

MANAGEMENT'S DISCUSSION AND ANALYSIS

Third Quarters Ended September 30, 2021 and 2020

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 third quarters ended September 30, 2021 and 2020. The information in this interim MD&A is current to November 10, 2021, and should be read in conjunction with the Company's September 30, 2021, unaudited third quarter consolidated condensed interim financial statements ("interim financial statements") released on November 10, 2021, and the 2020 Annual MD&A and consolidated financial statements ("annual financial statements"), which form part of CCL Industries Inc.'s 2020 Annual Report, dated February 24, 2021.

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

Basis of Presentation

The interim and annual financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting and International Financial Reporting Standards ("IFRS"), respectively, and unless otherwise noted, both the interim and annual financial statements and this interim MD&A are expressed in Canadian dollars as the presentation currency. The primary measurement currencies of the Company's operations are the Canadian dollar, U.S. dollar, euro, Argentine peso, Australian dollar, Bangladeshi taka, Brazilian real, Chilean peso, Chinese renminbi, Danish krone, Hong Kong dollar, Hungarian forint, Indian rupee, Israeli shekel, Japanese yen, Malaysian ringgit, Mexican peso, Moroccan dirham, New Zealand dollar, Philippine peso, Polish zloty, Russian ruble, Singaporean dollar, South African rand, South Korean won, Swiss franc, Thai baht, Turkish lira, U.K. pound sterling and Vietnamese dong. All per Class B non-voting share ("Class B share") amounts in this document are expressed on an undiluted basis, unless otherwise indicated. The Company's Audit Committee and its Board of Directors have reviewed this interim MD&A to ensure consistency with the approved strategy and the financial results of the Company.

Cautionary Statement Regarding Forward-Looking Statements

This MD&A contains forward-looking information and forward-looking statements, as defined under applicable securities laws, (hereinafter collectively referred to as "forward-looking statements") that involve a number of risks and uncertainties. Forward-looking statements include all statements that are predictive in nature or depend on future events or conditions. Forward-looking statements are typically identified by the words "believes," "expects," "anticipates," "estimates," "intends," "plans" or similar expressions. Statements regarding the operations, business, financial condition, priorities, ongoing objectives, strategies and outlook of the Company, other than statements of historical fact, are forward-looking statements. Specifically, this MD&A contains forward-looking statements regarding the anticipated sales, income and profitability of the Company's segments; the Company's capital spending levels and planned capital expenditures in 2021; the adequacy of the Company's financial liquidity including the availability of sufficient cash from operations and available credit capacity to fund the Company's future financial obligations for the next few years; the Company's effective tax rate; the Company's ongoing business strategy; the Company's planned restructuring expenditures; the Company's expectations regarding general business and economic conditions; the impact of the COVID-19 ("CV19") global pandemic on the Company's overall operations, customers, strategy and financial results and on the respective Segments of the Company, including in respect of the fourth quarter of 2021 and beyond; the ability of management to align cost structures with changing demand levels and improve profitability; and management's expectation of closing the D&F acquisition before the end of the 2021 year.

Forward-looking statements are not guarantees of future performance. They involve known and unknown risks and uncertainties relating to future events and conditions including, but not limited to, the continuing adverse impact of the CV19 pandemic on the Company, its employees, customers, suppliers, the global economy and financial markets; the impact of competition; consumer confidence and spending preferences; general economic and geopolitical conditions; currency exchange rates; interest rates and credit availability; technological changes; changes in government regulations; risks associated with operating and product hazards; and the Company's ability to attract and retain qualified employees. Do not unduly rely on forward-looking statements as the Company's actual results could differ materially from

those anticipated in these forward-looking statements. Forward-looking statements are also based on a number of assumptions, which may prove to be incorrect, including, but not limited to, assumptions about the following: consumer spending; customer demand for the Company's products; market growth in specific sectors and entering into new markets; the Company's ability to provide a wide range of products to multinational customers on a global basis; the benefits of the Company's focused strategies and operational approach; the achievement of the Company's plans for improved efficiency and lower costs, including stable aluminum and resin costs; the Company's expectation that relaxation of government CV19-related restrictions and modest impact from CV19 variants will result in improved economic activity and improved results for the Company; the Company's expectation it can effectively manage inflationary cost pressure and improve financial results; the Company's expectation that matching results of the 2020 fourth quarter in the fourth quarter 2021 will be a challenge; the ability of the Company to participate in certain government assistance programs; the Company's expectation that the Avery Segment's direct-to-consumer event and name badging operations will remain materially impacted due to the CV19 pandemic; the Company's expectation that Avery's "Kids' labels" and "WePrint" will remain solid; the Company's expectation that Avery's PMG and OPG product groups in North America will improve as bricks-and-mortar retail reopens and onsite office-employee density increases; the Company's expectation that Avery's orders for the fourth quarter of 2021 will remain steady; and the Company's expectation that the Innovia Segment will effectively manage input cost volatility, enhance productivity and successfully establish its new "Ecofloat" shrink film line. Should one or more risks come to fruition or should any assumption prove incorrect, then actual results could vary materially from those expressed or implied in the forward-looking statements. Further details on key risks can be found throughout this report and particularly in Section 4: "Risks and Uncertainties" of the 2020 Annual MD&A.

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

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

1. Overview

The third quarter of 2021 was strong, with significant progress over the same period in 2019, especially given the negative impact of currency translation in 2021, but as expected behind the record third quarter of 2020, which included margin-enhancing windfall orders for banknote substrate. Consolidated organic sales growth of 10.3% for the 2021 third quarter was driven by strong performances at Avery, Checkpoint and Innovia (the latter aided by inflationary resin pass through) and a modest improvement for the CCL Segment, which was hindered by windfall sales in the prior period at CCL Secure. Lower CCL Secure profits also accounted for the majority of the 9.1% decline in consolidated operating income with the balance attributable to significant cost inflation, the negative impact of foreign currency translation and higher expense from a return to normal operating mode in most parts of the Company. Return on sales (non-IFRS financial measures; refer to definition in Section 14 of this MD&A) for the 2021 third quarter was a solid 15.0% compared to 17.9% in the 2020 third quarter and similar to the 15.5% reported in the same, pre-pandemic, period in 2019. Although significant issues associated with the global pandemic persist, particularly in the Asia Pacific region, and government assistance programs have largely ceased, the Company posted strong 2021 third quarter basic and adjusted basic earnings per Class B share (a

non-IFRS financial measure; refer to definition in Section 14 of this MD&A) of \$0.85 compared to basic and adjusted basic earnings per Class B share of \$0.86 and \$0.93, respectively, for the 2020 third quarter.

