings contributions, an insured salary defined by law and a required rate of return set annually by the Swiss government. Contributions from both employers and employees are compulsory and vary according to age and salary. The primary risk factors for this plan are longevity of plan beneficiaries, discount rate volatility for the value of the obligation and market risk on the assets. Under Swiss pension law, any surplus assets technically belong to the pension plan and any reduction in contributions is at the discretion of the Board.
- (d) In the Netherlands, the Company provides a defined benefit career average pay plan for a small number of employees. An actuary is involved in measuring the obligation of the plan. Benefits from the plan are paid through retirement and at death, before or during retirement, to the spouse or dependents. If a member of the plan leaves the Company, the member may choose to have the benefits of the plan transferred into the plan of the new employer. The benefit formula is based on a percentage of each year's pensionable salary up to a set maximum salary less a social security offset. Benefits are guaranteed by an insurance company and the Company is required to pay annual premiums on the insurance contract based on a contract interest rate. There are no employee contributions to the plan. The primary risk factors for this plan are longevity of plan beneficiaries and discount rate volatility. This plan has been frozen as of December 31, 2018.

The most recent actuarial valuation for funding purposes for the executive defined pension plan in Canada was as of January 1, 2018. The next required actuarial valuation will be as of January 1, 2021. The most recent actuarial valuation of the U.K. defined benefit pension plan for funding purposes was as of January 1, 2017. The next required valuation is as of January 1, 2020. The most recent actuarial valuation of the U.K. Innovia defined benefit pension plan for funding purposes was as of January 1, 2017. The next required valuation is as of January 1, 2020.

Wholly unfunded defined benefit obligations

For defined benefit post-employment plans that have no assets, the Company simply funds the plans as benefits are paid. The primary wholly unfunded plans are in Canada, the U.S. and Germany. Details of these plans are as follows:

- (a) In Canada, the Company maintains non-registered, wholly unfunded supplemental retirement arrangements for one active Canadian executive, eight retired Canadian executives and two retired U.S. executives or their widows. The Company makes all required contributions to the plans. Benefits are based on employee earnings. An actuary is involved in measuring the obligation of the plans and in calculating the expense and any contributions required. The plans are closed to new members. The primary risk factors for these plans are longevity of plan beneficiaries and discount rate volatility.

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- (b) In the U.S., the Company has a post-employment wholly unfunded deferred compensation plan for designated executives ("NQP"). Liabilities are based strictly on the contributions made to the plan, an established rate of return and are not subject to actuarial adjustments. It allows executives to elect to defer specified portions of salary, cash bonuses and long-term incentive plan payments. The Company contributes a matching portion of the executive's NQP deferred amount to a maximum of 8% of the executive's base salary plus bonus. The Company may also contribute a discretionary annual company contribution based on a percentage of base salary and annual bonus. Contributions to the NQP for one of the executives vest immediately. For the other executives, immediate vesting of discretionary Company contributions and interest occurs on death, disability or change of control with normal vesting occurring at age 60 with 10 years' service. The Company's match portion and interest vest in the same manner as Company contributions in the 401k plan. Elective deferrals by the executive vest immediately.
- (c) In Germany, the Company has several wholly unfunded defined benefit plans. There are four salary-based annuity plans that are closed to new members, but currently have approximately 130 active members. All contributions and benefits are funded by the Company. The primary risk factors for these plans are longevity of plan beneficiaries and discount rate volatility. There are also three cash balance plans for current employees. Two of those plans require the Company to match a specific portion of employee contributions. Upon retirement, lump sum payments are made unless an employee requests an annuity. The third cash balance plan has employer and employee contributions and pays out in three instalments upon retirement. The primary risk factor for these three plans is discount rate volatility.
- (d) The Company has wholly unfunded post-employment defined benefit plans in Austria, France, Italy, Mexico and Thailand. Benefits are paid out in lump sums upon retirement, disability or death. There are no employee contributions in these plans. Benefits are based on salary and length of service with the Company.

The following table shows the reconciliation from the opening balances to the closing balances for the defined benefit post-employment plans, including the defined benefit pension plans, supplemental retirement plans and other post-employment defined benefit plans.

2018	Partially Funded	Wholly Unfunded	Total
Accrued benefit obligation:			
Balance, beginning of year	\$ 435.7	\$ 260.9	\$ 696.6
Opening balance from current year acquisitions	4.5	—	4.5
Current service cost	5.7	4.7	10.4
Past service cost	3.3	0.2	3.5
Interest cost	10.7	6.6	17.3
Employee contributions	1.1	2.4	3.5
Benefits paid	(12.5)	(10.0)	(22.5)
Actuarial (gains) losses – experience	2.4	(0.8)	1.6
Actuarial losses – demographic assumptions	0.9	1.7	2.6
Actuarial gains – financial assumptions	(31.6)	(4.3)	(35.9)
Reinstatements and transfers	—	0.9	0.9
Effect of curtailment	(0.5)	—	(0.5)
Settlement gain	—	0.2	0.2
Effect of movements in exchange rates	12.6	12.4	25.0
Balance, end of year	\$ 432.3	\$ 274.9	\$ 707.2
Plan assets:			
Fair value, beginning of year	\$ 376.9	\$ —	\$ 376.9
Opening balance from current year acquisitions	2.7	—	2.7
Expected return on plan assets	9.2	—	9.2
Actuarial losses	(18.4)	—	(18.4)
Employee contributions	1.1	—	1.1
Employer contributions	10.3	10.0	20.3
Benefits paid	(12.5)	(10.0)	(22.5)
Administrative expenses	(1.4)	—	(1.4)
Settlements	(0.2)	—	(0.2)
Effect of movements in exchange rates	11.0	—	11.0
Fair value, end of year	\$ 378.7	\$ —	\$ 378.7
Funded status, net deficit of plans	\$ (53.6)	\$ (274.9)	\$ (328.5)
Accrued benefit liability	\$ (53.6)	\$ (274.9)	\$ (328.5)

