

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED DECEMBER 31, 2021 AND 2020

(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, 2021 and 2020. In preparing this MD&A, the Company has taken into account information available until February 24, 2022, unless otherwise noted. This MD&A should be read in conjunction with the Company's December 31, 2021, annual consolidated financial statements, which form part of the CCL Industries Inc. 2021 Annual Report dated February 24, 2022. The consolidated 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 presentation 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, 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 (the "Board") have reviewed this MD&A to ensure consistency with the approved strategy and results of the business.

INDEX

1. Corporate Overview

- | | |
|--|---|
| A) The Company | B) Coronavirus ("CV19") Pandemic |
| C) Customers and Markets | D) Strategy and Financial Targets |
| E) Recent Acquisitions and Dispositions | F) Subsequent Events |
| G) Consolidated Annual Financial Results | H) Seasonality and Fourth Quarter Financial Results |

2. Business Segment Review

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

3. Financing and Risk Management

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

4. Risks and Uncertainties

5. Accounting Policies and Non-IFRS Measures

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

6. Outlook

Forward-Looking Information

This MD&A contains forward-looking information and forward-looking statements, as defined under applicable securities laws, (hereinafter collectively referred to as “forward-looking statements”) that involve a number of risks and uncertainties. Forward-looking statements include all statements that are predictive in nature or depend on future events or conditions. Forward-looking statements are typically identified by, but not limited to, the words “believes,” “expects,” “anticipates,” “estimates,” “intends,” “plans” or similar expressions. Statements regarding the operations, business, financial condition, priorities, ongoing objectives, strategies and outlook of the Company, other than statements of historical fact, are forward-looking statements. Specifically, this MD&A contains forward-looking statements regarding the anticipated growth in sales, income and profitability of the Company’s segments; the Company’s improvement in market share; the Company’s capital spending levels and planned capital expenditures in 2022; the adequacy of the Company’s financial liquidity; the Company’s targeted return on equity, improved return on total capital, adjusted earnings per share, Adjusted EBITDA growth rates and dividend payout; the Company’s effective tax rate; the Company’s ongoing business strategy; the Company’s ability to maintain a Net Debt to Adjusted EBITDA ratio below 3.5 times; the Company’s expectations regarding general business and economic conditions; the Company’s Corporate Social Responsibility initiative to enhance the integration of social and environmental concerns into its business operations and strategy; the Company’s expectation to successfully divert waste from landfill reducing costs and having a positive sustainability impact for its customers; the Company’s announced new capacity addition in its proprietary “Ecofloat” film line commencing commercial production by the end of the second quarter in 2022; the continuing impact the CV19 pandemic will have on the global economy and the global supply chain; the Company’s success in passing on foreign exchange movements and input cost changes, including inflationary costs to its customer base; the Company’s success in quickly initiating actions to reduce variable costs if the economic environment weakens; the pursuit of new product initiatives by CCL Label and CCL Design, with capacity expansion plans in new and existing markets; CCL Secure’s success in developing market-leading security

technology to pursue widespread long-term adoption of polymer banknotes; the Company's expectation that results for "WePrint™" and Kids' label businesses 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 strengthens and onsite office-employee density increases; the Company's expectation that Avery's Direct-to-Consumer event and name badging operations will continue to improve globally as large-scale business meetings and trade conventions trend back to pre-pandemic levels; the Company's expectation that the Checkpoint operation will benefit from cost-saving initiatives and a move to omni-channel shopping by consumers; the Company's expectation that Innovia will offset resin, energy and freight cost increases with productivity initiatives and price increases to its customer base; and the Company's expectation that if demand remains solid and recent acquisitions meet expectations, results for 2022 should strengthen over 2021.

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; increased 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, aluminum and other inflationary cost increases to its customers; the availability of cash and credit; fluctuations of currency exchange rates; the Company's continued relations with its customers; and general business and economic conditions. Should one or more risks materialize or should any assumptions prove incorrect, then actual results could vary materially from those expressed or implied in the forward-looking statements. Further details on key risks can be found throughout this report and particularly in Section 4: "Risks and Uncertainties."

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

non-recurring and other special items can be complex and depends on the facts particular to each of them; therefore, the financial impact cannot be described in a meaningful way in advance of knowing the specific facts.

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

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

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

1. CORPORATE OVERVIEW

A) The Company

Founded in 1951, and publicly listed under its current name since 1980, the Company’s corporate offices are located in Toronto, Ontario, Canada, and Framingham, Massachusetts, United States, with a regional centre for Asia Pacific in Singapore. 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 25,100 people in 204 production facilities located in North America, Latin America, Europe, Australia, Africa and Asia including equity investments operating five facilities in Russia and five facilities in the Middle East.

The **CCL Segment** 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 consumer packaging, healthcare, chemicals, consumer durables, electronic device and automotive markets. Extruded and labeled plastic tubes, aluminum aerosols and specialty bottles, folded instructional leaflets, specialty folded cartons, 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 partly backward integrates 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.

B) Coronavirus (“CV19”) Pandemic

2021 was a year of perseverance and resiliency as the world withstood the ongoing CV19 pandemic. Optimism abounded early in the year as government approved vaccines rolled out, civil restrictions eased, and infection rates appeared to be declining. Accordingly, most temporary government financial support programs ceased and savings from furloughed and short-time working employees were insignificant for the year. CCL maintained its safety policies for employees, suppliers and customers, mitigating any chance of contagion and subsequent closure of any of its facilities. However, as the year progressed, vaccine scarcity in developing economies and the emergence of the more contagious Omicron variant drove many regimes into re-employing lockdown measures for their citizens. Consequently, global supply chain issues were prevalent all year compounded by inflation rates not evidenced in a generation, climbing sequentially as the year progressed. Despite these challenges, the Company delivered record adjusted earnings per share and strong free cash flow, while maintaining its acquisition growth strategy, closing on nine transactions in 2021. The Company’s balance sheet finished the year with a leverage ratio slightly in excess of one turn and available liquidity in excess of \$2.0 billion.

C) 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 markets served by the CCL Segment are large and diverse, with some sectors highly fragmented, but with few competitors having the Company’s substantial operating breadth or global reach. Avery has a dominant market-leading position for its products in North America, Europe and Australia. Checkpoint has significant market positions in all regions of the world and sells directly to retailers and apparel manufacturers and competes with other global retail labeling companies. Innovia operates plants in Europe, Mexico and Australia and has additional distribution capabilities in the United States and Asia that sell films to pressure sensitive materials producers, flexible packaging converters and the consumer packaged goods industry, while also producing film internally for security and label applications.

D) 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 its core competencies in label solutions centered on specialty converted media that enable short-run digital printing in homes and businesses and increasingly using the direct-to-consumer channel, both organically and by acquisition. Checkpoint focuses on technology-driven loss-prevention and 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. 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 2021 financial results delivered strong cash flow and a solid balance sheet after investing \$234.4 million in acquisitions and \$306.9 million in net capital expenditures to execute global growth initiatives. During good and difficult economic times, such as the CV19 pandemic, 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, 2021, the Company had \$602.1 million of cash on hand and approximately US\$1.19 billion of undrawn capacity on the Company's unsecured revolving credit facility.

The Company maintains a continuous focus on minimizing its investment in working capital to maximize cash flow in support of growth in the business. In addition, capital expenditures are targeted at the most attractive growth opportunities and are expected to be accretive to earnings. The Company's financial discipline and prudent allocation of capital have ensured sufficient available liquidity and a secure financial foundation for the long-term future.

A key financial target is return on equity before goodwill impairment loss, restructuring and other items, non-cash acquisition accounting adjustments and tax 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. 2021 ROE of 17.2%, although still strong, was down modestly to 2020 as retained earnings increased faster than profitability gains:

	2021	2020	2019	2018	2017	2016
Return on Equity	17.2%	17.8%	17.8%	20.0%	24.0%	23.5%

Another metric used by the investment community as a comparative measure is return on total capital before goodwill impairment loss, restructuring and other items, non-cash acquisition accounting adjustments and tax adjustments (“ROTC,” a non-IFRS measure; see “Key Performance Indicators and Non-IFRS Measures” in Section 5A). The chart below details performance since 2016. The Company targets delivering returns in excess of its cost of capital. ROTC of 12.5% for 2021 improved compared to 2020 due to the solid increase in adjusted net earnings for 2021, partially offset by the increase in capital deployed for acquisitions and net capital expenditures compared to 2020:

	2021	2020	2019	2018	2017	2016
Return on Total Capital	12.5%	11.9%	10.8%	11.3%	14.0%	15.9%

ROTC should increase as the Company deleverages its balance sheet and increases net earnings as the turbulent operating environment caused by the global CV19 pandemic fades away.

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, by 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 growth in its annual adjusted basic and basic earnings per share since 2016:

	2021	2020	2019	2018	2017	2016
Adjusted Basic EPS Growth Rate	9.4%	10.4%	2.2%	1.5%	17.9%	32.5%
Basic EPS Growth Rate	12.5%	10.4%	1.5%	(2.2%)	36.4%	16.5%

In 2021, adjusted basic earnings increased by 9.4% to \$3.37 per Class B share. Improved profitability from the Avery, Checkpoint and Innovia Segments and reduced net interest expense, offset reduced profitability for the CCL Segment and increased corporate costs. The Company believes continuing growth in earnings per share is achievable in the future as the negative earnings impact of the global CV19 pandemic wanes 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 (“Adjusted 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, Adjusted 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 growth in Adjusted EBITDA:

	2021	2020	2019	2018	2017	2016
Adjusted EBITDA	\$ 1,173.1	\$ 1,123.2	\$ 1,067.2	\$ 995.3	\$ 959.2	\$ 792.7
% of sales	20%	21%	20%	19%	20%	20%

In 2021, Adjusted EBITDA increased by approximately 8.8% from 2020, excluding the negative 4.4% impact of foreign currency translation. The Company’s Adjusted EBITDA margins remain at the top end of the range of its peers. The Company expects growth in Adjusted EBITDA in the future as the world normalizes subsequent to the effects of the CV19 pandemic and the Company implements its global growth initiatives.