2. Review of Consolidated Financial Results

The following acquisitions affected the financial comparisons to 2020 including those announced through to the end of the third quarter of 2021:

- In July 2021, the Company acquired the Uniter Group of companies (“Uniter”), based in A Coruña, Spain, with operations in Europe, Asia and North Africa for approximately \$52.5 million, including debt assumed and net of cash acquired. Uniter’s five Uniter factories are part of the Checkpoint Apparel Labeling Solutions business (“ALS”).
- In July 2021, the Company acquired privately owned Plum Paper LLC (“Plum”), based in Oceanside, California for approximately \$26.3 million, net of cash acquired. Plum is a leading supplier of personalized planners and is part of Avery’s growing direct-to-consumer business.
- In May 2021, the Company acquired privately held Lux Global Label Asia Pte. Ltd. (“LUX”), based in Singapore for approximately \$9.4 million, net of cash. LUX produces decorative labels for global consumer product customers in the ASEAN region. LUX now trades as “CCL Label Singapore.”
- In April 2021, the Company acquired the assets of Europack Packaging and Fluid Management GmbH (“Europack”) for approximately \$0.9 million. Europack was added to the CCL Segment.
- In November 2020, the Company acquired privately owned Super Enterprises Printing (Malaysia) Sdn. Bnd. (“SEP”) for approximately \$18.4 million, net of cash. SEP is headquartered in Kuala Lumpur, with a second manufacturing operation in Guangzhou, China. SEP manufactures decorative panels, liquid crystal and touch-screen display covers and in-mould decorated components for the consumer electronics and automotive sectors across Asia. The company now trades as “CCL Design.”
- In October 2020, the Company acquired Graphic West International ApS (“GWI”), headquartered in Denmark, with operations in Europe and North America, for approximately \$35.2 million, net of cash and debt. This new operation brings expanded capabilities and geographic reach in digitally printed cartons for the pharmaceutical industry. The company now trades as “CCL Specialty Cartons.”
- In July 2020, the Company acquired InTouch Labels and Packaging Co., Inc. (“InTouch”), near Boston, Massachusetts, for approximately \$11.1 million, net of cash and debt. InTouch is a specialized short-run digital label converter and has been added to Avery’s direct-to-consumer operations.

- In March 2020, the Company acquired Flexpol Sp. Z.o.o. (“Flexpol”), a privately owned company based in Plock, Poland. Flexpol is a leading producer of biaxially oriented polypropylene (“BOPP”) film for the European market. The purchase price, net of cash acquired was approximately \$23.5 million. The new business immediately commenced operating as “Innovia Poland.”
- In February 2020, the Company acquired Clinical Systems, Inc. (“CSI”), based in Garden City, New York, for approximately \$19.7 million, net of cash on hand. CSI is a specialized provider to the United States clinical trials industry and is operating as part of CCL Label’s Healthcare and Specialty business.
- In February 2020, the Company acquired the remaining 50% interest in its aluminum slug joint venture, Rheinfelden Americas, LLC (“Rheinfelden”), by assuming the \$18.8 million of net debt previously held in the venture. The business immediately changed its name to CCL Metal Science.
- In January 2020, the Company acquired privately owned Ibertex Etiquetaje Industrial S.L.U. and Eti-Textil Maroc S.a.r.l. AU (“Eti-Textil”) for approximately \$20.1 million, net of cash and debt. Eti-Textil, headquartered in Elche, Spain, with satellite manufacturing in Tangier, Morocco, is an apparel label producer that has been integrated into the Apparel Labeling Systems (“ALS”) business of Checkpoint.
- In January 2020, the Company acquired I.D&C. World Holdco Ltd. (“ID&C”), with operations in Tunbridge Wells, U.K., and Bradenton, Florida, for approximately \$35.5 million, net of cash acquired. ID&C is a global leader in live event badges and wristbands and is part of Avery’s growing direct-to-consumer business.
- In January 2020, the Company acquired IDentilam Ltd. (“IDL”), based in Horsham, UK, for approximately \$2.9 million, net of cash acquired. IDL designs and develops a range of software solutions for event badging and identification cards and has been added to Avery’s direct-to-consumer operations.

Sales for the third quarter of 2021 were \$1,488.2 million, an increase of 8.4% compared to the \$1,373.4 million recorded in the third quarter of 2020. The sales increase was attributable to organic growth of 10.3% and acquisition-related growth of 2.2% partially offset by a 4.1% negative impact from foreign currency translation. For the nine-month period ended September 30, 2021, sales were \$4,244.0 million, an increase of 9.1% compared to \$3,891.7 million for the same nine-month period a year ago. This increase in sales can be attributed to 11.5% organic growth and 2.1% acquisition-related growth partially offset by a 4.5% negative impact from foreign currency translation.

Selling, general and administrative expenses (“SG&A”) were \$190.7 million and \$561.6 million for the three-month and nine-month periods ended September 30, 2021, compared to \$185.0 million and \$537.2 million for same periods in the prior year,

respectively. The increase in SG&A for the comparative three-month periods is due to increases in discretionary expense in 2021 compared to 2020 third quarter. For the nine-month periods, SG&A increased due to higher short-term and long-term variable compensation expense within corporate costs and an increase in discretionary expenses in 2021 compared to 2020.

The Company recorded an expense for restructuring and other items of \$0.7 million (\$0.5 million after tax) and \$3.3 million (\$2.6 million after tax) for the three-month and nine-month periods ended September 30, 2021, compared to \$16.2 million (\$11.9 million after tax) and \$21.8 million (\$16.3 million after tax), for same periods in the prior year, respectively. For the comparable three-month and nine-month periods of 2021 and 2020, restructuring and other items were principally severance costs and acquisition transaction costs, however; the 2020 periods also included an expense of \$9.4 million in excess of the amount originally accrued for the High Court of Australia's final judgement in a pre-acquisition lawsuit against CCL Secure's polymer banknote substrate business.