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2017	Partially Funded	Wholly Unfunded	Total
Accrued benefit obligation:			
Balance, beginning of year	\$ 92.3	\$ 249.7	\$ 342.0
Opening balance from current year acquisitions	320.5	1.3	321.8
Current service cost	7.5	4.3	11.8
Interest cost	10.4	6.6	17.0
Employee contributions	1.1	0.5	1.6
Benefits paid	(13.8)	(8.3)	(22.1)
Actuarial (gains) losses – experience	1.4	(2.8)	(1.4)
Actuarial (gains) losses – demographic assumptions	(3.5)	0.1	(3.4)
Actuarial loss – financial assumptions	10.1	3.2	13.3
Reinstatements and transfers	(2.5)	—	(2.5)
Effect of curtailment	(0.2)	—	(0.2)
Settlement gain	(1.5)	—	(1.5)
Effect of movements in exchange rates	13.9	6.3	20.2
Balance, end of year	\$ 435.7	\$ 260.9	\$ 696.6
Plan assets:			
Fair value, beginning of year	\$ 66.6	\$ —	\$ 66.6
Opening balance from current year acquisitions	276.4	—	276.4
Expected return on plan assets	8.7	—	8.7
Actuarial gains	19.9	—	19.9
Employee contributions	1.1	—	1.1
Employer contributions	10.5	8.3	18.8
Benefits paid	(13.8)	(8.3)	(22.1)
Administrative expenses	(2.5)	—	(2.5)
Settlements	(1.5)	—	(1.5)
Effect of movements in exchange rates	11.5	—	11.5
Fair value, end of year	\$ 376.9	\$ —	\$ 376.9
Funded status, net deficit of plans	\$ (58.8)	\$ (260.9)	\$ (319.7)
Accrued benefit liability	\$ (58.8)	\$ (260.9)	\$ (319.7)

The Company's net defined benefit plan expense is as follows:

2018	Partially Funded	Wholly Unfunded	Total
Current service cost	\$ 5.7	\$ 4.7	\$ 10.4
Past service cost	3.3	0.2	3.5
Net interest cost on accrued benefit liability	1.5	6.6	8.1
Curtailment gain	(0.5)	—	(0.5)
Net defined benefit plan expense	\$ 10.0	\$ 11.5	\$ 21.5
Net defined benefit plan expense is recorded in:			
Cost of sales	\$ 3.5	\$ 1.1	\$ 4.6
Selling, general and administrative expenses	1.7	3.8	5.5
Restructuring and other items	3.3	—	3.3
Finance cost	1.5	6.6	8.1
Net defined benefit plan expense	\$ 10.0	\$ 11.5	\$ 21.5

2017	Partially Funded	Wholly Unfunded	Total
Current service cost	\$ 7.5	\$ 4.3	\$ 11.8
Net interest cost on accrued benefit liability	1.7	6.6	8.3
Curtailment gain	(0.2)	—	(0.2)
Net defined benefit plan expense	\$ 9.0	\$ 10.9	\$ 19.9
Net defined benefit plan expense is recorded in:			
Cost of sales	\$ 5.5	\$ 11.0	\$ 6.5
Selling, general and administrative expenses	1.8	3.3	5.1
Finance cost	1.7	6.6	8.3
Net defined benefit plan expense	\$ 9.0	\$ 10.9	\$ 19.9

Actuarial gains (losses) recognized directly in equity are as follows:

	2018	2017
Actuarial gains (losses) – experience	\$ (1.6)	\$ 1.4
Actuarial gains (losses) – demographic assumptions	(2.6)	3.4
Actuarial gains (losses) – financial assumptions	35.9	(13.3)
Experience gains (losses) on plan assets	(18.4)	19.9
Recognized during the year in other comprehensive income	\$ 13.3	\$ 11.4

Plan assets consist of the following:

2018	Partially Funded	Wholly Unfunded	Total
Equity securities	61%	—	61%
Debt securities	31%	—	31%
Real estate	2%	—	2%
Other	6%	—	6%
Total	100%	—	100%
2017	Partially Funded	Wholly Unfunded	Total
Equity securities	61%	—	61%
Debt securities	29%	—	29%
Real estate	3%	—	3%
Other	7%	—	7%
Total	100%	—	100%

No plan assets are directly invested in the Company's own shares or directly in any property occupied by, or other assets used by, the Company.

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The actual returns on plan assets are as follows:

	Partially Funded	Wholly Unfunded	Total
2018	\$ (9.2)	—	\$ (9.2)
2017	\$ 28.6	—	\$ 28.6

The weighted average economic assumptions used to determine post-employment benefit obligations are as follows:

	Partially Funded	Wholly Unfunded	Total
December 31, 2018			
Discount rate	2.80%	2.36%	2.63%
Expected rate of compensation increase	1.44%	1.83%	1.59%
December 31, 2017			
Discount rate	2.36%	2.00%	2.33%
Expected rate of compensation increase	1.38%	1.87%	1.56%

The weighted average economic assumptions used to determine post-employment plan expenses are as follows:

	Partially Funded	Wholly Unfunded	Total
December 31, 2018			
Discount rate	2.41%	1.97%	2.25%
Expected rate of compensation increase	1.42%	1.86%	1.58%
December 31, 2017			
Discount rate	2.50%	1.94%	2.29%
Expected rate of compensation increase	1.38%	1.89%	1.57%

The sensitivity analysis on the defined benefit obligation is as follows, and is prepared by altering one assumption at a time and keeping the other assumptions unchanged. The resulting defined benefit obligation is then compared to the defined benefit obligation in the disclosures:

	Partially Funded	Wholly Unfunded
Discount rate (increase 1%)	\$ (75.7)	\$ (25.3)
Discount rate (decrease 1%)	\$ 90.7	\$ 28.3
Longevity (+1 year)	\$ 17.1	\$ 8.8
Inflation (+0.25%)	\$ 10.0	\$ —
Inflation (-0.25%)	\$ (10.2)	\$ —
Salary (increase 1%)	\$ 17.8	\$ 2.6
Salary (decrease 1%)	\$ (16.1)	\$ (2.4)
Duration (years)	20	11

The Company expects to contribute \$4.9 million to the partially funded defined benefit plans and pay \$20.3 million in benefits for the wholly unfunded plans in 2019.