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 Adjusted EBITDA with an appropriate deleveraging and liquidity profile to maintain its investment-grade ratings with Moody’s Investor Service (“Moody’s”) and S&P Global (“S&P”). As at December 31,

2021, net debt (a non-IFRS measure; see “Key Performance Indicators and Non-IFRS Measures” in Section 5A) to Adjusted EBITDA was 1.06 times, 0.18 turns lower than the 1.24 times at December 31, 2020, reflecting increased Adjusted EBITDA and a reduction in net debt. 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. The Board views this consistency and dividend growth as important factors in enhancing shareholder value. For 2021, the dividend payout ratio was 25% of adjusted earnings. This dividend payout ratio reflects the strong cash flows generated by the Company and a solid increase in adjusted earnings in 2021 compared to 2020. Therefore, after careful review of the current year results, budgeted cash flow and income for 2022, the Board has declared a 14.3% increase in the annual dividend: an increase of \$0.03 per Class B share per quarter, from \$0.21 to \$0.24 per Class B share per quarter (\$0.96 per Class B share annualized). Including this increase, the Company has more than doubled the annualized rate since March 2017.

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 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 service, supported by its reputation for quality manufacturing, competitive pricing, product innovation, dependability, ethical business practices and financial stability.

The Company has always updated its financial strategies and performance against internal benchmarks while considering its obligations to Corporate Social Responsibility (“CSR”). The Company’s CSR initiative is designed to enhance the integration of social and environmental concerns into its business operations and strategy and interactions with stakeholders. Beginning with its 2019 report, the Company now releases an annual Sustainability Report covering material environmental and social responsibility issues and policies. These reports are made available on the Company’s website at www.cclind.com/sustainability.

Sustainability: The Company is committed to helping customers meet their targets by developing new products while reducing the environmental impact of its manufacturing processes. The Company will limit industrial waste ending up in the environment or in landfills by implementing waste reduction strategies. The Company has set goals of cutting 2019's level of waste to landfill by 90% globally by 2025 and eliminating all landfill from its manufacturing process by 2030 in North America and Europe.

Ethics: The Company's Global Business Ethics Guide, enhanced in 2021 to align with the Company's Corporate Social responsibility strategy, is its primary policy on workplace practices, human rights, health and safety, ethical conduct and fair business practices for all employees. Reviewing the Guide is an important part of new hire training and global facilities are audited to ensure all new hires receive a copy of the ethics guide and sign a commitment of adherence to the code.

Health & Safety: The health and safety of the Company's employees around the world is a top priority. The Company's current Environmental Health & Safety ("EHS") policy and robust safety reporting programs address the statutory requirements of the countries where the Company does business. The EHS policy was revised and updated in 2020 with the launch of the Company's inaugural Sustainability Report. The Company is committed to integrating EHS considerations into operating practices and employee training programs. Quarterly reporting of health and safety performance statistics to management and the CSR Committee is required, with the objectives of an injury-free workplace and appropriate responses to all incidents. Each facility is assessed a colour code ranking for safety in each calendar year, with a focus on improvement of their health and safety standards.

Responsible Supply Chains: The Company continues to work with its supply chain partners to reduce the overall environmental and social impacts of its products including transportation, secondary packaging and material sourcing. Through predictive forecasting and responsive production, the Company is able to drive down lead times and help lower inventory throughout the supply chain with the added benefit of reducing waste and obsolescence and lowering the effects on the environment.

Circular Innovation: The Company's product innovation teams work directly with customers to create sustainable products applicable to their needs while supporting end-use consumer demand to reduce waste in the environment.

E) 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 2021, the Company acquired International Master Products Corporation (“IMP”), based in Michigan, U.S., for \$61.4 million net of cash acquired. IMP is a leading provider of labels and tags for the U.S. horticulture industry through digitally enabled design software, expanding Avery’s direct-to-consumer business.
- In December 2021, the Company acquired Lodging Access Systems, LLC, (“LAS”), based in Florida, U.S., for \$26.4 million, net of cash acquired. LAS is a leading supplier of digitally printed and encoded RFID key cards, wrist bands and key fobs for access controls. LAS further expands Avery’s direct-to-consumer business.
- In December 2021, the Company acquired the pharmaceutical leaflet printing press and customer list from the Laramara Foundation in Sao Paulo, Brazil, for \$0.8 million. These assets were added to the CCL Segment.
- In December 2021, the Company acquired Forever Blue Investimentos e Participacoes S.A. (d.b.a. “Tecnoblu”), headquartered in Blumenau, Brazil, for \$17.7 million net of cash and debt. Tecnoblu is now a part of the Checkpoint Apparel Labeling Solutions business (“ALS”).
- In December 2021, the company acquired Desarrollo e Investigación S.A. de C.V. and Fuzetouch PTE LTD (Singapore) (collectively “D&F”) headquartered in San Luis Potosi, Mexico, for approximately \$51.3 million net of cash acquired. D&F is a leading supplier of graphic interface control panels and assemblies and now trades as “CCL Design.”
- 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 \$50.4 million, including debt assumed and net of cash acquired. Uniter’s five factories are part of the Checkpoint ALS business.
- In July 2021, the Company acquired privately owned Plum Paper LLC (“Plum”), based in California, U.S., 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 was added to Avery’s direct-to-consumer business.
- 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 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, U.S., for approximately \$19.7 million, net of cash on hand. CSI is a specialized provider to the U.S. 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 \$18.8 million of net debt previously held in the venture. The business immediately changed its name to CCL Metal Science and reported in the CCL Segment.

- 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 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 Florida, U.S., 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 direct-to-consumer business.
- In January 2020, the Company acquired IDentilam Ltd. (“IDL”), based in Horsham, U.K., 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 business.

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 systems, to the retail and apparel industries. Innovia provides vertical integration, driving the Company deeper into polymer sciences, enhancing the development of proprietary products for its customers.

F) Subsequent Events

Prior to the release of the 2021 annual financial statements, the Company announced the following:

- In January 2022, the Company acquired McGavigan Holdings Ltd. (“McGavigan”), headquartered in Glasgow, Scotland, with significant additional manufacturing capability in China for \$105.5 million including assumed debt and net of cash acquired. McGavigan is a leading supplier of in-mould decorated components for automobile interiors and has now been added to CCL Design.

G) Consolidated Annual Financial Results

Selected Financial Information

Results of Consolidated Operations

	2021	2020	2019
Sales	\$ 5,732.8	\$ 5,242.3	\$ 5,321.3
Cost of sales	4,140.7	3,740.1	3,809.1
Gross profit	1,592.1	1,502.2	1,512.2
Selling, general and administrative	761.4	725.4	774.6
	830.7	776.8	737.6
Earnings in equity-accounted investments	11.2	9.5	5.4
Net finance cost	(56.9)	(65.2)	(81.0)
Restructuring and other items	(4.4)	(27.6)	(25.0)
Earnings before income taxes	780.6	693.5	637.0
Income taxes	181.5	163.8	159.9
Net earnings	\$ 599.1	\$ 529.7	\$ 477.1
Basic earnings per Class B share	\$ 3.33	\$ 2.96	\$ 2.68
Diluted earnings per Class B share	\$ 3.31	\$ 2.94	\$ 2.66
Adjusted basic earnings per Class B share	\$ 3.37	\$ 3.08	\$ 2.79
Dividends per Class B share	\$ 0.84	\$ 0.72	\$ 0.68
Total assets	\$ 7,627.8	\$ 7,336.7	\$ 7,038.0
Total non-current liabilities	\$ 2,462.8	\$ 2,792.5	\$ 2,992.3

Comments on Consolidated Results

Sales were \$5,732.8 million for 2021, an increase of 9.4% compared to \$5,242.3 million recorded in 2020. This increase in sales includes an organic growth rate of 11.8% and acquisition-related growth of 2.0%, partially offset by the 4.4% negative impact of foreign currency translation.

Consistent with 2020, approximately 98% of the Company's 2021 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, euro, Brazilian real, Mexican peso and Thai baht by 6.5%, 3.1%, 11.3% 1.4% and 8.4%, respectively, was partially offset by a 1.8% appreciation of the Australian dollar relative to the Canadian dollar in 2021 compared to average exchange rates in 2020.

Selling, general and administrative expenses ("SG&A") were \$761.4 million for 2021, compared to \$725.4 million reported in 2020. The increase in SG&A expenses in 2021 relates to an increase in corporate expenses as well as general increases across all business Segments of the Company. Corporate expenses for 2021 increased to \$60.6 million, compared to \$46.7 million for 2020, primarily due to increased variable compensation expenses on improved profitability in the third year of the amended long-term incentive plan.

Operating income (a non-IFRS measure; see “Key Performance Indicators and Non-IFRS Measures” in Section 5A) for 2021 was \$891.3 million, an increase of 8.2% compared to \$823.5 million for 2020. Foreign currency translation was a 4.6% negative impact to consolidated operating income for 2021 compared to 2020. The Avery, Checkpoint and Innovia Segments each increased operating income while CCL Segment posted a modest decline, compared to 2020. Further details on the business segments follow later in this report.

Adjusted EBITDA in 2021 was \$1,173.1 million, an improvement of 4.4% compared to \$1,123.2 million recorded in 2020. Excluding the impact of foreign currency translation, the increase was 8.8% over the prior year.

Net finance cost was \$56.9 million for 2021, compared to \$65.2 million for 2020. The 12.7% decline in net finance cost can primarily be attributed to reduced total debt for 2021 compared to 2020.

For the full year 2021, restructuring costs and other items represented an expense of \$4.4 million (\$3.5 million after tax) as follows:

- Restructuring expenses of \$3.9 million (\$3.0 million after tax), primarily related to severance and reorganization costs across the CCL, Checkpoint and Innovia Segments.
- Acquisition transaction costs totaled \$0.5 million (\$0.5 million after tax), for the nine acquisitions closed in 2021.

The negative earnings impact of these restructuring and other items in 2021 was \$0.02 per Class B share.

For the full year 2020, restructuring costs and other items represented an expense of \$27.6 million (\$20.8 million after tax) as follows:

- Restructuring expenses of \$18.4 million (\$14.2 million after tax), primarily related to severance and reorganization costs across the Company matching operational expenses to reduced economic activity resulting from the global CV19 pandemic.
- Acquisition transaction costs totaled \$1.1 million (\$1.1 million after tax), for the nine acquisitions closed in 2020.
- Other expenses of \$8.1 million (\$5.5 million after tax), related to the final judgement at the High Court of Australia for a pre-acquisition lawsuit against CCL Secure's polymer banknote substrate business for wrongful termination in 2008 of an agency agreement in the amount of AUD\$45.1 million (\$43.0 million) including interest and legal costs. This final judgement was \$8.6 million in excess of the amount accrued on the Innovia acquisition.

The negative earnings impact of these restructuring and other items in 2020 was \$0.12 per Class B share.