Operating income (a non-IFRS financial measure; refer to definition in Section 14 of this MD&A) for the third quarter of 2021 declined to \$223.9 million, compared to \$246.3 million for the third quarter of 2020. Avery and Innovia posted improved results, offset by the expected decline in the CCL Segment and lower results at Checkpoint. Operating income declined 5.0%, excluding the negative impact of foreign currency translation. For the nine months ended September 30, 2021, operating income improved 11.8%. The nine-month increase was due to improved results for all of the Company's Segments compared to the same nine-month period in 2020. Foreign currency translation had a negative impact of 4.6% on operating income for the comparable nine-month periods.

Earnings before net finance cost, taxes, earnings in equity accounted investments, depreciation and amortization, restructuring and other items ("Adjusted EBITDA", a non-IFRS financial measure; refer to definition in Section 14 of this MD&A) declined 6.7% to \$299.5 million for the third quarter of 2021, compared to \$321.1 million for the third quarter of 2020. Excluding the negative impact of foreign currency translation, Adjusted EBITDA declined 2.8%. For the nine months ended September 30, 2021, Adjusted EBITDA was \$895.9 million, an increase of 6.7% compared to \$839.3 million in the comparable 2020 nine-month period. Foreign currency translation had a negative impact of 4.4% on Adjusted EBITDA for the comparable nine-month periods.

Net finance cost was \$14.2 million and \$43.0 million for the three-month and nine-month periods ended September 30, 2021, compared to \$16.4 million and \$49.4 million for the same periods in 2020. The decrease in net finance cost for the three-month and nine-month periods ended September 30, 2021, was attributable to a reduction in total debt compared to the same periods in 2020.

The overall effective income tax rate was 24.1% and 24.6% for the three-month and nine-month periods ended September 30, 2021, compared to 25.1% and 25.6% for the same periods in the prior year. The decline in effective tax rates for the comparable periods can be attributed to a reduction in valuation allowance in tax jurisdictions that

were historically incurring start-up losses and an increase in taxable income in lower cost tax jurisdictions.

For the comparable nine-month periods, the 2021 effective tax rate was impacted by new UK tax legislation that came into affect during the second quarter that raised income tax rates in future periods; therefore, the Company was required to increase its deferred income tax liability by \$8.0 million resulting in a corresponding increase in tax expense. This increase in tax expense was largely offset by a \$7.3 million reduction in valuation allowances due to improved profitability at certain subsidiaries of the Company in the first nine months of the year. Of this \$8.0 million increase, \$4.7 million primarily related to book and tax timing differences and other discrete items. However, \$3.3 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.

The effective tax rate may increase in future periods if a higher portion of the Company's taxable income is earned in higher tax jurisdictions.

Net earnings for the third quarters of 2021 and 2020 were \$153.3 million. This resulted in basic and diluted earnings of \$0.85 and \$0.84 per Class B share, respectively, for the 2021 third quarter compared to basic and diluted earnings of \$0.86 per Class B share for the prior year third quarter. Changes in foreign exchange rates reduced earnings by \$0.04 per Class B share compared to the third quarter of 2020.

Net earnings for the nine-month period of 2021 were \$454.0 million, an increase of 18.3% compared to \$383.8 million for the same period a year ago. This resulted in basic and diluted earnings of \$2.53 and \$2.51 per Class B share, respectively, for the 2021 nine-month period compared to basic and diluted earnings of \$2.15 and \$2.14 per Class B share, respectively, for the prior year nine-month period. The weighted average number of shares (comprised of Class A voting shares and Class B non-voting shares) for the 2021 nine-month period were 179.6 million basic and 180.8 million diluted shares compared to 178.7 million basic and 179.7 million diluted shares for the comparable period of 2020. Diluted shares include weighted average in-the-money equity compensation arrangements totaling 1.2 million shares (2020 – 1.0 million shares).

Adjusted basic earnings per Class B share were \$0.85 and \$2.56 for the three-month and nine-month periods of 2021, respectively, compared to \$0.93 and \$2.24 for same periods of 2020.

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

(in Canadian dollars)	Third Quarter		Year-To-Date	
Adjusted Basic Earnings per Class B Share	2021	2020	2021	2020
Basic earnings per Class B share	\$ 0.85	\$ 0.86	\$ 2.53	\$ 2.15
Restructuring and other items	-	0.07	0.01	0.09
New UK Tax Legislation	-	-	0.02	-
Adjusted basic earnings ⁽¹⁾ per Class B share	\$ 0.85	\$ 0.93	\$ 2.56	\$ 2.24

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

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

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

	<u>Qtr 1</u>	<u>Qtr 2</u>	<u>Qtr 3</u>	<u>Qtr 4</u>	<u>Total</u>
Sales					
2021	\$ 1,349.5	\$ 1,406.3	\$ 1,488.2	\$ -	\$ 4,244.0
2020	1,296.5	1,221.8	1,373.4	1,350.6	5,242.3
2019	1,332.1	1,354.2	1,357.1	1,277.9	5,321.3
Net earnings					
2021	147.7	153.0	153.3	-	454.0
2020	126.6	103.9	153.3	145.9	529.7
2019	123.7	121.3	127.7	104.4	477.1
Net earnings per Class B share					
Basic					
2021	0.82	0.86	0.85	-	2.53
2020	0.71	0.58	0.86	0.81	2.96
2019	0.70	0.68	0.71	0.59	2.68
Net earnings per Class B share					
Adjusted basic					
2021	0.82	0.89	0.85	-	2.56
2020	0.72	0.59	0.93	0.84	3.08
2019	0.71	0.69	0.72	0.67	2.79
Net earnings per Class B share					
Diluted					
2021	0.81	0.86	0.84	-	2.51
2020	0.70	0.58	0.86	0.80	2.94
2019	0.69	0.68	0.71	0.58	2.66

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

As a result of the impact of CV19 on the economy and the Company's businesses, historical seasonality trends could either be adversely affected or temporarily improved as described within this MD&A.