(iii) Long-term incentive, long-service leave, jubilee and other plans

The Company has long-term incentive plans with cash and share-based payments, long-service leave plans and jubilee plans in various countries around the world. As at December 31, 2018, \$30.0 million (2017 – \$0.3 million) of the total obligation of \$42.3 million (2017 – \$24.9 million) is classified as current, and reported in other payables. The expense for these plans was \$27.4 million in 2018 (2017 – \$18.1 million).

20. PERSONNEL EXPENSES

	2018	2017
Wages and salaries	\$ 932.2	\$ 907.8
Compulsory social security contributions	119.2	131.1
Contributions to company-sponsored defined contribution plans	24.5	23.6
Expenses related to defined benefit plans	22.0	20.1
Equity-settled share-based payment transactions	22.7	19.7
	\$ 1,120.6	\$ 1,102.3

21. INCOME TAX EXPENSE

	2018	2017
Current tax expense		
Current tax on earnings before earnings in equity-accounted investments for the year	\$ 139.4	\$ 155.2
Deferred tax expense (benefit) (note 14)		
Origination and reversal of temporary differences	\$ 21.5	\$ 21.3
Impact of tax rate changes	—	(44.3)
Recognition of previously unrecognized tax losses and deductible temporary differences	(4.9)	(4.3)
	\$ 16.6	\$ (27.3)
Total income tax expense	\$ 156.0	\$ 127.9

Reconciliation of effective tax rate

	2018	2017
Combined Canadian federal and provincial income tax rates	25.8%	25.27%
The income tax expense on the Company's earnings differs from the amount determined by the Company's statutory rates as follows:		
Net earnings for the year	\$ 466.8	\$ 474.1
Add: income tax expense	156.0	127.9
Deduct: earnings in equity-accounted investments	5.3	3.7
Earnings before income tax and equity-accounted investments	617.5	598.3
Income tax using the Company's domestic combined Canadian federal and provincial income tax rates	159.3	151.2
Effect of tax rates in foreign jurisdictions	(3.4)	27.4
Impact of tax rate changes	—	(44.3)
Recognition of previously unrecognized tax losses and deductible temporary differences	(4.9)	(4.3)
Losses and deductible temporary differences for which no deferred tax asset was recognized	5.9	4.6
Non-deductible expenses and other items	(0.9)	(6.7)
	\$ 156.0	\$ 127.9
Income tax recovery recognized directly in other comprehensive income		
Derivatives and foreign currency translation adjustments	\$ (7.5)	\$ (1.3)
Actuarial gains	2.6	1.8
Total income tax expense (recovery) recognized directly in other comprehensive income	\$ (4.9)	\$ 0.5

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On December 22, 2017, the Tax Cuts and Jobs Act was substantively enacted. The legislation, which was generally effective for tax years beginning on January 1, 2018, results in significant U.S. tax reform and revises the Internal Revenue Code by, among other things, lowering the corporate federal income tax rate from 35% to 21% and modifying how the U.S. taxes multinational entities. In 2017, the net impact of the revaluation of deferred tax balances due to the lowering of the corporate federal income tax rate from 35% to 21% resulted in a deferred income tax recovery recognized in the income statement of \$40.0 million and a deferred tax expense recognized directly in the statement of changes in equity of \$3.0 million.

The Company is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. If the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

22. SHARE-BASED PAYMENTS

At December 31, 2018, the Company had four share-based compensation plans, which are described below:

(i) Employee stock option plan

Under the employee stock option plan, the Company may grant options to employees, officers and directors of the Company. The Company does not grant options to independent directors. The exercise price of each option equals the market price of the Company's stock on the date of grant, and an option's maximum term is 10 years. Current options vest 25% one year from the grant date and 25% each subsequent year. The term of these options is five years from the grant date. In general, the grants are conditional upon continued employment. No market conditions affect vesting. Granted options are not entitled to dividends and may not be transferred or assigned by the option holder.

For options and share awards granted for stock-based compensation, \$22.2 million (2017 – \$18.8 million) has been recognized in the financial statements as an expense with a corresponding offset to contributed surplus. The fair value of options granted has been estimated using the Black-Scholes model and the following assumptions:

	2018	2017
Risk-free interest rate	1.90%	1.12%
Expected life	3.5 years	4.5 years
Expected volatility	28%	28%
Expected dividends	\$ 0.52	\$ 0.46

A summary of the status of the Company's Employee Stock Option Plan as of December 31, 2018 and 2017, and changes during the years ended on those dates, is presented below:

	2018		2017	
	Shares (in millions)	Weighted Average Exercise Price	Shares (in millions)	Weighted Average Exercise Price
Outstanding at beginning of year	3.1	\$ 36.81	3.1	\$ 26.26
Granted	0.8	66.87	0.8	58.03
Exercised	(0.8)	21.95	(0.8)	15.83
Outstanding at end of year	3.1	\$ 48.94	3.1	\$ 36.81
Options exercisable at end of year	1.0	\$ 36.78	0.9	\$ 25.35

The weighted average share price at the date of exercise in 2018 was \$64.99 (2017 – \$58.01).

The following table summarizes information about the employee stock options outstanding at December 31, 2018.