In 2021, the consolidated effective tax rate was 23.6%, compared to 23.9% in 2020, excluding earnings in equity-accounted investments. The combined Canadian federal and provincial statutory tax rate was 26.5% for 2021 (2020 – 25.8%). The effective tax rate was impacted by amendments to UK tax legislation enacted into law for the year partially offset by a reduction in valuation allowances due to improved profitability at certain subsidiaries of the Company resulting in a decline in the consolidated effective tax rate.

The new UK tax legislation raised income tax rates in future periods, therefore, the Company was required to increase its deferred income liability by \$8.0 million resulting in a corresponding increase in tax expense. This increase in tax expense was more than offset by a reduction in valuation allowances due to improved profitability at certain subsidiaries of the Company. 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.

Approximately 98% 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 due to 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 2021 increased 13.1% to \$599.1 million, compared to \$529.7 million recorded in 2020 due to the items described above.

Basic earnings per Class B share were \$3.33 for 2021 versus the \$2.96 recorded for 2020. Diluted earnings per Class B share were \$3.31 for 2021 and \$2.94 for 2020. The movement in foreign currency exchange rates in 2021 compared to 2020 had a negative impact on the translation of the Company's basic earnings of \$0.15 per Class B share. The diluted weighted average number of shares was 180.9 million for 2021, compared to 179.8 million for 2020.

As of December 31, 2021, the Company had 11.8 million Class A voting shares and 168.4 million Class B non-voting shares issued and outstanding. In addition, the Company had outstanding stock options to purchase 1.5 million Class B non-voting shares, 0.7 million restricted stock units ("RSU") to issue 0.7 million Class B non-voting shares, and 0.2 million deferred share units ("DSU") outstanding to issue 0.2 million Class B non-voting shares. Lastly, the Company has a performance stock unit ("PSU") plan to issue up to 1.5 million Class B non-voting shares to participants at the end of 2021, provided the financial performance criteria have been achieved and the participants are still employed by the Company. Since December 31, 2021 there has been no change in the number of outstanding Class A voting shares,

RSU's, DSUs or PSUs to be issued; however, 50,000 stock options were exercised to purchase 50,000 Class B non-voting shares from treasury shares.

Adjusted basic earnings per Class B share was \$3.37 for 2021, up 9.4% from \$3.08 in 2020.

The movement in foreign currency exchange rates in 2021 versus 2020 had an estimated negative translation impact of \$0.15 on adjusted basic earnings per Class B share. This estimated foreign currency impact reflects the currency translation in all foreign operations.

H) Seasonality and Fourth Quarter Financial Results

2021	Unaudited Qtr 1	Unaudited Qtr 2	Unaudited Qtr 3	Unaudited Qtr 4	Year
Sales					
CCL	\$ 876.7	\$ 856.3	\$ 882.0	\$ 883.2	\$ 3,498.2
Avery	140.4	178.9	209.7	179.9	708.9
Checkpoint	168.7	187.7	189.3	226.8	772.5
Innovia	163.7	183.4	207.2	198.9	753.2
Total sales	\$ 1,349.5	\$ 1,406.3	\$ 1,488.2	\$ 1,488.8	\$ 5,732.8
Segment operating income					
CCL	\$ 157.2	\$ 139.5	\$ 127.6	\$ 121.5	\$ 545.8
Avery	21.0	38.2	51.2	38.4	148.8
Checkpoint	25.4	29.1	24.6	36.4	115.5
Innovia	19.5	28.7	20.5	12.5	81.2
Operating income	223.1	235.5	223.9	208.8	891.3
Corporate expenses	15.9	16.2	10.3	18.2	60.6
Restructuring and other items	-	2.6	0.7	1.1	4.4
Earnings in equity-accounted investments	(1.9)	(2.1)	(2.4)	(4.8)	(11.2)
	209.1	218.8	215.3	194.3	837.5
Finance cost, net	14.7	14.1	14.2	13.9	56.9
Earnings before income taxes	194.4	204.7	201.1	180.4	780.6
Income taxes	46.6	51.7	47.9	35.3	181.5
Net earnings	\$ 147.8	\$ 153.0	\$ 153.2	\$ 145.1	\$ 599.1
Per Class B share					
Basic earnings	\$ 0.82	\$ 0.86	\$ 0.85	\$ 0.80	\$ 3.33
Diluted earnings	\$ 0.81	\$ 0.86	\$ 0.84	\$ 0.80	\$ 3.31
Adjusted basic earnings	\$ 0.82	\$ 0.89	\$ 0.85	\$ 0.81	\$ 3.37

H) Seasonality and Fourth Quarter Financial Results (continued)

2020	Unaudited Qtr 1	Unaudited Qtr 2	Unaudited Qtr 3	Unaudited Qtr 4	Year
Sales					
CCL	\$ 838.8	\$ 781.6	\$ 877.0	\$ 860.2	\$ 3,357.6
Avery	158.8	146.2	178.4	150.8	634.2
Checkpoint	154.9	121.6	169.7	189.3	635.5
Innovia	144.0	172.4	148.3	150.3	615.0
Total sales	\$ 1,296.5	\$ 1,221.8	\$ 1,373.4	\$ 1,350.6	\$ 5,242.3
Segment operating income					
CCL	\$ 140.6	\$ 115.0	\$ 160.8	\$ 136.4	\$ 552.8
Avery	32.1	18.5	35.7	27.0	113.3
Checkpoint	12.1	6.4	29.6	32.2	80.3
Innovia	15.5	23.7	20.2	17.7	77.1
Operating income	200.3	163.6	246.3	213.3	823.5
Corporate expenses	10.5	7.5	12.3	16.4	46.7
Restructuring and other items	1.8	3.8	16.2	5.8	27.6
Earnings in equity-accounted investments	(1.3)	(1.7)	(2.5)	(4.0)	(9.5)
	189.3	154.0	220.3	195.1	758.7
Finance cost, net	17.1	15.9	16.4	15.8	65.2
Earnings before income taxes	172.2	138.1	203.9	179.3	693.5
Income taxes	45.6	34.2	50.6	33.4	163.8
Net earnings	\$ 126.6	\$ 103.9	\$ 153.3	\$ 145.9	\$ 529.7
Per Class B share					
Basic earnings	\$ 0.71	\$ 0.58	\$ 0.86	\$ 0.81	\$ 2.96
Diluted earnings	\$ 0.70	\$ 0.58	\$ 0.86	\$ 0.80	\$ 2.94
Adjusted basic earnings	\$ 0.72	\$ 0.59	\$ 0.93	\$ 0.84	\$ 3.08

Fourth Quarter Results

Sales for the fourth quarter of 2021 increased 10.2% to \$1,488.8 million, compared to \$1,350.6 million recorded in the 2020 fourth quarter. Excluding foreign currency translation, sales for the fourth quarter of 2021 increased by 14.6% compared to the 2020 fourth quarter. This increase was due to 12.8% organic sales growth and 1.8% from acquisitions. The CCL, Avery, Checkpoint and Innovia Segments each recorded organic sales growth rates of 6.0%, 20.8%, 18.8% and 36.0%, respectively. CCL Segment recorded organic growth in all five of its sectors but most prominently at Food & Beverage and CCL Secure. Avery sales increased in all product categories and in all regions. Checkpoint recorded significant sales growth in both the Merchandise Availability Solutions ("MAS") product lines and especially Apparel

Labeling Solutions (“ALS”) product lines, including RFID. Sales growth at Innovia was principally driven by higher resin costs largely passed through to customers.

Operating income in the fourth quarter of 2021 was a modest decline of 2.1% to \$208.8 million, compared to \$213.3 million in the fourth quarter of 2020. For the fourth quarter of 2021, Avery and Checkpoint improved operating income 42.2% and 13.0%, respectively, offset by the 10.9% and 29.4%, declines for the CCL Segment and Innovia, respectively. Within the CCL Segment, Healthcare & Specialty, Home & Personal Care and CCL Secure all recorded profitability improvement due to sales gains and efficiency initiatives offset by results for CCL Design and Food & Beverage, which were impacted by supply chain challenges in automotive markets and raw material cost inflation, respectively. Avery’s substantial sales growth and profitability improvement across all categories drove an improved return on sales. The ALS and MAS businesses of Checkpoint, both posted strong profitability for the fourth quarter. Innovia’s fourth quarter profitability gains were eroded by substantial increases in energy and freight costs.

Corporate expenses were \$18.2 million in the fourth quarter of 2021, compared to \$16.4 million recorded in the prior-year period. The increase in corporate costs is principally attributable to increased expense for variable long-term compensation.

Adjusted EBITDA for the fourth quarter of 2021 was \$277.2 million compared to the \$283.9 million for the 2020 comparable period. Adjusted EBITDA declined due to the aforementioned results at the CCL and Innovia Segments.

Net finance cost was \$13.9 million for the fourth quarter of 2021 compared to \$15.8 million for the fourth quarter of 2020. Reduced total debt outstanding for the fourth quarter of 2021 compared to the fourth quarter of 2020 resulted in a reduction of comparative net finance costs.

For the fourth quarter of 2021, restructuring costs and other items represented an expense of \$1.1 million (\$0.9 million after tax) as follows:

- Restructuring expenses primarily related to severance and reorganization costs for the CCL and Checkpoint’s operations globally to match operational costs to customer demand levels during the pandemic.

The negative earnings impact of these restructuring and other items for the 2021 fourth quarter was \$0.01 per Class B share.

For the fourth quarter of 2020, restructuring costs and other items represented an expense of \$5.8 million (\$4.5 million after tax) as follows:

- Restructuring expenses primarily related to severance and reorganization costs for Checkpoint’s operations globally to match operational costs to customer demand levels during the pandemic.

The negative earnings impact of these restructuring and other items for the 2020 fourth quarter was \$0.03 per Class B share.

Tax expense in the fourth quarter of 2021 was \$35.3 million, resulting in an effective tax rate of 20.1% compared to \$33.4 million and an effective tax rate of 19.0% in the prior-year period. The comparative effective tax rates for the fourth quarters of 2021 and 2020 are lower than the annual effective tax rates due to a reduction in a valuation allowance based on the Company's ability to utilize previously unrecognized deferred tax assets at one of its German entities.

Net earnings in the fourth quarter of 2021 were \$145.1 million, compared to net earnings of \$145.9 million in the fourth quarter of 2020.