3. Business Segment Review

CCL Segment (“CCL”)

	<u>Third Quarter</u>			<u>Year-To-Date</u>		
(\$ millions)	<u>2021</u>	<u>2020</u>	<u>+/-</u>	<u>2021</u>	<u>2020</u>	<u>+/-</u>
Sales	\$ 882.0	\$ 877.0	0.6%	\$ 2,615.0	\$ 2,497.4	4.7%
Operating Income ⁽¹⁾	\$ 127.6	\$ 160.8	(20.6%)	\$ 424.3	\$ 416.4	1.9%
Return on Sales ⁽¹⁾	14.5%	18.3%		16.2%	16.7%	
Capital Spending	\$ 50.6	\$ 33.1	52.9%	\$ 151.7	\$ 150.0	1.1%
Depreciation and Amortization ⁽²⁾	\$ 51.2	\$ 52.2	(1.9%)	\$ 154.0	\$ 156.9	(1.8%)

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

⁽²⁾ Depreciation and Amortization expense excludes depreciation of \$5.3 million and \$16.0 million, respectively, for right-of-use assets in the three-month and nine-month periods ended September 30, 2021 (2020 - \$5.6 million and \$16.5 million, respectively).

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

Sales for CCL were \$882.0 million for the third quarter of 2021 compared to \$877.0 million for the same quarter last year. The components of the 0.6% increase in sales are a 2.5% organic growth rate and 2.1% acquisition-related growth partially offset by a 4.0% negative impact from foreign currency translation.

North American sales were up mid-single digit for the third quarter of 2021, excluding currency translation (where the weaker U.S. dollar had a significant impact), compared to the third quarter of 2020. Home & Personal Care sales increased significantly on increased demand for tubes and aerosol containers (latter aided by pass through of rapidly escalating aluminum costs) for travel size, beauty, cosmetic and skin care products, with labels virtually flat as cleansing and sanitizing related demand fell. Healthcare & Specialty results improved modestly compared to a robust prior year period fueled by the pandemic. CCL Design North America declined on semiconductor supply chain challenges curtailing production demand, especially in automotive

markets. Food & Beverage results declined modestly on share loss in pressure sensitive labels partly offset by gains in sleeves. CCL Secure results also declined. Overall operating income and return on sales, for the current quarter in North America decreased compared to the third quarter of 2020 in part due to broad based cost inflation.

Sales in **Europe** were down low single digit for the third quarter of 2021, excluding currency translation and acquisitions, compared to the third quarter of 2020. Home & Personal Care sales and profitability declined moderately in challenging markets. Healthcare & Specialty sales increased on gains in Healthcare, however, share loss in Ag Chem markets and operational challenges in the Nordic region reduced profitability. Food & Beverage results were mixed with gains in pressure sensitive labels as “on premise” demand in bars, cafes and restaurants returned, offsetting share loss related sales declines and the impact of cost inflation in sleeve applications. CCL Design sales and profitability decreased as semiconductor supply chain challenges negatively impacted automotive markets. As anticipated, CCL Secure results reduced very significantly as the prior year period included unexpected high margin pandemic-related demand for banknotes. European overall profitability and return on sales declined.

Sales in **Latin America** increased double digit for the third quarter of 2021, excluding currency translation, compared to the third quarter of 2020. Strong results were recorded in Brazil, Chile and Argentina. Sales and profitability also improved in Mexico in all business lines, bar the expected impact of reduced demand at CCL Secure compared to a very strong prior year aided by new currency launches. Overall operating income improved and return on sales was comparable to the prior year period.

Asia Pacific sales for the 2021 third quarter, excluding currency translation and acquisitions, increased mid-single digit compared to the corresponding quarter in 2020. Sales growth in China was particularly strong, especially for CCL Design aided by new business wins, but profitability was curtailed by start-up costs, cost inflation and the absence of government assistance programs that benefitted 2020. Share loss and cost inflation impacted results at CCL Label. Sales and profitability across ASEAN markets declined compared to the prior year period, as all countries remain challenged by some of the toughest CV19 restrictions in the world, most notably in Vietnam. CCL Design results in Singapore remained strong. As expected, Australian results declined considerably at CCL Secure, due to the pandemic-related surge in banknote demand in the prior year third quarter, partly offset by significantly improved performance at CCL Label operations. South Africa posted another profitable quarter. For the Asia Pacific region, operating income and return on sales declined compared to the third quarter of 2020.

Operating income for the third quarter of 2021 was \$127.6 million, compared to \$160.8 million for the third quarter of 2020. Return on sales was 14.5% compared to the 18.3% and 15.3% recorded for the same periods in 2020 and 2019, respectively.

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

CCL invested \$151.7 million in capital spending for the first nine months of 2021, compared to \$150.0 million in the same period in 2020. Major expenditures for the nine-month period related to capacity additions to support the Home & Personal Care, Healthcare & Specialty and Food & Beverage businesses globally as well as CCL Design electronics in Asia. Investments will continue in order to add capacity, broaden capabilities, expand geographically, and replace or upgrade existing plants and equipment. Depreciation and amortization was \$154.0 million for the nine months ended September 30, 2021, compared to \$156.9 million for the same period of 2020.

Avery Segment (“Avery”)

	<u>Third Quarter</u>			<u>Year-To-Date</u>		
(\$ millions)	<u>2021</u>	<u>2020</u>	<u>+/-</u>	<u>2021</u>	<u>2020</u>	<u>+/-</u>
Sales	\$ 209.7	\$ 178.4	17.5%	\$ 529.0	\$ 483.4	9.4%
Operating Income ⁽¹⁾	\$ 51.2	\$ 35.7	43.4%	\$ 110.4	\$ 86.3	27.9%
Return on Sales ⁽¹⁾	24.4%	20.0%		20.9%	17.9%	
Capital Spending	\$ 2.2	\$ 4.0	(45.0%)	\$ 6.1	\$ 14.9	(59.1%)
Depreciation and Amortization ⁽²⁾	\$ 4.7	\$ 5.0	(6.0%)	\$ 14.2	\$ 14.3	(0.7%)

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

⁽²⁾ Depreciation and Amortization expense excludes depreciation of \$1.5 million and \$4.7 million, respectively, for right-of-use assets in the three-month and nine-month periods ended September 30, 2021 (2020 - \$1.7 million and \$5.4 million, respectively).

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 Group (“PMG”), 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; and (3) Direct-to-Consumer digitally imaged media including labels, business cards, name badges, event badges, wristbands and family oriented identification labels supported by unique web-enabled e-commerce URLs.

Avery sales were \$209.7 million for the third quarter of 2021, an improvement of 17.5% compared to \$178.4 million for the same quarter last year. This increase in sales is attributed to 20.4% organic sales growth and 1.4% impact from acquisition-related sales growth partially offset by 4.3% negative impact from foreign currency translation.