Range of Exercisable Prices	Options Outstanding			Options Exercisable	
	Options Outstanding (in millions)	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Options Exercisable (in millions)	Weighted Average Exercise Price
\$17.43–\$34.00	0.7	0.9 years	\$ 24.82	0.5	\$ 23.46
\$34.01–\$51.00	0.7	2.2 years	\$ 43.90	0.3	\$ 43.90
\$51.01–\$66.87	1.7	3.7 years	\$ 62.52	0.2	\$ 58.03
\$17.43–\$66.87	3.1	2.6 years	\$ 48.94	1.0	\$ 36.78

(ii) Deferred share units (“DSU”)

The Company maintains a deferred share unit plan. Under this plan, non-employee members of the Company’s Board of Directors may elect to receive DSUs, in lieu of cash remuneration, for director fees that would otherwise be payable to such directors or any portion thereof until DSU holdings of three times the base retainer have been achieved. The number of units received is equivalent to the fees earned and is based on the fair market value of a Class B non-voting share of the Company’s capital stock on the date of issue of the DSU. When dividends are paid on Class B non-voting shares of the Company, the equivalent value per DSU is calculated and the holder receives additional DSUs in lieu of actual cash dividends based on the fair market value of a Class B non-voting share of the Company. DSUs cannot be redeemed or paid out until such time as the director ceases to be a director. A DSU entitles the holder to receive, on a deferred payment basis, the number of Class B non-voting shares of the Company equating to the number of his or her DSUs on the redemption date. The Company accounts for the DSU plan as an equity-settled share-based payment transaction.

The Company had 0.3 million DSUs outstanding as at December 31, 2018. The amount recognized as an expense in 2018 totalled \$0.8 million (2017 – \$0.9 million).

(iii) Restricted share units (“RSU”)

The Company has shares held in trust to be used to satisfy future employee benefits related to its long-term incentive plan as outlined in note 15.

(iv) Long-term retention plan (“LTRP”)

In 2017, the Company instituted a long-term retention plan. Under the plan, the Company provided a one-time retention incentive to four key executives totalling 0.3 million shares to be issued from treasury. The incentive vests 25% in each year beginning 2022 and ending 2025, inclusive. For LTRP, \$2.3 million has been recognized as an expense with a corresponding offset to contributed surplus.

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23. FINANCIAL INSTRUMENTS

(a) Hedges of net investment in self-sustaining operations

US\$0.0 million (2017 – US\$129.0 million) of unsecured notes, US\$123.8 million (2017 – US\$235.3 million) of unsecured Rule 144A bonds and US\$718.0 million (2017 – US\$685.0 million) of the unsecured syndicated bank credit facilities (hedging items) have been used to hedge the Company's exposure to its net investment in self-sustaining U.S. dollar-denominated operations (hedged items) with a view to reducing foreign exchange fluctuations. The foreign exchange effect of the unsecured notes, the unsecured Rule 144A bonds, the unsecured syndicated bank credit facilities and the net investment in U.S. dollar-denominated subsidiaries is reported in other comprehensive income. These have been and continue to be 100% fully effective hedges as the notional amounts of the hedging items equal the portion of the net investment balance being hedged. No ineffectiveness has been recognized in the income statement.

£60.3 million (2017 – £60.3 million) of the unsecured syndicated bank credit facilities (hedging item) have been used to hedge the Company's exposure to its net investment in self-sustaining UK pound sterling-denominated operations (hedged items) with a view to reducing foreign exchange fluctuations. The foreign exchange effect of both the unsecured syndicated bank credit facilities and the net investment in UK pound sterling-denominated subsidiaries is reported in other comprehensive income. This has been and continues to be a 100% fully effective hedge as the notional amount of the hedging item equals the portion of the net investment balance being hedged. No ineffectiveness has been recognized in the income statement.

€223.2 million (2017 – €155.8 million) of the unsecured syndicated bank credit facilities (hedging item) have been used to hedge the Company's exposure to its net investment in self-sustaining euro-denominated operations (hedged items) with a view to reducing foreign exchange fluctuations. The foreign exchange effect of both the unsecured syndicated bank credit facilities and the net investment in euro-denominated subsidiaries is reported in other comprehensive income. This has been and continues to be a 100% fully effective hedge as the notional amount of the hedging item equals the portion of the net investment balance being hedged. No ineffectiveness has been recognized in the income statement.

In February 2017, the Company converted US\$264.7 million of the 3.25% unsecured Rule 144A bonds (note 17) into €250.0 million 1.23% fixed rate debt using cross-currency interest rate swap agreements (hedging items; "CCIRSAs") in order to hedge its euro-based assets and cash flows. In February 2018, a further US\$111.5 million of the 3.25% unsecured Rule 144A bonds (note 17) was converted into €90.0 million 1.16% fixed rate debt using CCIRSAs in order to hedge additional euro-based assets and cash flow. Fair value of these CCIRSAs was recorded in non-current liabilities when negative in value and non-current assets when positive in value. The offset was recorded in other comprehensive income. These have been and continue to be 100% fully effective hedges as the notional amounts of the hedging items equal the portion of the net investment balance being hedged. No ineffectiveness was recognized in the income statement in 2018.