Basic earnings per Class B share were \$0.80 in the fourth quarter of 2021, compared to \$0.81 in the fourth quarter of 2020. The movement in foreign currency exchange rates in the fourth quarter of 2021 compared to 2020 had a negative impact of \$0.04 on basic earnings per Class B share.

Adjusted basic earnings per Class B share declined 3.6% to \$0.81 for the fourth quarter of 2021, compared to \$0.84 in the corresponding quarter of 2020.

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 workdays 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' reorder volatility. For Avery, the third quarter has historically been its strongest as it benefits from increased demand related to back-to-school activities in North America, although the impact is expected to diminish in future periods on secular declines in low-margin ring binder sales and the expansion of the Avery's direct-to-consumer businesses that do not have this seasonal bias. For Checkpoint, the second half of the calendar year is healthier as the business substantially follows the retail cycle of its customers, which traditionally experiences more consumer activity from September through to the end of the year and prepares for the same in its supply chain from mid-year on. Checkpoint's year-over-year comparative quarterly results often include one-time large chain-wide customer-driven hardware installations that strengthen future reoccurring label revenues. Sales in the final quarter of the year are negatively affected in North America by Thanksgiving and globally by the Christmas and New Year holiday season shutdowns.

Sales and net earnings comparability between the quarters of 2021 and 2020 were primarily affected by the magnitude of CV19-related civil limitations by country, regional economic variances, the impact of foreign currency changes relative to the Canadian dollar, the timing of acquisitions, the effect of restructuring initiatives, the impact of Central Bank reorder patterns, tax adjustments and other items. In particular, the second quarter of 2021 experienced significant sales and profitability improvement compared to a prior year period that was broadly impacted by CV19 restrictions on the Company's customer base. CCL Segment experienced notable increases in its Food & Beverage and CCL Design business lines on improved on-premise demand and an uptick in automotive markets, respectively. Avery's results improved in traditional product lines with increased employee density in businesses and in Direct-to-Consumer name badge, event badge and wristbands categories as sports and leisure events, conventions, meetings and conferences trended towards pre-pandemic levels. Checkpoint's second quarter results were robust compared to a prior year second quarter affected by the closure of non-essential retail outlets globally and apparel manufacturing hubs in Asia.

The 2021 third quarter was a strong quarter, but as expected below the record 2020 third quarter results, which included high margin, windfall banknote substrate orders for CCL Secure. Avery's third quarter improved dramatically with a more normalized back-to-school season in North America compared to a 2020 third quarter that was chaotic due to limitations related to the CV19 pandemic. Checkpoint and Innovia's results, although solid for the third quarter of 2021, were impacted by inflation cost pressures.

2. BUSINESS SEGMENT REVIEW

A) General

All divisions of the Company invest 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. Throughout the pandemic each operating unit invested in the necessary Personal Protective Equipment and enhanced processes for the safety of its employees, customers and suppliers in order to remain open as a critical business in each regime in which the Company operates. 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. Avery, Checkpoint 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 generally operates in a mature and competitive environment. For a number of 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, and more recently in 2021, obvious inflationary input costs have also created challenges to manage pricing with customers. These dynamics have been an ongoing challenge for the Company and its competitors, requiring greater management and financial control and flexible cost structures. Unlike some of its competitors, the Company has the financial strength to invest in the equipment and innovation necessary to constantly strive to be the highest value-added producer in the markets that it serves.

The cost of many of the key raw material inputs for the Company, such as plastic films and resins, paper, specialty chemicals and aluminum, are largely dependent on the supply and demand economics within the petrochemical, energy and base metals industries. The Checkpoint Segment purchases component parts including circuit boards, memory chips and other electronic modules from third parties. The significant cost fluctuations for these inputs can have an impact on the Company's profitability. The Company generally has the ability, due to its size and the use of long-term contracts with both suppliers and customers, to mitigate volatility in purchased costs and, where necessary, to pass these on to the market in higher product prices. However, Innovia and parts of the CCL 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 more complex, involving multiple indices for polypropylene used by customers and suppliers and differing terms in contracts when trigger points are arrived at for price changes. Significant progress on renegotiating customer contracts to mitigate the impact of volatile input costs was made in 2019 through 2021. The success of the Company is dependent on each business managing the cost-and-price equation with suppliers and customers.

A driver across the Company 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 parts of 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. Innovia, in addition to its unique method for producing BOPP films for label and packaging applications, also provides the Company with the know-how and material science capability to develop proprietary substrates. 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. During 2021, the Company commenced construction of the previously announced \$35.0 million new capacity investment for its proprietary "Ecofloat" shrink films. This hybrid polyolefin film facilitates easy separation from primary bottle packaging to aid customers' bottle-to-bottle circular recycling initiatives globally. Commercial production is scheduled to commence in the second quarter of 2022.

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 develop through on-the-job training and external technical education, 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 by 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 wider Company's technology to deliver product innovation that aligns with consumer printable media trends. Avery has also invested in many direct-to-consumer businesses globally and encourages the cross-pollination of unique products and best practices.

Checkpoint has always been an innovator in 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 industries.

Innovia maintains a world-class research and development centre specifically dedicated to the support of films for label, security and packaging applications. The new discoveries and product enhancements generated from this centre are deployed globally, sometimes benefitting downstream businesses such as CCL Secure and CCL Label.

The Company continues to invest time and capital to upgrade and expand its information technology systems and security. 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 Segment, Avery, Checkpoint and Innovia 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 the e-commerce platforms of 16 companies over the past eight years, to leverage acquired digital printing software into the pre-existing Avery suite.

Avery products are most often 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 for the success of these brands.

The Company deploys many initiatives to reduce the carbon footprint of its products and services to ensure the business is sustainable. A few of the notable items in 2021 that advanced the Company's sustainability and environmental goals: CCL Label won the prestigious German Packaging Award for EcoStretch™, which delivers a practical concept for a closed-loop recycling solution that turns used

stretch sleeves into pellets that then feed back into the manufacturing process. Avery's site in Italy has partnered with Treedom to promote the process of reforestation of the planet and the local economies of certain countries by committing to plant trees on behalf of consumers that use the Company's labels. Innovia has launched a new family of highly functional recyclable BOPP films named Encore, which are manufactured from renewable, non-food based raw materials and help to reduce the use of fossil-based virgin raw materials. CCL Label was honored at the Korea Star Awards 2021 for its innovative, patented multipack label solution, which reduces material usage by up to 85%, while also delivering improved recycling and cost savings.

Business Segment Results

	2021	2020
Segment sales		
CCL	\$ 3,498.2	\$ 3,357.6
Avery	708.9	634.2
Checkpoint	772.5	635.5
Innovia	753.2	615.0
Total sales	\$ 5,732.8	\$ 5,242.3
Operating income*		
CCL	\$ 545.8	\$ 552.8
Avery	148.8	113.3
Checkpoint	115.5	80.3
Innovia	81.2	77.1
Operating income	\$ 891.3	\$ 823.5

* 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 (with Label substituted as relevant for Tube and Container product lines) 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. It also supplies regulated and complex multi-layer labels and specialty folded cartons 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, specialty folded cartons, graphic security features, extruded or labeled plastic tubes, aluminum aerosols or specialty bottles and printed polymer security film substrates. It currently operates 150 production facilities located in Canada, the United States (including Puerto Rico), Argentina, Australia, Austria, Brazil, Chile, China, Denmark, Egypt, France, Germany, Hungary, Ireland, Israel, Italy, Korea, Malaysia, Mexico, the Netherlands, New Zealand, Oman, Pakistan, Philippines, Poland, Russia, Saudi Arabia, Singapore, South Africa, Switzerland, Thailand, Turkey, United Arab Emirates, the United Kingdom and Vietnam. The five plants in Russia and five plants in the Middle East are connected to the equity investments in CCL-Kontur and Pacman-CCL, 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 one of the largest consolidated operators in most of its defined global market sectors. Competition often comes from single-plant businesses, invariably owned by private operators who compete with the Segment in local markets. There are also a few multi-plant competitors in certain regions of the world and specialists in a single market segment globally. However, there are few major competitors with the product breadth, global reach and scale of the CCL Segment.

The Company has completed numerous label business 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 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 in house 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 are updated, reflecting current market costs and new shapes and designs.

CCL's global customers expect 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. Having trusted and reliable suppliers is an important consideration for global consumer product companies, major pharmaceutical companies, 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 may encounter difficulties and customers want to ensure their suppliers are financially viable.

CCL considers customers' demand levels, particularly in North America and Western Europe, to be reasonably mature and, as such, will continue to focus its expansion plans on innovative and higher growth and value-added 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, with the exception of CCL Design and CCL Secure, which are completely aligned to the automotive and electronics industries, as well as 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

	2021	% Growth	2020
Sales	\$ 3,498.2	4.2%	\$ 3,357.6
Operating income	\$ 545.8	(1.3%)	\$ 552.8
Return on sales	15.6%		16.5%

Sales in the CCL Segment for 2021 increased 4.2% to \$3,498.2 million, compared to \$3,357.6 million in 2020, driven by organic growth of 6.9% and 1.7% from acquisition-related growth, partially offset by 4.4% negative impact from foreign currency translation.

Sales in 2021 for **North America** were up high single digit excluding the impact of currency translation and acquisitions, compared to 2020. Home & Personal Care sales and profitability increased on better demand for tubes, aerosols and specialty bottles for travel size, beauty, cosmetic and skin care products, with labels only modestly up organically as cleansing and sanitizing-related demand fell dramatically.

Healthcare & Specialty sales declined modestly with profitability up in Ag Chem but down in Healthcare as pandemic related demand waned. Food & Beverage posted improved results in both sleeves and pressure sensitive labels driven by higher “on-premise” demand for customers. CCL Design sales and profitability increased modestly as automotive demand improved very significantly over an extremely weak prior year in the first half; however rising semiconductor supply chain challenges as 2021 unfolded reduced the gains in automotive and electronic markets for the year. Overall, profitability and return on sales improved despite rising inflationary impacts.

European sales were up low single digit for 2021, excluding currency translation and acquisitions compared to 2020. Home & Personal Care sales declined slightly but profitability improved on strong results in the U.K. and Poland. 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 partly returned. Share loss related declines in sleeves in the U.K. were partly offset by foreign exchange devaluation benefits in Turkey while significant raw materials inflation impacted everywhere. CCL Design sales and profitability increased in comparatively stronger automotive and industrial markets, offsetting softer mix in electronics markets. CCL Secure results reduced very significantly as 2020 included unexpected high margin pandemic-related demand for banknotes. European overall profitability and return on sales declined.