Sales in **North America** for the third quarter of 2021 improved dramatically, excluding currency translation (where the weaker U.S. dollar had a significant effect), compared to a third quarter of 2020 significantly impeded by pandemic-related conditions. Results for PMG, OPG and “Kids labels” product lines improved significantly on stronger back-to-school and return to work conditions compared to the weak prior year period. Cost inflation and supply chain challenges from China reduced the rate of profit improvement, especially in the OPG category. Results for Direct-to-Consumer name badge, event

badge and wristband categories improved dramatically as sports and leisure events returned to norm but trade conventions, business meetings and conferences, although sequentially improved, remain significantly below pre-pandemic levels. Plum, acquired in July of 2021, performed in line with expectations.

International represented approximately 28% of Avery sales for the third quarter. Excluding currency translation and acquisitions, organic sales growth was strong in all categories and all geographies compared to the prior year period. Third quarter 2021 operating income grew considerably compared to the 2020 third quarter despite international operations not benefitting from back to school product lines to the same extent as the North American market.

Operating income for the third quarter of 2021 increased 43.4% to \$51.2 million compared to \$35.7 million for the third quarter of 2020. Return on sales improved to 24.4% for the 2021 third quarter compared to 20.0% recorded for the same quarter in 2020.

Avery invested \$6.1 million in capital spending in the first nine months of 2021 compared to \$14.9 million in the same period a year ago. The majority of the expenditures were capacity additions in the PMG and Direct-to-Consumer operations globally. Depreciation and amortization was \$14.2 million for the 2021 nine-month period compared to \$14.3 million for the 2020 nine-month period.

Checkpoint Segment (“Checkpoint”)

(\$ millions)	<u>Third Quarter</u>			<u>Year-To-Date</u>		
	<u>2021</u>	<u>2020</u>	<u>+/-</u>	<u>2021</u>	<u>2020</u>	<u>+/-</u>
Sales	\$ 189.3	\$ 169.7	11.5%	\$ 545.7	\$ 446.2	22.3%
Operating Income ⁽¹⁾	\$ 24.6	\$ 29.6	(16.9%)	\$ 79.1	\$ 48.1	64.4%
Return on Sales ⁽¹⁾	13.0%	17.4%		14.5%	10.8%	
Capital Spending	\$ 9.5	\$ 2.7	251.9%	\$ 19.1	\$ 17.5	9.1%
Depreciation and Amortization ⁽²⁾	\$ 8.4	\$ 7.2	16.7%	\$ 23.0	\$ 21.8	5.5%

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

⁽²⁾ Depreciation and Amortization expense excludes depreciation of \$2.1 million and \$6.1 million, respectively, for right-of-use assets in the three-month and nine-month periods ended September 30, 2021 (2020 - \$2.3 million and \$6.8 million, respectively).

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

Checkpoint sales were \$189.3 million for the third quarter of 2021, an increase of 11.5% compared to \$169.7 million for the third quarter of 2020 driven by 11.0% organic sales growth rate and 5.1% impact from acquisition-related sales growth partially offset by 4.6% negative impact from foreign currency translation.

MAS sales improved in all regions, except Asia Pacific, where pandemic related challenges continue to exceed those in Western economies. Profitability reduced on significant cost inflation and the curtailment of government assistance programs compared to the 2020 third quarter. For the third quarter of 2021, ALS posted strong sales growth, excluding currency translation and acquisitions, while profitability increased entirely on a strong contribution from the newly acquired Uniter compared to the 2020 third quarter. Meto operations posted solid sales and profitability improvement for the 2021 third quarter compared to the same period a year ago.

Overall operating income was \$24.6 million for the third quarter of 2021 compared to \$29.6 million for the third quarter of 2020; return on sales declined to 13.0% from 17.4% for the comparable quarter in 2020.

Checkpoint invested \$19.1 million in capital spending for the first nine months of 2021 compared to \$17.5 million for the same period of 2020. The majority of the expenditures were in the ALS manufacturing facilities including RFID. Depreciation and amortization was \$23.0 million for the nine-month period of 2021, compared to \$21.8 million for the nine-month period of 2020.

Innovia Segment (“Innovia”)

(\$ millions)	<u>Third Quarter</u>			<u>Year-To-Date</u>		
	<u>2021</u>	<u>2020</u>	<u>+/-</u>	<u>2021</u>	<u>2020</u>	<u>+/-</u>
Sales	\$ 207.2	\$ 148.3	39.7%	\$ 554.3	\$ 464.7	19.3%
Operating Income ⁽¹⁾	\$ 20.5	\$ 20.2	1.5%	\$ 68.7	\$ 59.4	15.7%
Return on Sales ⁽¹⁾	9.9%	13.6%		12.4%	12.8%	
Capital Spending	\$ 11.8	\$ 7.7	53.2%	\$ 29.3	\$ 22.2	32.0%
Depreciation and Amortization ⁽²⁾	\$ 11.6	\$ 11.9	(2.5%)	\$ 34.6	\$ 34.5	0.3%

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

⁽²⁾ Depreciation and Amortization expense excludes depreciation of \$0.7 million and \$2.0 million, respectively, for right-of-use assets in the three-month and nine-month periods ended September 30, 2021 (2020 - \$0.7 million and \$2.0 million, respectively).

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

Sales for Innovia were \$207.2 million for the third quarter of 2021 compared to \$148.3 million for the third quarter of 2020. The components of the 39.7% increase in sales were 43.7% organic growth, largely driven by the pass-through pricing mechanics associated with dramatically higher resin costs (especially in North America), partially offset by 4.0% negative impact from currency translation.

Volume of film manufactured in Europe and Asia Pacific increased and improved strongly in North America compared to a good third quarter in 2020. Resin costs in North America reached record highs and also increased in Europe and Asia Pacific but were largely passed on to customers in higher pricing. Profitability, however, was held in check by substantial inflation in energy and transportation costs, especially in Europe. Return on sales declined to 9.9% largely on the dilutive effect of pass through resin pricing compared to 13.6% in the prior year period.

Operating income, including the negative impact of foreign currency translation improved 1.5% to \$20.5 million for the third quarter of 2021 compared to operating income of \$20.2 million in the 2020 third quarter.