Notional Principal Amount		Interest Rate		Fair Value December 31		Maturity	Effective Date
Fixed Rate	Fixed Rate	Paid (US\$)	Received (€)	2018 (C\$)	2017 (C\$)		
USD105.8 million	€ 100.0 million	3.25%	1.24%	\$ (16.3) million	\$ (20.7) million	October 1, 2026	February 28, 2017
USD84.8 million	€ 80.0 million	3.25%	1.20%	\$ (12.7) million	\$ (15.1) million	October 1, 2026	February 28, 2017
USD42.3 million	€ 40.0 million	3.25%	1.21%	\$ (6.6) million	\$ (8.5) million	October 1, 2026	February 28, 2017
USD31.8 million	€ 30.0 million	3.25%	1.29%	\$ (5.0) million	\$ (6.4) million	October 1, 2026	February 28, 2017
USD62.1 million	€ 50.0 million	3.25%	1.16%	\$ 5.5 million	—	October 1, 2026	February 21, 2018
USD49.4 million	€ 40.0 million	3.25%	1.15%	\$ 3.6 million	—	October 1, 2026	February 22, 2018

(b) Credit risk**Exposure to credit risk**

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	December 31, 2018	December 31, 2017
Cash and cash equivalents	\$ 589.1	\$ 557.5
Trade and other receivables	938.0	821.3
Other assets	18.8	15.5
Derivative instruments	9.1	1.0
	\$ 1,555.0	\$ 1,395.3

Impairment losses

The aging of trade receivables at the reporting date was as follows:

	December 31, 2018	December 31, 2017
Under 31 days	\$ 468.9	\$ 411.9
Between 31 and 90 days	336.0	299.1
Greater than 90 days	60.6	60.4
	\$ 865.5	\$ 771.4

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	December 31, 2018	December 31, 2017
Balance at January 1	\$ 16.6	\$ 17.8
Increase (decrease) during the year	1.5	(1.2)
Balance at December 31	\$ 18.1	\$ 16.6

The Company believes that no impairment allowance is necessary in respect of trade receivables not past due.

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(c) Liquidity risk

Exposure to liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

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

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

(d) Currency risk

Exposure to currency risk

The Company's exposure to foreign currency risk was as follows based on notional amounts:

	December 31, 2018			December 31, 2017		
	U.S. Dollar	U.K. Pound	Euro	U.S. Dollar	U.K. Pound	Euro
Cash and cash equivalents	167.1	16.4	110.2	127.0	19.1	112.7
Trade and other receivables	250.9	31.5	133.7	241.2	28.4	138.1
Trade and other payables	318.0	33.8	158.4	277.5	27.0	156.9
Long-term debt	841.9	60.3	565.1	1,314.1	60.3	159.0

Sensitivity analysis

A five percent weakening of the Canadian dollar, as indicated below, against the following currencies at December 31 would have increased (decreased) equity and income by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Equity		Income Statement	
	2018	2017	2018	2017
Euro	(24.8)	(11.8)	0.6	0.2
U.S. dollar	(21.2)	5.2	6.5	4.0
U.K. pound	0.9	0.9	0.4	0.3

A five percent strengthening of the Canadian dollar against the above currencies at December 31 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(e) Interest rate risk

An increase of 100 basis points in interest rates on the floating rate debt and cash equivalents as at the reporting date would decrease net income by \$9.7 million (2017 – \$11.4 million decrease). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

(f) Fair values versus carrying amounts

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

	December 31, 2018		December 31, 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets carried at fair value:				
Other assets	\$ 18.8	\$ 18.8	\$ 15.5	\$ 15.5
Derivative financial assets	9.1	9.1	1.0	1.0
	\$ 27.9	\$ 27.9	\$ 16.5	\$ 16.5
Assets carried at amortized cost:				
Trade and other receivables	\$ 938.0	\$ 938.0	\$ 821.3	\$ 821.3
Cash and cash equivalents	589.1	589.1	557.5	557.5
	\$ 1,527.1	\$ 1,527.1	\$ 1,378.8	\$ 1,378.8
Liabilities carried at fair value:				
Derivative financial liabilities	\$ 41.1	\$ 41.1	\$ 50.7	\$ 50.7
	\$ 41.1	\$ 41.1	\$ 50.7	\$ 50.7
Liabilities carried at amortized cost:				
Trade and other payables	\$ 1,223.4	\$ 1,223.4	\$ 1,018.4	\$ 1,018.4
Unsecured Rule 144A bonds	674.5	636.7	620.3	591.8
Unsecured bonds	298.2	300.7	—	—
Unsecured syndicated bank credit facilities	1,511.0	1,511.0	1,535.1	1,535.1
Unsecured notes	—	—	162.0	168.3
Other loans	5.3	5.3	7.8	7.8
Finance lease liabilities	2.6	2.6	6.2	6.2
	\$ 3,715.0	\$ 3,679.7	\$ 3,349.8	\$ 3,327.6

The basis for determining fair values is disclosed in note 3.

The interest rates used to discount estimated cash flows for the unsecured senior notes are based on the government yield curve at the reporting date plus an adequate credit spread.

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(g) Fair value hierarchy

The table below summarizes the levels of hierarchy for financial assets and liabilities.

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); and
- 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
December 31, 2018							
Other assets	\$	—	\$	18.8	\$	—	\$ 18.8
Derivative financial assets		—		9.1		—	9.1
Long-term debt		—		—		(2,456.3)	(2,456.3)
Derivative financial liabilities		—		(41.1)		—	(41.1)
	\$	—	\$	(13.2)	\$	(2,456.3)	\$ (2,469.5)

	Level 1		Level 2		Level 3		Total
December 31, 2017							
Other assets	\$	—	\$	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)

24. FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's payment and delivery terms and conditions are offered. The Company's review includes external ratings, where available, and in some cases bank references. Purchase limits are established for each customer, which represent the maximum open amount without requiring approval from senior management; these limits are reviewed quarterly. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

The Company is potentially exposed to credit risk arising from derivative financial instruments if a counterparty fails to meet its obligations. These counterparties are large international financial institutions and, to date, no such counterparty has failed to meet its financial obligations to the Company. As at December 31, 2018, the Company's exposure to credit risk arising from derivative financial instruments amounted to \$9.1 million (2017 – \$1.0 million).