Sales in **Latin America**, excluding currency translation, increased double digit for 2021 compared to 2020. Sales and profitability improved in Mexico in all business lines bar CCL Secure, compared to a very strong prior year aided by new currency launches. In Brazil, sales improved significantly with gains across all product categories (especially Food & Beverage) outpacing profitability improvement due to mix changes and devaluation compounded inflation. Foreign currency translation drove a decline in operating income for 2021 compared to 2020 in Brazil while Argentina and Chile posted improved results. Excluding the impact of currency translation, overall operating income for the region improved but return on sales fell compared to 2020.

Asia Pacific 2021 sales, excluding acquisitions and currency translation were up double digit compared to 2020. Sales growth in China was particularly strong, driven by CCL Design on new business wins, with profitability held by start-up costs, softer mix and the absence of government assistance programs that benefitted 2020. 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. In Australia, sales and profitability increased on strong results for CCL Secure and improved results for Healthcare and Wine label operations. The new Beverage plant in South Africa posted significantly improved results in its first full year of operation. For the Asia Pacific region, operating income declined slightly and return on sales fell.

Operating income for the CCL Segment declined by 1.3% to \$545.8 million for 2021 compared to \$552.8 million for 2020, principally due to the decline in CCL Secure

results as the prior year included an unexpected surge in high margin pandemic-related demand for banknotes. Foreign currency translation also had a negative effect of 4.6% on 2021 operating income compared to 2020. Operating income as a percentage of sales decreased to 15.6% in 2021 compared to the 16.5% return generated in the prior year, due to the mix effect of high banknote demand in 2020 and the impact of inflation, especially in the second half of 2021.

The CCL Segment invested \$230.6 million in capital spending in 2021 compared to \$197.8 million last year. The major expenditures were for equipment installations and new plants to support capacity additions globally. Depreciation and amortization, excluding amortization on right-of-use assets, for the CCL Segment was \$205.3 million in 2021, compared to \$209.3 million in 2020.

C) Avery

Avery is one of 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; and (3) Direct-to-Consumer: digitally imaged labels, business cards, name badges, event badges, key cards, wristbands, planners & journals and family-oriented identification labels supported by unique web-enabled e-commerce URLs. Products in the Printable Media and Direct-to-Consumer categories are predominantly used by businesses and individual consumers consistently throughout the year; however, in the OPG category, North American demand typically surges for the back-to-school season during the third quarter.

Avery operates 23 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 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 that part of Europe, as well as the direct-to-consumer brands:

pc/nametag
goedgemerkt
Imprint Plus
Colle à Moi
IDentilam
InTouch
MasterTag

Mabel's Labels
badgepoint
Easy2Name
Stuck on You
I.D.&C.
Plum Paper
RFID Hotel

Avery reaches some of its consumers and end users at small businesses through distribution channels including mass-market merchandisers, office superstores, wholesalers, contract stationers, mail order and e-commerce retailers. Merger activity and store closures in some of 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. Secular decline in the OPG category and core mailing address labels has been partly offset by innovations such as shipping and product identification labels and Avery's proprietary direct-to-consumer e-commerce label design software platform WePrint™. Furthermore, starting in 2014 with Nilles, and with 16 more acquisitions since, Avery expanded its digital printing franchises to custom roll labels, the digital graphic arts sector, the meetings and events planning industry, personalized identification labels for children and families, event badges and wristbands, personalized planners and journals, RFID enabled keycards and wristbands and horticultural labels and tags. Some of these e-commerce platforms expanded rapidly during the pandemic while others, such as event and corporate identity name badges weakened, and some very significantly. Future growth rates in all these new businesses are expected to outpace Avery's legacy product lines. It is also the Company's expectation that Avery will continue to open up new revenue streams in short-run digital printing applications.

Avery Financial Performance

	2021	% Growth	2020
Sales	\$ 708.9	11.8%	\$ 634.2
Operating income	\$ 148.8	31.3%	\$ 113.3
Return on sales	21.0%		17.9%

Avery sales for 2021 were \$708.9 million an 11.8% improvement compared to the \$634.2 million posted in 2020, surpassing 2019 performance in constant currency. The increase was due to 14.7% organic growth, 1.8% acquisition-related growth, partially offset by a 4.7% negative impact of foreign currency translation compared to 2020.

North American sales increased double digits for 2021, excluding currency translation and acquisitions, compared to 2020. Sales and profitability in Printable Media, OPG and "Kids' labels" product lines rebounded including a significantly stronger back-to-school season compared to the pandemic chaos of 2020. Sales and profitability for Direct-to-Consumer name, event badge and wristband categories improved dramatically as sports and entertainment events trended toward 2019 levels, but conventions, meetings and conferences although improved, still lagged pre-pandemic levels, in some cases significantly. "WePrint™" and other online label categories as well as the newly acquired Plum platform posted strong results for 2021. Overall profitability increased substantially and return on sales improved despite the substantial raw material and freight inflation combined with supply availability challenges.

International sales, largely generated from products in the Printable Media and Direct-to-Consumer categories, represent approximately 30% of the Avery Segment for 2021. Sales, excluding acquisitions and currency translation, were up double digit in Europe with significant organic growth across all the direct-to-consumer categories. Legacy Printable Media operations posted significantly improved results compared to 2020. Results bounced back in the smaller Asia Pacific and Latin American business units as pandemic-related consumer restrictions partly abated in 2021.

Operating income increased 31.3% to \$148.8 million for 2021 compared to \$113.3 million in 2020. Return on sales of 21.0% for 2021 improved compared to 17.9% for 2020, largely due to a partial reversal of the pandemic's adverse 2020 impact on direct-to-consumer name badging operations globally and a better back-to-school season in North America.

Avery invested \$14.7 million in capital spending for 2021, compared to \$22.0 million for 2020. The majority of the expenditures in 2021 were for capacity additions in the direct-to-consumer operations in North America and Europe. Depreciation and amortization, excluding amortization on right-of-use assets, was \$19.0 million for 2021 compared to \$19.3 million for 2020.

D) Checkpoint

Overview

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 globally. There are three primary product lines: MAS, ALS and Meto. The MAS line focuses on electronic-article-surveillance ("EAS") systems, including 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 is a small separately branded Europe-centric product line, including hand-held pricing tools and labels and promotional in-store displays. All MAS and ALS products are sold under the Checkpoint brand.

Checkpoint is supported by 24 manufacturing facilities, eight distribution facilities and three product and software development centres globally. Checkpoint is headquartered in the United States but uses its worldwide footprint to generate sales internationally. Checkpoint sells directly to retailers or apparel manufacturers and competes with other global retail labeling companies.

Checkpoint's market-leading position, strong brand recognition and product development pipeline should still drive modest growth despite the move to an 'omni-channel' retail landscape. Large contracts with retailers for hardware and software can create significant quarter-to-quarter and, in some cases, year-to-year revenue volatility. However, Checkpoint's comprehensive solution of hardware and software also creates an important high-margin recurring revenue stream for related

consumables. The Company is also confident that Checkpoint can capture its share of the fast growing RFID market as retailers move increasingly to 'omni-channel' distribution from a single inventory position.

Checkpoint Financial Performance

	2021	% Growth	2020
Sales	\$ 772.5	21.6%	\$ 635.5
Operating income	\$ 115.5	43.8%	\$ 80.3
Return on sales	15.0%		12.6%

Checkpoint sales were \$772.5 million for 2021, a 21.6% increase compared to \$635.5 million for 2020, driven by 23.0% organic growth, 3.2% acquisition growth partially offset by a 4.6% negative impact from foreign currency translation.

Checkpoint experienced a dramatic turnaround in sales and profitability in 2021 posting a record year as CV19-related restrictions subsided, compared to the shutdown of all non-essential retail in the first and second quarters of 2020. Consequently **MAS** sales and profitability improved in all regions despite the significant impact of higher freight from China and inflation in key electronic components. **ALS** results exceeded management's highest expectations with continued rapid growth in RFID volumes, even when compared to the vastly improved results in 2020 over 2019. Currency devaluation in Turkey aided profitability. Furthermore, the recent acquisitions of Eti-Textil and Uniter augmented results by adding new geographies and customers. The smaller **Meto** business recorded improved performance for 2021 compared to 2020.

Operating income for 2021 was \$115.5 million, an increase of 43.8% compared to \$80.3 million in 2020. Return on sales improved to 15.0% for 2021, compared to 12.6% for 2020. Return on sales increased due to the much reduced impact of the pandemic in 2021 compared to 2020.

Checkpoint invested \$31.5 million in capital spending for 2021, compared to \$22.0 million for 2020. The majority of expenditures in 2021 were in the Asia Pacific region to enhance capacity in ALS manufacturing facilities. Depreciation and amortization, excluding amortization on right-of-use assets, was \$31.3 million for 2021, compared to \$29.1 million for 2020.

E) Innovia

Innovia operations acquired in 2017, Treofan acquired in 2018, Flexpol acquired in 2020 and two small legacy film manufacturing facilities transferred from the CCL Segment make up this business. Innovia's global footprint for the manufacture of specialty high-performance, multi-layer, surface-engineered BOPP films, includes major facilities located in each of Australia, Belgium, Mexico, Poland and the United Kingdom. These films are sold to customers in the pressure sensitive materials, flexible packaging and consumer packaged goods industries worldwide, with a small percentage of the total volume consumed internally by CCL Secure and CCL Label

within the CCL Segment. In addition, 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. Innovia does not use derivative financial instruments to hedge its exposure to volatility of polypropylene prices; therefore, many of its large customer price agreements adjust for movements up and down in resin cost. Polypropylene cost increases in North America outpaced rises in Europe throughout 2021, stabilizing during the fourth quarter of this year and into 2022.

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.

Throughout 2021, Innovia has been constructing the new capacity investment in Poland for its proprietary "Ecofloat" shrink films. This hybrid polyolefin film facilitates easy separation from primary bottle packaging to accommodate customers' bottle-to-bottle circular recycling initiatives globally. The project is scheduled to commence commercial production by the end of the second quarter in 2022.

Innovia Financial Performance

	2021	% Growth	2020
Sales	\$ 753.2	22.5%	\$ 615.0
Operating income	\$ 81.2	5.3%	\$ 77.1
Return on sales	10.8%		12.5%

Innovia sales for 2021 increased 22.5% to \$753.2 million, compared to \$615.0 million in 2020, attributable to 24.1% organic growth and 2.3% acquisition-related growth, partially offset by 3.9% negative impact from foreign currency translation. The significant organic gain was predominantly fueled by pass-through pricing mechanics associated with dramatically higher resin costs, although additional volume in North America also supported growth.