Innovia invested \$29.3 million in capital spending for the first nine months of 2021, largely for the new “Ecofloat” investment in Poland, compared to \$22.2 million for the 2020 nine month period. Depreciation and amortization was \$34.6 million for the nine-month period of 2021 compared to \$34.5 million for the same period of 2020.

Joint Ventures

	Third Quarter			Year-To-Date		
((in millions of Canadian dollars))	<u>2021</u>	<u>2020</u>	<u>+/-</u>	<u>2021</u>	<u>2020</u>	<u>+/-</u>
Sales (at 100%)						
CCL joint ventures	\$ 36.7	\$ 34.0	7.9%	\$ 103.9	\$ 97.6	6.5%
Rheinfelden*	-	-	-	-	3.0	n.m.
CCL Total	\$ 36.7	\$ 34.0	7.9%	\$ 103.9	\$ 100.6	3.3%
Earnings (losses) in equity accounted investments						
CCL joint ventures	\$ 2.4	\$ 2.5	(4.0%)	\$ 6.4	\$ 5.8	10.3%
Rheinfelden	-	-	-	-	(0.3)	n.m.
CCL Total	\$ 2.4	\$ 2.5	(4.0%)	\$ 6.4	\$ 5.5	16.4%

* Primarily sales to the CCL Segment

Results from the joint ventures in CCL-Kontur, Russia; Pacman-CCL, Middle East, and, up until the date of its acquisition by the Company on February 14, 2020, Rheinfelden in the U.S. are not proportionately consolidated into a Segment but instead are accounted for as equity investments. The Company's share of the joint ventures' net earnings is disclosed in "Earnings in Equity-Accounted Investments" in the consolidated condensed interim income statements. Excluding currency translation for the Russian and Middle Eastern operations, sales increased significantly with earnings improvement in the Middle East outpacing a decline for the Russian entity. Earnings in equity-accounted investments, including the negative impact of currency translation, amounted to \$2.4 million for the third quarter of 2021 compared to \$2.5 million for the third quarter of 2020. Commencing mid-February 2020, equity investments no longer include the financial results of the Rheinfelden venture due to the Company's increase in ownership to 100%.

4. Currency Transaction Hedging and Currency Translation

Approximately 98% of sales made in the third quarter of 2021 to end-use customers were denominated in foreign currencies leaving the Company exposed to potentially significant translation variances when reporting results publicly in Canadian dollars. The Company does not hedge or manage such translation movements but does actively manage transaction exposures. Where possible, the Company contracts its business in local currencies with both customers and suppliers of raw materials.

The results of the third quarter of 2021 were negatively impacted by the appreciation of the Canadian dollar against the U.S. dollar, euro, Australian dollar, Brazilian real and Thai baht by 5.4%, 4.7%, 2.8%, 2.8%, and 10.1%, respectively, compared to the rates in the same period in 2020. This negative impact was partially offset by the depreciation of the Canadian dollar relative to the U.K. pound, Mexican peso and Chinese renminbi of 0.9%, 4.3% and 1.1%, when comparing the rates in the third quarters of 2021 and 2020. For the three-month and nine-month periods of 2021, foreign currency translation had a \$0.04 and \$0.11 negative impact, respectively on earnings per Class B share compared to the 2020 three-month and nine-month periods.

5. Liquidity and Capital Resources

The Company's capital structure is as follows:

(in millions of Canadian dollars)

	September 30, 2021	December 31, 2020
Current portion of long-term debt	\$ 35.4	\$ 51.8
Current lease liabilities	33.2	34.2
Long-term debt	1,685.4	1,889.4
Long-term lease liabilities	115.4	119.2
Total debt	1,869.4	2,094.6
Cash and cash equivalents	(622.5)	(703.7)
Net debt ⁽¹⁾	\$ 1,246.9	\$ 1,390.9
Adjusted EBITDA ⁽¹⁾⁽²⁾	\$ 1,179.8	\$ 1,123.2
Net debt to Adjusted EBITDA ⁽¹⁾	1.06	1.24

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

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

During the second quarter of 2020, the Company closed a rule 144A 3.05% private note offering due June 2030 in the principal amount of US\$600.0 million. The proceeds of the offering were almost entirely used to repay borrowings on the Company's unsecured syndicated revolving credit facility.

During the first quarter of 2020, the Company amended its syndicated bank credit facilities extending the tenor of the US\$366.0 million term facility to February 2022 and extending the tenor of the US\$1.2 billion revolving credit facility to February 2025.

During the first nine months 2021, debt repayments of \$226.3 million were primarily used to repay syndicated term debt and the bilateral uncommitted credit facility in Australia.

The Company's debt structure at September 30, 2021, was primarily comprised of 144A 3.05% private notes due June 2030 in the principal amount of US\$600.0 million (C\$752.8 million), 144A 3.25% private notes due October 2026 in the principal amount of US\$500.0 million (C\$629.3 million), the \$300.0 million principal amount 3.864% Series 1 Notes due April 2028, and the term loan facility of US\$17.0 million (C\$21.5 million). A bilateral uncommitted credit facility resident in Australia was \$7.9 million.

The Company's debt structure at December 31, 2020, was primarily comprised of the 144A 3.05% private notes due June 2030 in the principal amount of US\$600 million (\$754.8 million), 144A 3.25% private notes due October 2026 in the principal amount of US\$500.0 million (\$630.8 million), the \$300.0 million principal amount 3.864% Series 1 Notes due April 2028, and the term loan facility of US\$161.0 million (\$204.8 million). The additional uncommitted loan facility resident in Australia was \$50.2 million.

Net debt was \$1,246.9 million at September 30, 2021, \$144.0 million lower than the net debt of \$1,390.9 million at December 31, 2020. The decrease in net debt is principally a result of debt repayments during the first nine months of this year partially offset by a decrease in cash-on-hand at September 30, 2021, compared to December 31, 2020.

Net debt to Adjusted EBITDA at September 30, 2021 decreased to 1.06 times, compared to 1.24 times at December 31, 2020, reflecting the aforementioned decrease in net debt as well as an increase in Adjusted EBITDA.

Including US\$2.9 million of outstanding letters of credit, the Company had approximately US\$1.2 billion of available capacity within its syndicated revolving credit facility as at September 30, 2021.