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity by monitoring expected cash flows and ensuring the availability of credit to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they are due. The financial obligations of the Company include trade and other payables, long-term debts and other long-term items. The contractual maturity of trade payables is six months or less. Long-term debts have varying maturities extending to 2026. The Company has capacity to discharge its current liabilities from the continued cash flows from operations of the business, and an additional \$589.1 million of cash-on-hand and \$619.8 million of available capacity within its syndicated bank credit facility at December 31, 2018.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and commodity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company uses derivatives to manage market risks. Generally, the Company seeks to apply hedge accounting in order to manage volatility in profit or loss. The Company does not utilize derivative financial instruments for speculative purposes.

(i) Currency risk

The Company operates internationally, giving rise to exposure to market risks from changes in foreign exchange rates. The Company partially manages these exposures by contracting primarily in Canadian dollars, euros, U.K. pounds and U.S. dollars. Additionally, each subsidiary's sales and expenses are primarily denominated in its local currency, further minimizing the foreign exchange impact on the operating results.

In other cases, borrowings are done by non-Canadian dollar-based subsidiaries in their own functional currencies such that the principal and interest are denominated in a currency that matches the cash flows generated by those subsidiaries. These provide natural hedges that do not require the application of hedge accounting.

(ii) Interest rate risk

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

(iii) Commodity price risk

Polypropylene is the most significant input cost for the Innovia Segment. It is traded in the market, with prices linked to the market price of natural gas and refining capacity. The Segment does not use derivative financial instruments to hedge its exposure to the volatility of polypropylene prices; therefore, movements must be managed and, where possible, passed along to the Segment's customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017 (In millions of Canadian dollars, except per share information)

(d) Capital management

The Company's objective is to maintain a strong capital base throughout the economic cycle so as to maintain investor, creditor and market confidence and to sustain the future development of the business. This capital structure supports the Company's objective to provide an attractive financial return to its shareholders equal to that of its leading specialty packaging peers.

The Company defines capital as total equity and measures the return on capital (or return on equity) by dividing annual net earnings before goodwill impairment loss and restructuring and other items by the average of the beginning and the end-of-year shareholders' equity. In 2018, the return on capital was 20.0% (2017 – 24.0%) and was well within the range of the Company's leading specialty packaging peers.

Management and the Board maintain a balance between the expected higher return on capital that might be possible with a higher level of financial debt and the advantages and security afforded by a lower level of financial leverage.

The Company has provided a growing level of dividends to its shareholders over the last few years, generally related to its growth in earnings. Dividends are declared bearing in mind the Company's current earnings, cash flow and financial leverage.

There were no changes in the Company's approach to capital management during the year.

The Company is subject to certain financial covenants on its unsecured syndicated bank credit facility. The Company monitors the ratios on a quarterly basis and, at December 31, 2018, was in compliance with all its covenants.

25. COMMITMENTS AND CONTINGENCIES

(i) Commitments

Non-cancellable operating lease rentals are payable as follows:

	2018	2017
Less than one year	\$ 42.1	\$ 37.2
Between one and five years	93.9	62.8
More than five years	68.8	39.1
	\$ 204.8	\$ 139.1

The Company enters into operating leases in the ordinary course of business, primarily for real property and equipment. Payments and other terms for these leases vary per agreement. During the year ended December 31, 2018, \$29.2 million was recognized as an expense in the income statement in respect of operating leases (2017 – \$30.9 million).

As at December 31, 2018, the Company had uncollateralized surety bonds of \$74.2 million primarily to the Brazilian Tax Authority in order to facilitate the appeal of tax reassessments. The Company intends to vigorously defend this claim, which the Company considers to be without merit and, accordingly, the Company has made no provision for the matter.

(ii) Contingencies

In the normal course of operations, the Company and its subsidiaries may be subject to lawsuits, investigations and other claims, including environmental, labour, product, customer disputes and other matters.

During 2018, the Federal Court of Australia awarded a judgment and costs against a subsidiary of the Company, CCL Secure Pty Ltd. (formerly Innovia Security Pty Ltd.) ("ISPL"), totalling A\$70.0 million (C\$67 million) finding a wrongful termination of an agency agreement with Benoy Berry and a company controlled by him, Global Secure Currency Ltd. (collectively "Berry"), an arm's length third party in Nigeria. ISPL is appealing the judgment. As part of the appeals process, the Australian court mandated that the Company guarantee the entire judgment in order to stay execution of the judgment pending resolution of the appeal. The Company maintains a provision in its accounts of its estimate of the likely final award and liability of ISPL.

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

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

Management believes that adequate provisions for legal claims have been recorded in the accounts where required. Although it is not always possible to accurately estimate the result or magnitude of legal claims due to the various uncertainties involved in the legal process, management believes that the ultimate resolution of all such pending matters, individually and in the aggregate, will not have a material adverse impact on the Company, its business, financial position or liquidity.

26. RELATED PARTIES

Beneficial ownership

The directors and officers of CCL Industries Inc. as a group beneficially own, control, or direct, directly or indirectly, approximately 11.2 million of the issued and outstanding Class A voting shares, representing 94.7% of the issued and outstanding Class A voting shares.

Loan guarantee

The Company has provided various loan guarantees for its joint ventures and associates totalling \$46.3 million.

27. KEY MANAGEMENT PERSONNEL COMPENSATION

	2018		2017	
Short-term employee compensation and benefits	\$	14.5	\$	12.1
Share-based compensation		6.4		20.8
Post-employment benefits		0.9		0.9
	\$	21.8	\$	33.8

28. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	2018		2017	
Unrealized foreign currency translation gains (losses), net of tax recovery of \$10.2 million (2017 – tax recovery of \$3.9 million)	\$	35.5	\$	(58.3)
Gains (losses) on derivatives designated as cash flow hedges, net of tax recovery of \$0.1 million (2017 – tax expense of \$1.1 million)		(0.3)		5.4
	\$	35.2	\$	(52.9)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017 (In millions of Canadian dollars, except per share information)

29. RESTRUCTURING AND OTHER ITEMS

	2018	2017
Restructuring costs (i)	\$ 7.8	\$ 24.3
Acquisition costs (ii)	3.7	2.6
Other items (iii)	3.3	(15.6)
Total restructuring and other items	\$ 14.8	\$ 11.3

(i) In 2018, the CCL Segment recorded \$0.6 million, income increase, representing \$0.9 million for severance-related expenditures for the security part of the Innovia acquisition offset by the reversal of \$1.5 million of over accrued reorganization costs. In 2017, the CCL Segment recorded \$6.5 million in restructuring costs, primarily related to severance costs for Innovia.