Operating income improved 5.3% to \$81.2 million compared to \$77.1 million for 2020. Pass-through pricing mechanisms largely recovered higher polypropylene resin cost, especially in North America. Productivity initiatives that began in 2020 supplemented operating margin in the first half of 2021 were more than eliminated in the back half by substantial inflation in energy and freight costs, especially in Europe. Return on sales declined to 10.8% for 2021 compared to 12.5% for 2020.

Innovia invested \$47.0 million in capital spending for 2021 largely for the new European Ecofloat line, compared to \$41.0 million for 2020. Depreciation and amortization, excluding amortization on right-of-use assets, for the Innovia Segment was \$46.1 million for 2021, compared to \$46.2 million for 2020.

F) Joint Ventures

For the years ended December 31	2021	2020	+/-
Sales (at 100%)			
CCL Label joint ventures	\$ 143.5	\$ 133.2	7.7%
Rheinfelden*	-	3.0	n.m.
* primarily sales to CCL Segment	\$ 143.5	\$ 136.2	5.4%
Earnings (losses) in equity-accounted investments (at 100%)			
CCL Label joint ventures	\$ 22.5	\$ 19.5	15.4%
Rheinfelden	-	(0.5)	n.m.
	\$ 22.5	\$ 19.0	18.4%
Earnings in equity-accounted investments (at 50%)	\$ 11.2	\$ 9.5	17.9%

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 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.

Both Pacman-CCL and CCL-Kontur had a record year as sales and profitability increased significantly on strong product mix and market share gains. Earnings in equity-accounted investments amounted to \$11.2 million for 2021, compared to \$9.5 million for 2020. Excluding the impact of foreign currency translation, sales and earnings in equity-accounted investments improved 13.8% and 27.3%, respectively.

3. FINANCING AND RISK MANAGEMENT

A) Liquidity and Capital Resources

The Company's leverage ratio is as follows:

For the years ended December 31	2021	2020
Current debt	\$ 15.3	\$ 51.8
Current lease liabilities	32.7	34.2
Long-term debt	1,691.4	1,889.4
Long-term lease liabilities	111.9	119.2

Total debt ⁽¹⁾	1,851.3	2,094.6
Cash and cash equivalents	(602.1)	(703.7)
Net debt ⁽¹⁾	\$ 1,249.2	\$ 1,390.9
Adjusted EBITDA	\$ 1,173.1	\$ 1,123.2
Net debt to Adjusted EBITDA ⁽¹⁾	1.06	1.24

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

In May 2020, the Company completed a rule 144A 3.05% private note offering due June 2030 in the principal amount of US\$600.0 million. These notes are unsecured senior obligations. The proceeds of the offering were almost entirely used to repay borrowings on the Company’s unsecured syndicated revolving credit facility.

In February 2020, the Company amended both its syndicated credit facilities, extending the maturity of its US\$366.0 term loan facility from February 2021 to February 2022 and the maturity of its US\$1.2 billion revolving credit facility from March 2023 to February 2025. The term facility was completely repaid during 2021.

The Company’s debt structure at December 31, 2021, was primarily comprised of the 144A 3.05% private notes due June 2030 in the principal amount of US\$600.0 million (\$750.5 million), 144A 3.25% private notes due October 2026 in the principal amount of US\$500.0 million (\$627.4 million), the \$300.0 million principal amount 3.864% Series 1 Notes due April 2028, and borrowings of \$9.5 million on the Company’s syndicated revolving credit facility. Outstanding contingent letters of credit totaled \$3.5 million; accordingly, there was approximately US\$1.19 billion of unused availability on the revolving credit facility at December 31, 2021.

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\$600.0 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). An additional loan facility resident in Australia was \$50.2 million.

Net debt was \$1,249.2 million at December 31, 2021, \$141.7 million lower than the net debt of \$1,390.9 million at December 31, 2020. Net debt declined due to net long-term debt repayments, inclusive of lease obligation repayments of \$269.5 million, offset by the impact of foreign currency translation on net debt.

Net debt to Adjusted EBITDA decreased to 1.06 times as at December 31, 2021, compared to 1.24 times at the end of 2020, due to the decrease in net debt and an increase in Adjusted EBITDA. The measure continues to strengthen as the Company strategically deploys its free cash flow for business acquisitions and capital expenditures.

The Company's overall average finance rate was 2.42% as at December 31, 2021, and 2.29% at December 31, 2020 reflecting the impact of the full repayment of the Company's variable rate term loan facility.

Interest coverage (a non-IFRS measure; see "Key Performance Indicators and Non-IFRS Measures" in Section 5A) was 14.6 times and 11.9 times in 2021 and 2020, respectively, indicative of lower net finance costs and higher operating income.

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

B) Cash Flow

Summary of Cash Flows	2021	2020
Cash provided by operating activities	\$ 838.7	\$ 882.9
Cash used for financing activities	(370.0)	(461.3)
Cash used for investing activities	(541.3)	(428.0)
Effect of exchange rates on cash	(29.0)	6.5
Increase (decrease) in cash and cash equivalents	\$ (101.6)	\$ 0.1
Cash and cash equivalents – end of year	\$ 602.1	\$ 703.7

In 2021, cash provided by operating activities was \$838.7 million, compared to \$882.9 million in 2020. Free cash flow from operations (a non-IFRS measure; see "Key Performance Indicators and Non-IFRS Measures" in Section 5A) was \$531.8 million for 2021, compared to \$616.3 million in the prior year. Driving the change in these metrics for 2021 were increased earnings offset by days working capital employed, increased income taxes paid and, for the latter metric, increased net capital expenditures compared to 2020.

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 29 days and 23 days at December 31, 2021, and December 31, 2020, respectively. The days working capital employed increased as the Company was impacted by significant inflationary pressure in the fourth quarter captured in inventory and accounts receivable not offset by a corresponding increase in accounts payable relative to the fourth quarter sales growth.

Cash used for financing activities in 2021 was \$370.0 million, consisting of net principal repayments of long-term debt and lease obligations of \$269.5 million and dividend payments of \$151.0 million, partly offset by proceeds from the issuance of shares of \$50.5 million due to the exercise of stock options.

Cash used for investing activities in 2021 of \$541.3 million was primarily for acquisitions that totaled \$234.4 million and net capital expenditures of \$306.9 million.

After the above noted items and the \$29.0 million negative effect of foreign currency rates, cash and cash equivalents decreased by \$101.6 million in 2021 to \$602.1 million.

Capital spending in 2021 amounted to \$323.8 million and proceeds from capital dispositions were \$16.9 million, resulting in net capital expenditures of \$306.9 million, compared to \$266.6 million in 2020. Management increased capital expenditures in 2021 after preserving capital in 2020 with the uncertain impact of the global CV19 pandemic. Depreciation and amortization in 2021 amounted to \$302.8 million, compared to \$305.0 million in 2020, excluding right-of-use asset amortization.

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 and foreign exchange rates. The Company does not utilize derivative financial instruments for speculative purposes.

As the Company operates internationally with slightly over 2.0% of its 2021 sales to end-use customers denominated in Canadian dollars, it has significant market risk exposure to changes in foreign exchange rates. Each subsidiary's sales and expenses are primarily denominated in its local currency, 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, 2021, the Company utilized 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 2.00% fixed rate euro debt. The effect of the CCIRSAs has been to decrease finance cost by \$14.0 million for the year ended December 31, 2021 (2020 - \$14.9 million).

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, 2021, the Company had \$16.3 million potential exposure to credit risk arising from derivative financial instruments.

As at December 31, 2021, the Company had just over US\$1.1 billion drawn under the 144A private bonds and syndicated revolving credit facility, which are hedging a portion of its U.S. dollar-based and euro-based investments and cash flows, inclusive of U.S. dollar debt swapped to euros.

D) Equity and Dividends

Summary of Changes in Equity

For the years ended December 31	2021	2020
Net earnings	\$ 599.1	\$ 529.7
Dividends	(151.0)	(128.7)
Settlement of exercised stock options	61.8	31.3
Contributed surplus on expensing of stock options and stock-based compensation plans	17.0	8.6
Defined benefit plan actuarial gain (loss), net of tax	37.1	(3.5)
Increase in accumulated other Comprehensive loss	(99.2)	(52.9)
Increase in equity	\$ 464.8	\$ 384.5
Equity	\$ 3,747.0	\$ 3,282.2
Shares issued at December 31		
– Class A (000s)	11,822	11,836
– Class B (000s)	168,362	167,380

In 2021, the Company declared dividends of \$151.0 million, compared to \$128.7 million declared in the prior year. As previously discussed, the dividend payout ratio in 2021 was 25% (2020 – 23%) of adjusted earnings. After careful review of the current year results, budgeted cash flow and income for 2022, the Board declared a 14.3% increase in the annual dividend: an increase of \$0.03 per Class B share per quarter, from \$0.21 to \$0.24 per Class B share per quarter (\$0.96 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 and it will not materially increase financial leverage beyond targeted levels. The Company did not purchase any of its shares for cancellation in 2021.