The Company's overall average finance rate, excluding lease liabilities, was 2.4% as at September 30, 2021, compared to 2.3% at December 31, 2020. The slight increase in overall finance rate is attributable to the repayment of lower cost pre-payable term debt during the first nine months of 2021.

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

6. Cash Flow

(in millions of Canadian dollars)		Third Quarter		Year-To-Date	
Summary of Cash Flows		2021	2020	2021	2020
Cash provided by operating activities	\$	223.9	\$ 277.7	\$ 531.8	\$ 551.4
Cash used for financing activities		(154.7)	(79.5)	(311.3)	(207.3)
Cash used for investing activities		(143.9)	(58.2)	(279.9)	(301.5)
Translation adjustments on cash and cash equivalents		3.9	0.8	(21.8)	14.0
Increase (decrease) in cash and cash equivalents	\$	(70.8)	\$ 140.8	\$ (81.2)	\$ 56.6
Cash and cash equivalents – end of period	\$	622.5	\$ 760.2	\$ 622.5	\$ 760.2
Free cash flow from operations ⁽¹⁾	\$	152.4	\$ 230.4	\$ 334.6	\$ 361.1

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

During the third quarters of 2021 and 2020, the Company generated cash from operating activities of \$223.9 million and \$277.7 million, respectively. Free cash flow from operations was an inflow of \$152.4 million in the 2021 third quarter compared to an inflow of \$230.4 million in the prior year third quarter. An increase in cash taxes paid and net capital expenditures coupled with a retrenchment of net working capital, reduced free cash flow from operations and cash provided by operating activities for the third quarter of 2021 compared to the third quarter of 2020.

Capital spending in the third quarter of 2021 amounted to \$74.1 million compared to \$47.5 million in the 2020 third quarter. Total depreciation and amortization for the third quarter of 2021 was \$85.9 million, compared to \$87.1 million for the third quarter of 2020. Expected net capital spending for 2021 is estimated to be approximately \$300.0 million. The Company is continuing to seek investment opportunities to expand its business geographically, add capacity in its facilities and improve its competitiveness.

Dividends paid in the third quarters of 2021 and 2020 were \$37.8 million and \$32.1 million, respectively. The total number of shares issued and outstanding as at September 30, 2021 and 2020 were 180.2 million and 178.7 million, respectively. The Board of Directors has approved a dividend of \$0.2075 per Class A voting share and \$0.21 per Class B non-voting share to shareholders of record as of December 15, 2021, and payable December 29, 2021. The annualized dividend rate is \$0.83 per Class A share and \$0.84 per Class B share.

In May 2021, the Company announced a share repurchase program under a normal course issuer bid ("bid") to purchase up to 8.0 million Class B non-voting shares, approximately 4.8% of the public float. The Company has not repurchased any shares under this bid to date.

7. Interest rate and Foreign Exchange Management

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

As at September 30, 2021, the Company had US\$17.0 million drawn on its term loan, which is hedging a portion of its US\$-based investments.

As at September 30, 2021, the Company utilized cross-currency interest rate swap agreements ("CCIRSAs") to hedge its euro-based assets and cash flows, effectively converting notional US\$264.7 million 3.25% fixed rate debt into 1.23% fixed rate euro debt, US\$111.5 million 3.25% fixed rate debt into 1.16% fixed rate euro debt, US\$204.6 million 3.05% fixed rate debt into 2.06% fixed rate euro debt and US\$203.9 million 3.05% fixed rate debt into 2.0% fixed rate euro debt. The effect of the CCIRSAs has been to reduce finance cost by \$10.3 million for the nine months ended September 30, 2021.

8. Subsequent Events

In October 2021, the Company announced it had signed a binding agreement to acquire Desarrollo e Investigación S.A. de C.V. and Fuzetouch PTE LTD (Singapore) (collectively "D&F") headquartered in San Luis Potosi, Mexico. These business acquisitions which will be structured as asset transactions for legal purposes, included an equity interest in a related maquiladora, with a combined valuation, net of cash and debt, of approximately \$50.7 million, subject to customary closing adjustments. Closing is planned before the end of the year; the new business will then trade as CCL Design. D&F together are a leading supplier of graphic interface control panels and assemblies serving large global customers in the consumer electronics and medical markets throughout the USMCA region.

9. Accounting Policies

A) Critical Accounting Estimates

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

The 2020 annual audited consolidated financial statements and notes thereto, as well as the 2020 annual MD&A, have identified the accounting policies and estimates that are critical to the understanding of the Company's business operations and results of operations. For the nine months ended September 30, 2021, there are no changes to the critical accounting policies and estimates from those described in the 2020 annual MD&A.

B) Inter-Company and Related Party Transactions

A summary of the Company's related party transactions is set out in note 27 of the annual consolidated financial statements for the year ended December 31, 2020. There have been no changes to the nature of, or parties to, the transactions for the nine months ended September 30, 2021.

10. Commitments and Contingencies

The Company has no material "off-balance sheet" financing obligations, surety bonds and loan guarantees. The nature of these commitments is described in note 26 and note 27 of the annual consolidated financial statements for the year ended December 31, 2020. There are no defined benefit plans funded with CCL Industries Inc. stock.

11. Controls and Procedures

There have been no changes in the Company's internal controls during the quarter that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting. There were no material changes in disclosure controls and procedures in the nine-month period ended September 30, 2021.

12. Risks and Strategies

The 2020 MD&A in the annual report detailed risks to the Company's business and the strategies planned for 2021 and beyond. There have been no material changes to those risks and strategies during the first nine months of 2021.

13. Outlook

The third quarter of 2021 was strong for the Company, surpassing pre-pandemic performance. Relaxed civil restrictions in the western world aided economic activity, albeit ASEAN countries continue to grapple with tough pandemic conditions. Compared to the 2020 third quarter, profitability declined as the windfall, high margin pandemic-related banknote sales for CCL Secure did not repeat in the 2021 third quarter. Therefore, adjusted basic earnings of \$0.85 per Class B share was a strong result compared to the 2020 record third quarter adjusted basic earnings of \$0.93 per Class B share. Moving forward management expects improved economic activity globally driven by continued relaxation of government CV19-related restrictions. However, inflationary cost pressures, supply chain challenges and the potential negative impact of foreign currency translation if current exchange rates prevail in 2021, especially the weaker U.S. dollar, will make the results of 2020 fourth quarter a challenge to repeat in the 2021 period.