In 2018, the Avery Segment recorded \$2.7 million (2017 – nil) in restructuring costs, which was for severance and other reorganization costs in the European operations.

In 2018, the Checkpoint Segment recorded \$4.6 million in restructuring costs, which was for severance and other reorganization costs globally. In 2017, the Checkpoint Segment recorded \$14.8 million in restructuring costs, primarily related to severance costs.

In 2018, the Innovia Segment recorded \$1.1 million in restructuring costs, for severance-related costs in their European operations. In 2017, the Innovia Segment recorded \$3.0 million in restructuring costs, primarily related to severance costs.

(ii) In 2018, acquisition costs totalled \$3.7 million, primarily for the Treofan acquisition. In 2017, acquisition costs of \$2.6 million were recorded primarily for the Innovia acquisition.

(iii) In 2018, other expenses totalled \$3.3 million, predominantly related to actuarial pension accruals at Innovia and legacy CCL U.K. operations. This non-cash expense is the result of a milestone legal judgement equalizing certain historical guaranteed minimum obligations for all U.K. defined benefit pension schemes.

In 2017, Checkpoint recognized \$15.6 million of income due to the reversal of a pre-acquisition legal accrual.

30. SUBSEQUENT EVENTS

The Board of Directors has declared a dividend of \$0.17 per Class B non-voting share and \$0.1675 per Class A voting share, which will be payable to shareholders of record at the close of business on March 15, 2019, to be paid on March 29, 2019.

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

On November 15, 2018, the Company agreed to acquire the privately owned Hinsitsu Screen (Vietnam) Company Limited, based in Hanoi, for approximately \$12.4 million which is expected to complete by the end of 2019 first quarter.

SIX YEAR FINANCIAL SUMMARY

(In millions of Canadian dollars, except share and ratio data)

	2018	2017	2016	2015	2014	2013
Sales and Net Earnings						
Sales	\$ 5,161.5	\$ 4,755.7	\$ 3,974.7	\$ 3,039.1	\$ 2,585.6	\$ 1,889.4
Depreciation and amortization	278.0	259.2	203.7	164.1	146.4	120.2
Finance cost/Interest expense	80.7	75.2	37.9	25.6	25.6	25.6
Net earnings	\$ 466.8 ¹	\$ 474.1 ²	\$ 346.3 ³	\$ 295.1 ⁴	\$ 216.6 ⁵	\$ 103.6 ⁶
Basic net earnings per Class B share	\$ 2.64 ¹	\$ 2.70 ²	\$ 1.98 ³	\$ 1.70 ⁴	\$ 1.26 ⁵	\$ 0.61 ⁶
Financial Position						
Current assets	\$ 2,125.2	\$ 1,851.6	\$ 1,660.9	\$ 1,229.9	\$ 821.9	\$ 770.2
Current liabilities	1,346.9	1,299.7	907.0	912.8	600.2	544.5
Working capital ⁷	778.3	551.9	753.9	317.1	221.7	225.7
Total assets	7,027.6	6,144.0	4,678.8	3,582.3	2,618.4	2,401.6
Net debt	1,902.5	1,773.9	1,016.2	599.8	437.2	503.0
Shareholders' equity	\$ 2,673.1	\$ 2,157.9	\$ 1,775.2	\$ 1,621.9	\$ 1,216.2	\$ 1,018.1
Net debt to equity ratio	0.71	0.82	0.57	0.37	0.36	0.49
Net debt to total book capitalization	41.6%	45.1%	36.4%	27.0%	26.4%	33.1%
Number of Shares (000,000s)						
Class A – Dec. 31	11.8	11.8	11.8	11.8	11.8	11.8
Class B – Dec. 31	165.9	165.0	164.1	163.6	161.6	160.1
Weighted average for the year	176.8	175.8	175.2	173.6	171.8	170.8
Cash Flow						
Cash provided by operations	\$ 772.7	\$ 711.2	\$ 564.0	\$ 475.3	\$ 403.5	\$ 333.7
Additions to plant, property and equipment	352.9	285.7	234.7	172.2	153.7	116.1
Business acquisitions	365.9	1,191.4	571.5	356.7	115.9	528.3
Dividends	92.2	81.2	70.2	52.3	37.9	29.4
Dividends per Class B share	\$ 0.52	\$ 0.46	\$ 0.40	\$ 0.30	\$ 0.22	\$ 0.17

¹ After pre-tax restructuring and other items – net loss of \$14.8 million.

² After pre-tax restructuring and other items – net loss of \$11.3 million.

³ After pre-tax restructuring and other items – net loss of \$34.6 million.

⁴ After pre-tax restructuring and other items – net gain of \$6.0 million.

⁵ After pre-tax restructuring and other items – net gain of \$9.1 million.

⁶ After pre-tax restructuring and other items – net loss of \$45.2 million.

⁷ Current assets less current liabilities.

North America

Mark Cooper

President,
Avery & METO Worldwide
Brea, California, U.S.A.

John Dargan

President,
Checkpoint Worldwide
Thorofare, New Jersey, U.S.A.

Ben Rubino

President,
Home & Personal Care Worldwide
Lumberton, New Jersey, U.S.A.