E) Commitments and Other Contractual Obligations

The Company's obligations relating to debt, leases and other liabilities at the end of 2021 were as follows:

	December 31, 2020 Carrying Amount	December 31, 2021						
		Carrying Amount	Contractual Cash Flows	Payments Due by Period				
				0–6 Months	6–12 Months	1–2 Years	2–5 Years	More Than 5 Years
Non-derivative financial liabilities								
Secured bank loans	\$ 0.8	\$ 4.8	\$ 4.8	\$ 1.4	\$ 1.4	\$ 1.9	\$ 0.1	\$ -
Unsecured bank loans	52.1	10.1	10.1	6.8	0.9	1.0	1.0	0.4
Unsecured 144A 3.25% private notes	630.8	627.4	631.8	-	-	-	631.8	-
Unsecured 144A 3.05% private notes	754.8	750.5	758.2	-	-	-	-	758.2
Unsecured 3.864% Series 1 Notes	298.6	298.8	300.0	-	-	-	-	300.0
Unsecured syndicated bank credit facility	(1.9)	9.5	11.0	-	-	-	11.0	-
Unsecured syndicated bank term credit facility	204.8	-	-	-	-	-	-	-
Other long-term obligations	1.1	5.6	5.6	4.8	-	0.3	0.5	-
Interest on unsecured bank credit facilities	*	*	4.8 *	0.8	0.7	1.5	1.8	-
Interest on 144A 3.25% private notes	*	*	92.4 *	5.2	10.2	20.5	56.5	-
Interest on 144A 3.05% private notes	*	*	192.3 *	9.7	11.5	23.1	69.4	78.6
Interest on unsecured 3.864% Series 1 Notes	*	*	69.9 *	3.3	5.7	11.6	34.8	14.5
Interest on other long-term debt	*	*	0.4	0.2	0.1	0.1	-	-
Trade and other payables	1,135.7	1,321.5	1,321.5 *	1,321.5	-	-	-	-
Accrued post-employment benefit liabilities	*	*	206.2 *	2.3	2.3	16.0	63.1	122.5
Lease liabilities	153.4	144.6	158.3	19.5	17.7	27.1	47.2	46.8
Total contractual cash obligations	\$ 3,230.2	\$ 3,172.8	\$ 3,767.3	\$ 1,375.5	\$ 50.5	\$ 103.1	\$ 917.2	\$ 1,321.0

* Accrued long-term employee benefit and post-employment benefit liability of \$13.8 million, accrued interest of \$9.6 million on unsecured notes, unsecured bonds, unsecured two-year term loan and unsecured syndicated credit facilities, and accrued interest of \$2.4 million on derivatives are reported in trade and other payables in 2021 (2020: \$12.4 million, \$9.6 million and \$2.5 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 2021 was \$782.6 million (2020 – \$836.5 million) and the fair value of the plan assets was \$468.7 million (2020 – \$454.8 million), for a net deficit of \$313.9 million (2020 – \$381.7 million). Contributions to defined benefit plans during 2021 were \$17.3 million (2020 – \$16.2 million). The Company expects to contribute \$50.4 million to pension plans in 2022, 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 20, "Employee Benefits," of the Company's 2021 annual consolidated financial statements.

Other Obligations and Commitments

The Company has provided various loan guarantees for its joint ventures and associates totaling \$21.3 million (2020 – \$23.3 million). The Company has posted surety bonds through accredited insurance companies globally totaling \$39.7 million (2020 – \$57.0 million). The nature of these commitments is described in note 26 and note 27 of the Company's 2021 annual 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. CCL's Disclosure Committee reviews all external reports and documents of CCL before publication to enhance the Company's disclosure controls and procedures.

As at December 31, 2021, based on the continued evaluation of the disclosure controls and procedures, the CEO and the CFO have concluded that CCL'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 CCL 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 IMP, LAS, Laramara, Tecnoblu, and D&F. These companies were acquired during the month of December 2021.

The total net assets acquired for these acquisitions was \$157.6 million, which are reported in the Company's consolidated financial statements of financial position for the year ended December 31, 2021, and was approximately 4% of consolidated net assets and less than 1% of sales.

The scope limitation is primarily based on the time required to assess disclosure controls and procedures and internal control over financial reporting in a manner consistent with the Company's other operations for these acquisitions. 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 2022 and the assessment of the operating effectiveness will be completed by the fourth quarter of 2022.

Except for the preceding changes, based on the evaluation of the design and operating effectiveness of CCL's internal control over financial reporting, the CEO and the CFO concluded that the Company's internal control over financial reporting was effective as at December 31, 2021.

There were no material changes in internal control over financial reporting in the financial year ended December 31, 2021.

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, in no particular order, as follows:

Covid-19 Pandemic

In March 2020, the World Health Organization declared a global pandemic related to CV19. The impacts on global commerce have been and are anticipated to continue to be far-reaching. CV19 has resulted in unprecedented governmental actions in multiple jurisdictions, including the closure of workplaces determined to be non-essential, the imposition of new health and monitoring requirements and the imposition of restrictions on the international, national and local movement of people and some goods. There have been significant disruptions to business operations, supply chains and customer activity and demand; service cancellations, reductions and other changes; the imposition of quarantines and curfews; as well as considerable general concern and uncertainty. There has been significant stock market volatility and significant volatility in foreign exchange and commodity markets. While CV19-related governmental and public health imposed restrictions were partially relaxed in a number of jurisdictions, renewed, and in some instances, heightened restrictions have since been imposed or are contemplated in multiple jurisdictions. While the Company's operations have been determined by most jurisdictions to be essential businesses and have continued to operate throughout the pandemic with limited disruptions, there can be no assurance that this will continue to be the case throughout the duration of the CV19 pandemic or that such plants will operate at pre-pandemic staffing and production levels. CV19 continues to have varying impacts by geography and sector on the Company's employees, suppliers and customers and on the demand for the respective products that the Company and its customers produce. While the introduction, beginning in late 2020, of vaccines designed to offer protection against CV19 offers the possibility of a reduction in the duration of the pandemic, the time needed for widespread availability and distribution of such vaccines, their duration and efficacy against the emergence and spread of new strains of CV19, as well as the levels of public participation in inoculation programs, remain uncertain. The duration of the pandemic and its impact on the Company's financial performance and position is an area of estimation uncertainty and judgment, which is continuously monitored and reflected in management's estimates.

The impacts of the CV19 pandemic that may have an effect on the Company include: a change in short-term and/or long-term demand and/or pricing for the Company's products; reductions in production levels; increased costs resulting from the Company's efforts to mitigate the impact of CV19; deterioration of worldwide credit and financial markets that could limit the Company's ability to obtain external financing to fund operations and capital expenditures, and result in a higher rate of losses on accounts receivable due to counterparty credit defaults; disruptions to supply chains; impairments and/or write-downs of assets; restrictions on movement of workforce; reductions in the labour force; the closure of workplaces; and adverse impacts on the Company's information technology systems and internal control systems as a result of the need to maintain remote work arrangements. A material adverse effect on the Company's employees, customers and/or suppliers could have a material adverse effect on the Company.

Significant uncertainty remains with respect to the future impact of CV19 on the Company's businesses. As a result, the Company's expected financial results for 2022 and beyond may be negatively impacted by continued CV19-related disruptions. The Company cannot currently estimate the severity of any such impact, which may be material. The overall severity and duration of CV19-related adverse impacts on the Company's businesses will depend on future developments that cannot currently be predicted, including directives of governmental and public health authorities, the extent and duration of governmental assistance for individuals and businesses adversely affected by CV19, the effectiveness of inoculation programs, the extent to which suppliers and customers are impacted by renewed operating restrictions and closures and the speed at which they are able to return to normalized production levels, the level of consumer demand, the status of labour availability and the ability to staff the Company's operations and facilities. Even after CV19 outbreaks have subsided, the Company may continue to experience material adverse impacts to its businesses as a result of CV19's global economic impact, including any related recession.

Raw Materials Component Parts and Inflation

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 reoccur, 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 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 the failure to implement the provisions of the United States-Mexico-Canada Agreement on trade 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.

Potential Risks Relating to Significant Operations in Foreign Countries

The Company operates plants in North America, Europe, Latin America, Africa, Asia, Australia and the Middle East. Sales to customers located outside of Canada in 2021 were approximately 98% of the Company's total sales, a level similar to that in 2020. 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 2021, 39% and 32% 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 2021 were 27% of the Company's total sales. In addition, the Company has equity accounted investments in Russia and the Middle East. There are risks associated with operating a decentralized organization in 204 manufacturing facilities in 43 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 98% 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 over the last decade. 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 the Company'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 Checkpoint enjoys the advantage of significantly lower customer concentration than the rest of the Company, it remains 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 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 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.

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 a 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.

Catastrophic Events

Natural disasters, such as earthquakes, tsunamis, floods or wildfires, public health crises, such as epidemics and pandemics, political instability, acts of terrorism, war or other conflicts and other events outside of the Company's control, may adversely impact its business and operating results. In addition to the direct impact that such events could have on the Company's facilities and workforce, these types of events could negatively impact consumer spending in the impacted regions or, depending on the severity, globally, which would impact the Company's customers and in turn impact demand for its products.

Dependence on Customers

The Company has a modest dependence on certain customers. The Company's two largest customers combined accounted for approximately 8.1% (2020 – 9.0%) of the consolidated revenue for the fiscal year 2021. The five largest customers of the Company represented approximately 15.2% (2020 – 16.2%) of the total revenue for 2021 and the 25 largest customers represented approximately 35.8% (2020 – 35.8%) 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 market 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 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.

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 judgement 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, 2021. 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. In particular, customers and consumers are seeking more sustainable product offerings using recyclable components and enabling circularity in product use. 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 Innovia has a unique manufacturing process for a portion of its BOPP product line 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 and Regulatory 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 or litigation. In addition, governmental authorities, as well as third parties, may claim that the Company is liable for environmental remediation or 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 A\$70.0 million (\$63.8 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 appealed the judgment. As part of the appeals process, the Australian court of appeals mandated that the Company guarantee the entire judgment in order to stay execution of the judgment pending resolution of the appeal. On appeal, the Australian court of appeals reduced the total damages awarded to Berry to A\$4.8 million (\$4.4 million) including interest and Berry's estimated legal costs, and awarded ISPL a portion of its appeal costs. Berry appealed the reduced award to the High Court of Australia. In the third quarter of 2020, the High Court of Australia issued a final judgement for Berry in the sum of approximately A\$45.1 million (\$43.0 million), including interest and Berry's legal costs. The final judgement was \$8.6 million in excess of the previously recorded provision, which had been accrued as part of the 2017 Innovia acquisition for this matter, and was reported in Restructuring and Other Items in 2020.

In the first quarter of 2019, a hearing on a jurisdictional issue was 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 court denied IFL's motion to dismiss the lawsuit on the jurisdictional issue. IFL is appealing that decision to the highest appeals court in Nigeria. 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 (\$2.2 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.

Defined Benefit Post-Employment Plans

The Company is the sponsor of a number of defined benefit plans in thirteen 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 that 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, which could cause the corruption or exposure of confidential or proprietary information, a significant disruption in operations, the loss or theft of critical data and financial resources and meaningful harm to the Company's reputation, any of which could result in a material adverse effect on the Company's business, financial condition and results of operations.

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

As of December 31, 2021, the Company had approximately \$2.4 billion of goodwill and indefinite-life intangible assets on its consolidated 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.

Credit Ratings

The credit ratings currently assigned to the Company by Moody's and S&P, 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.

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.