For the CCL and Checkpoint Segments, fourth quarter 2020 results were strong and likely challenging to match for the fourth quarter of 2021 despite indications of enhanced economic momentum. Both Segments face significant exposure to ASEAN and Indian sub-continent locations where heavy pandemic-related restrictions are in place. Supply chain challenges affecting automotive markets are also expected to persist well into 2022 impacting CCL Design results. Inflationary cost pressures remain on the watch across the Company; efficiency initiatives and selling price increases are being implemented to offset, as appropriate.

Avery's Direct-to-Consumer event and name badging operations will remain impacted globally while large-scale business meetings and trade conventions remain at reduced levels. "Kids' labels" and "WePrint" sales are expected to remain solid. Avery's PMG and OPG product groups in North America should improve as bricks-and-mortar retail strengthens and onsite office-employee density increases. Orders remain steady for the start of the fourth quarter. Overall results for Avery are expected to improve on prior year levels for the balance of 2021.

Innovia faced significant polypropylene resin cost increases in the first nine months of 2021 but so far successfully passed them on to customers. Effectively managing input cost volatility, energy and freight cost inflation while offsetting with enhanced productivity efforts and, as appropriate, price adjustments remain mission critical. Building the proprietary new "Ecofloat" shrink film line in Europe will also be at the forefront for the balance of the year. Solid progress is otherwise expected to continue.

The Company finished the third quarter with \$622.5 million cash-on-hand and additional unused capacity of US\$1.2 billion within its syndicated revolving credit facility. Net debt to Adjusted EBITDA continued to decline, now at 1.06 turns. The Company's liquidity position is robust and positioned for incremental acquisition growth in the right circumstances. The Company expects net capital expenditures for 2021 to be approximately \$300.0 million, supporting organic growth and new greenfield opportunities globally. Fourth quarter orders have been solid so far compared to prior year. Pandemic uncertainties remain in certain geographies where vaccination rates are low and where new upstart CV19 waves could impact expectations.

Foreign currency translation would be a headwind at current exchange rates for the fourth quarter of 2021 compared to the same quarter in 2020.

14. Key Performance Indicators and Non-IFRS Financial Measures

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

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

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

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

(in millions of Canadian dollars)	Third Quarter		Year-To-Date	
	2021	2020	2021	2020
Adjusted EBITDA				
Net earnings	\$ 153.3	\$ 153.3	\$ 454.0	\$ 383.8
Corporate expense	10.3	12.3	42.4	30.3
Earnings in equity accounted investments	(2.4)	(2.5)	(6.4)	(5.5)
Net finance cost	14.2	16.4	43.0	49.4
Restructuring and other items	0.7	16.2	3.3	21.8
Income taxes	47.8	50.6	146.2	130.4
Operating income (a non-IFRS measure)	\$ 223.9	\$ 246.3	\$ 682.5	\$ 610.2
Less: Corporate expense	(10.3)	(12.3)	(42.4)	(30.3)
Add: Depreciation and amortization	85.9	87.1	255.8	259.4
Adjusted EBITDA (a non-IFRS measure)	\$ 299.5	\$ 321.1	\$ 895.9	\$ 839.3
Adjusted EBITDA for 12 months ended December 31, 2020 and 2019, respectively				
			\$ 1,123.2	1,067.2
less: Adjusted EBITDA for nine months ended September 30, 2020 and 2019, respectively				
			(839.3)	(812.4)
add: Adjusted EBITDA for nine months ended September 30, 2021 and 2020 respectively				
			895.9	839.3
Adjusted EBITDA for 12 months ended September 30				
			\$ 1,179.8	\$ 1,094.1

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

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

(in millions of Canadian dollars)	Third Quarter		Year-To-Date	
	2021	2020	2021	2020
Free Cash Flow from Operations				
Cash provided by operating activities	\$ 223.9	\$ 277.7	\$ 531.8	\$ 551.4
Less: Additions to property, plant and equipment	(74.1)	(47.5)	(206.2)	(204.6)
Add: Proceeds on disposal of property, plant and equipment	2.6	0.2	9.0	14.3
Free Cash Flow from Operations	\$ 152.4	\$ 230.4	\$ 334.6	\$ 361.1

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

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

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

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

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

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

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

(in millions of Canadian dollars)

	Sales		Operating Income		Return on Sales	
	Third Quarter		Third Quarter		Third Quarter	
	2021	2020	2021	2020	2021	2020
CCL	\$ 882.0	\$ 877.0	\$ 127.6	\$ 160.8	14.5%	18.3%
Avery	209.7	178.4	51.2	35.7	24.4%	20.0%
Checkpoint	189.3	169.7	24.6	29.6	13.0%	17.4%
Innovia	207.2	148.3	20.5	20.2	9.9%	13.6%
Total Operations	\$ 1,488.2	\$ 1,373.4	\$ 223.9	\$ 246.3	15.0%	17.9%

Supplemental Financial Information

Sales Change Analysis Revenue Growth Rates (%)

	Three Months Ended September 30, 2021				Nine Months Ended September 30, 2021			
	Organic Growth	Acquisition Growth	FX Translation	Total	Organic Growth	Acquisition Growth	FX Translation	Total
CCL	2.5%	2.1%	(4.0%)	0.6%	7.2%	2.0%	(4.5%)	4.7%
Avery	20.4%	1.4%	(4.3%)	17.5%	12.8%	1.8%	(5.2%)	9.4%
Checkpoint	11.0%	5.1%	(4.6%)	11.5%	24.8%	2.0%	(4.5%)	22.3%
Innovia	43.7%	-	(4.0%)	39.7%	20.2%	3.0%	(3.9%)	19.3%
Total	10.3%	2.2%	(4.1%)	8.4%	11.5%	2.1%	(4.5%)	9.1%

15. Outstanding Share Data

As at November 10, 2021, there were 11,822,137 Class A voting shares and 168,341,091 Class B non-voting shares (“Class B Shares”) outstanding. In addition, there were stock options outstanding to purchase 1,562,875 Class B shares, 240,285 deferred share units, 259,676 restricted stock units under the 2017-2025 Long Term Retention Plan, 129,338 restricted stock units under the 2019 Long Term Retention Plan, 1,114,725 performance stock units and 123,209 restricted stock units under the Performance Stock Unit Plan and 341,632 restricted stock units under the Restricted Stock Unit Plan.