Lee Pretsell

Group Vice President,
Healthcare & Specialty Worldwide
Toronto, Ontario, Canada

Stephan Finke

Vice President & General Manager,
Food & Beverage North America
Sonoma, California, U.S.A.

Eric Frantz

Vice President Operations,
Home & Personal Care North America
Hermitage, Pennsylvania, U.S.A.

Bill Goldsmith

Vice President & General Manager,
CCL Design North America
Schererville, Indiana, U.S.A.

Al Green

Vice President,
Technology Development
Clinton, South Carolina, U.S.A.

Andy Iseli

Vice President & General Manager,
CCL Tube
Los Angeles, California, U.S.A.

Jon Knight

Vice President & General Manager
Innovia Films Americas
Winston-Salem, North Carolina, U.S.A.

Sandra Lane

Vice President,
CCL Secure North America
Greensboro, North Carolina, U.S.A.

Allison Phillips

Vice President,
Strategic Business Development
Avery North America
Brea, California, U.S.A.

Europe

Günther Birkner

President,
Food & Beverage,
Healthcare & Specialty and
Innovia Films Worldwide
Zurich, Switzerland

Peter Fleissner

President,
CCL Design Worldwide
Solingen, Germany

Derek Cumming

Group Vice President,
CCL Design Worldwide
East Kilbride, Scotland

Scott Mitchell-Harris

Group Vice President,
Checkpoint Europe & Asia Pacific,
Apparel Labeling Solutions Worldwide
Barcelona, Spain

Erik Cardinaal

Vice President & General Manager,
Apparel Labeling Solutions,
Europe, Middle East and Africa
Terborg, Netherlands

Werner Ehrmann

Vice President,
Technology Development
Holzkirchen, Germany

Mathias Maennel

Vice President & Managing Director,
Healthcare & Specialty Europe
Oss, Netherlands

Jamie Robinson

Vice President & Managing Director,
Home & Personal Care Europe
Castleford, U.K.

Reinhard Streit

Vice President & Managing Director,
Food & Beverage Europe
Völkermarkt, Austria

Neil Sanders

Vice President & Managing Director,
CCL Secure
Wigton, U.K.

Asia Pacific

Jim Anzai

Vice President & Managing Director,
CCL Industries North Asia
Tokyo, Japan

Da Gang Li

Vice President,
CCL Industries China
Shanghai, PR China

Kittipong Kulratanasinsuk

Vice President & Managing Director,
CCL Label ASEAN
Bangkok, Thailand

Mark Gentle

Vice President & Managing Director,
Checkpoint & Meto Australia,
New Zealand & ASEAN
Melbourne, Australia

John O'Brien

Vice President & Managing Director,
CCL Label Australia & New Zealand
Adelaide, Australia

Latin America

Luis Jocionis

Vice President & Managing Director,
CCL Industries South America
Sao Paulo, Brazil

Ben Lilienthal

Vice President & Managing Director,
CCL Industries Central America
Mexico City, Mexico

2018 CORPORATE EXECUTIVES

Donald G. Lang
Executive Chairman

Geoffrey T. Martin
*President and
Chief Executive Officer*

Anne Brayley
Vice President, Internal Audit

Suzana Furtado
Corporate Secretary

Kamal Kotecha
Vice President, Taxation

Mark McClendon
*Vice President and
General Counsel*

James A. Sellors
*Senior Vice President,
CCL Industries Asia Pacific*

Lalitha Vaidyanathan
*Senior Vice President,
Finance-IT-Human Resources,
CCL Industries*

Nick Vecchiarelli
*Vice President,
Corporate Accounting*

Monika Vodermaier
*Vice President,
Corporate Finance
Europe*

Sean P. Washchuk
*Senior Vice President and
Chief Financial Officer*

2018 BOARD OF DIRECTORS

Vincent J. Galifi
Director since 2016
Executive Vice President and
Chief Financial Officer
Magna International Inc.
Ontario, Canada

Edward E. Guillet
Director since 2008
Freelance Human Resources Consultant
California, U.S.A.

Kathleen L. Keller-Hobson
Director since 2015
Corporate Director
Ontario, Canada

Donald G. Lang
Director since 1991
Executive Chairman,
CCL Industries Inc.
Ontario, Canada

Erin M. Lang
Director since 2016
Managing Director,
LUMAS Canada
Ontario, Canada

Stuart W. Lang
Director since 1991
Corporate Director
Ontario, Canada

Geoffrey T. Martin
Director since 2005
President and CEO,
CCL Industries Inc.
Massachusetts, U.S.A.

Douglas W. Muzyka
Director since 2016
Corporate Director
Pennsylvania, U.S.A.

Thomas C. Peddie
Director since 2003
Corporate Director
Ontario, Canada

Mandy Shapansky
Director since 2014
Corporate Director
Ontario, Canada

SHAREHOLDERS' INFORMATION

Auditors

KPMG LLP
Chartered Professional Accountants

Legal Counsel

McMillan LLP

Transfer Agent

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Financial Information

Institutional investors, analysts and registered representatives requiring additional information may contact:

Sean Washchuk
Senior Vice President and CFO
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Additional copies of this report can be obtained from:

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Tel: (416) 756-8500
Fax: (416) 756-8555
Email: ccl@cclind.com
Website: www.cclind.com

Annual Meeting of Shareholders

The Annual Meeting of Shareholders will be held on:

May 15, 2019 at 1:00 p.m.
CCL Industries Inc.
111 Gordon Baker Road
Suite 801
Toronto, ON M2H 3R1

Class B Share Information

Stock Symbol CCL.B

Listed TSX

Opening price 2018	\$57.66
Closing price 2018	\$50.06
Number of trades	453,689
Trading volume (shares)	76,423,644
Trading value	\$4,530,057,293
Annual dividends declared	\$0.52

Shares Outstanding at December 31, 2018

Class A voting shares	11,836,250
Class B non-voting shares	165,921,000





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