Climate Change

Event risks caused by global climate change, including the frequency and severity of weather-related events, could damage the Company's facilities, disrupt operations, impact revenues and cash flow, and create financial risk. These could result in substantial costs for emergency response efforts during the event, reinstatement of regular business operations and repair or replacement of premises and equipment. The potential impact or financial consequence of such events is highly uncertain. The Company's operations are spread over more than 204 locations around the world and therefore subject to varying climate change event risks.

Global climate change also gives rise to other risks to the Company's business and operations, including increased regulation and market shifts in supply and demand, which are also difficult to predict. Many countries in which the Company carries on business are at differing stages of developing policy and regulations regarding carbon emissions and other environmental impacts, which could significantly affect the Company's business, create financial obligations and increase operating costs. Increased public awareness of climate change may impact consumer demand for the Company's customers' products. The Company's failure to innovate more sustainable or circular economy products could have a material adverse effect on its financial condition and profitability.

The Company's failure to implement environmental, social and governance targets and initiatives, or to achieve its sustainability targets could have a material adverse impact on its financial condition and profitability.

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. These additional measures are used to provide added insight into the Company's results and are concepts often seen in external analysts' research reports, in financial covenants in banking agreements and note agreements, in 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	Three Months Ended December 31		Twelve Months Ended December 31	
	2021	2020	2021	2020
Basic earnings	\$ 0.80	\$ 0.81	\$ 3.33	\$ 2.96
Net loss from restructuring and other items	0.01	0.03	0.02	0.12
New UK Tax Legislation	-	-	0.02	-
Adjusted basic earnings	\$ 0.81	\$ 0.84	\$ 3.37	\$ 3.08

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, income 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 Adjusted 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 unusual 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 may allow comparison of the Company's 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 measures reported in the annual consolidated income statements for the periods ended as indicated.

Adjusted EBITDA	Three Months Ended December 31		Twelve Months Ended December 31	
	2021	2020	2021	2020
Net earnings	\$ 145.1	\$ 145.9	\$ 599.1	\$ 529.7
Corporate expense	18.2	16.4	60.6	46.7
Earnings in equity-accounted investments	(4.8)	(4.0)	(11.2)	(9.5)
Finance cost, net	13.9	15.8	56.9	65.2
Restructuring and other items	1.1	5.8	4.4	27.6
Income taxes	35.3	33.4	181.5	163.8
Operating income	\$ 208.8	\$ 213.3	\$ 891.3	\$ 823.5
Less: Corporate expense	(18.2)	(16.4)	(60.6)	(46.7)
Add: Depreciation and amortization	86.6	87.0	342.4	346.4
Adjusted EBITDA (a non-IFRS measure)	\$ 277.2	\$ 283.9	\$ 1,173.1	\$ 1,123.2

Days 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 Working Capital Employed

At December 31	2021	2020
Trade and other receivables	\$ 1,083.8	\$ 922.8
Inventories	677.3	533.5
Prepaid expenses	46.5	35.3
Income taxes recoverable	37.9	29.0
Trade and other payables	(1,321.5)	(1,135.7)
Income taxes payable	(48.5)	(40.3)
Net working capital	\$ 475.5	\$ 344.6
Days in quarter	92	92
Fourth quarter sales	\$ 1,488.8	\$ 1,350.6
Days of working capital employed	29	23

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 ratio is defined as dividends declared divided by earnings, excluding goodwill impairment loss, non-cash acquisition accounting adjustments, restructuring and other items, and tax adjustments, (together "Adjusted earnings") expressed as a percentage.

Dividend Payout Ratio	2021	2020
Dividends declared per equity	\$ 151.0	\$ 128.7
Adjusted earnings	\$ 606.0	\$ 550.5
Dividend payout ratio	25%	23%

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

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

	Twelve months ended December 31	
Free Cash Flow from Operations	2021	2020
Cash provided by operating activities	\$ 838.7	\$ 882.9
Less: Additions to property, plant and equipment	(323.8)	(282.8)
Add: Proceeds on disposal of property, plant and equipment	16.9	16.2
Free cash flow from operations	\$ 531.8	\$ 616.3

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 annual consolidated income statements for the periods ended as indicated.

	Twelve months ended December 31	
Interest Coverage	2021	2020
Operating income (a non-IFRS measure; see definition below)	\$ 891.3	\$ 823.5
Less: Corporate expense	(60.6)	(46.7)
	\$ 830.7	\$ 776.8
Net finance cost	\$ 56.9	\$ 65.2
Interest coverage	14.6	11.9

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 financial leverage of the Company. It indicates the Company’s ability to service its existing debt.

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 income taxes.

See the definition of Adjusted EBITDA above for a reconciliation of operating income measures to IFRS measures reported in the annual 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, tax adjustments, gains on business dispositions and non-cash acquisition accounting 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 annual consolidated statements of financial position and in the annual consolidated income statements for the periods ended as indicated.

Return on Equity	Twelve months ended December 31			
	2021		2020	
Net earnings	\$	599.1	\$	529.7
Restructuring and other items (net of tax)		3.5		20.8
New UK Tax Legislation		3.4		-
Adjusted net earnings	\$	606.0	\$	550.5
Average equity	\$	3,514.6	\$	3,090.0
Return on equity		17.2%		17.8%

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

Return on Sales		Three Months Ended <u>December 31</u>		Twelve Months Ended <u>December 31</u>	
<u>Sales</u>		<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
CCL	\$	883.2	\$ 860.2	\$ 3,498.2	\$ 3,357.6
Avery		179.9	150.8	708.9	634.2
Checkpoint		226.8	189.3	772.5	635.5
Innovia		198.9	150.3	753.2	615.0
Total sales	\$	1,488.8	\$ 1,350.6	\$ 5,732.8	\$ 5,242.3
<u>Operating income</u>					
CCL	\$	121.5	\$ 136.4	\$ 545.8	\$ 552.8
Avery		38.4	27.0	148.8	113.3
Checkpoint		36.4	32.2	115.5	80.3
Innovia		12.5	17.7	81.2	77.1
Total operating income	\$	208.8	\$ 213.3	\$ 891.3	\$ 823.5
<u>Return on sales</u>					
CCL		13.8%	15.9%	15.6%	16.5%
Avery		21.3%	17.9%	21.0%	17.9%
Checkpoint		16.0%	17.0%	15.0%	12.6%
Innovia		6.3%	11.8%	10.8%	12.5%
Total return on sales		14.0%	15.8%	15.5%	15.7%

Return on total capital before goodwill impairment loss, restructuring and other items, non-cash acquisition accounting adjustments, 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 annual consolidated statements of financial position and in the annual consolidated income statements for the periods ended as indicated.

	Twelve months ended December 31			
Return on total capital	2021		2020	
Net earnings	\$	599.1	\$	529.7
Restructuring and other items (net of tax)		3.5		20.8
New UK Tax Legislation		3.4		-
Adjusted net earnings	\$	606.0	\$	550.5
Average total capital	\$	4,834.7	\$	4,643.5
Return on total capital		12.5%		11.9%

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.

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 for 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 2021 fourth quarter, the Company completed its impairment test as at September 30, 2021. 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 long-term growth rates of 3% to 5% and pre-tax discount rates ranging from 8% to 10%. 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 2021 and 2020, 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 20 of the 2021 annual consolidated financial statements, involve

forward-looking estimates and are long-term in nature, they are subject to uncertainty. Actual results may differ, and the differences may be material.

D) Related Party Transactions

A summary of the Company's related party transactions is set out in note 27 of the 2021 annual consolidated financial statements.

6. OUTLOOK

2021 was another tumultuous year with pandemic-related challenges in each corner of the world. The Company prioritized its commitment to safety for its employees, customers and suppliers but remained open for business everywhere. Growth remained in focus with the closing of nine accretive acquisitions and investing \$306.9 million in net capital expenditures. All in for 2021, the Company posted record adjusted earnings per share of \$3.37 per Class B share compared to \$3.08 per Class B share for 2020 and a strengthened balance sheet.

2022 has started as a period of adjustment, the pandemic is entering a third year, Governments and citizens are learning to persevere, armed with more information and therefore making more calculated decisions. The Omicron variant appears to be less fatal than previous versions and optimists view that it is reaching the endemic stage; however, the final outcome remains unknown. What is certain is that the inflationary cost pressures of 2021 will continue in 2022 as global supply availability issues persist and, if anything, might worsen near-term. The tailwinds of fiscal stimulus is likely to decelerate with monetary policy tightening, resulting in potentially more unpredictable economic activity in 2022. Therefore, passing on input cost changes to the Company's customers will be very important while managing likely continued volatility in currency markets.

The CCL Segment reported a solid year in 2021 compared to 2020, with organic growth and profitability improvement across all vertical markets, except for the anticipated decline at CCL Secure that offset profitability improvements elsewhere. CCL Label and CCL Design remain committed to pursuing new product initiatives, with capacity expansion plans in new and existing markets for its core customers where the opportunity meets long-term profitability objectives. CCL Secure will continue to develop market-leading security technology to pursue long-term widespread adoption of polymer banknotes across the world's Central Banks.

Avery's sales and profitability improved dramatically compared to a prior year significantly hampered by pandemic-related issues. For 2022, Avery's Direct-to-Consumer event and name badging operations should continue to improve globally as large-scale business meetings and trade conventions trend back to pre-pandemic 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.

Checkpoint results improved significantly in 2021, compared to prior year that was temporarily stalled due to shutdowns in the retail and apparel industry during the first six months of 2020. Checkpoint has significant exposure to ASEAN and Indian sub-continent locations where pandemic-related restrictions remain more severe than the rest of the world. Supply chain challenges and inflationary cost pressures remain on the watch; efficiency initiatives and price increases will be needed to offset where applicable.

Innovia faced significant polypropylene resin cost increases in 2021 but 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. Completing and successfully starting up the proprietary new “Ecofloat” shrink film line in Europe will be at the forefront for 2022.

The Company concluded the year with cash on hand of \$602.1 million and unused availability on the revolving credit facility at approximately US\$1.19 billion. The Company’s liquidity position is robust, with a net debt leverage ratio of 1.06 times Adjusted EBITDA at the end of the current year, 0.18 turns lower than 2020, despite closing on nine acquisitions in the 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 2022 to be approximately \$380.0 million, supporting organic growth and new greenfield opportunities globally. First-quarter orders have been solid so far, but pandemic uncertainties continue. Expected supply chain challenges and inflationary cost pressures will need to be managed amidst once-in-a-generation conditions. Should demand remain solid, and recent acquisitions meet expectations, results for 2022 should strengthen.