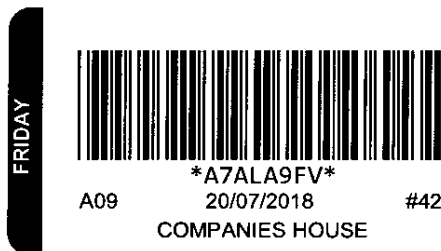


**Inprint Systems Limited**

**Directors' report and financial  
statements**

Registered number 03650238

31 December 2017



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## Strategic report

### Principal activities

The Company's principal activity continued to be that of a holding company, primarily engaged in the provision of the manufacturing facility to its subsidiary. The Company's subsidiary is principally engaged in the print, design and manufacture of Expanded Content Booklet labels.

### Business model

The Company primarily focuses on supporting its Ashford subsidiary with the provision of a state of the art manufacturing facility in order to service its customer's requirements and needs in an ever changing and demanding market.

### Business review and results

The results for the year are shown in the profit and loss account on page 6.

For the year ended 31 December 2017, the Company reported a profit after taxation of £19,490,000 (2016: £8,204,000).

### Key performance indicators

Key performance indicators are not considered relevant for this holding company.

### Principal risks and uncertainties

The principal risks and uncertainties and areas of strategic development and performance are primarily those of its subsidiary and include the following:

Raw material availability and prices: the Company monitors key raw material sources on a global basis and negotiates fixed price contracts where appropriate with key suppliers.

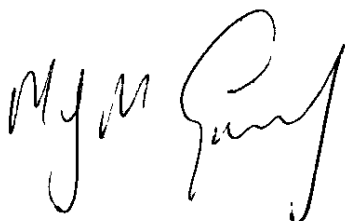
- Environmental risks: the Company places considerable emphasis upon environmental compliance and not only seeks to ensure ongoing compliance with relevant legislation but also strives to ensure that environmental best practice is incorporated into its key processes.
- Debtors: the Company maintains strong relationships with each of its key customers. Appropriate credit terms are agreed with all customers and these are closely managed.
- Major disruption/disaster: business continuity planning is reviewed regularly.
- The Company monitors forthcoming and current legislation regularly.

### Future developments

The Company is expected to remain a holding company.

By order of the board

**Michael McGarry**  
Director



Foster Road,  
Ashford Business Park,  
Sevington, Ashford,  
TN24 0SH

17 July 2018

## Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2017.

### Results for the year and Dividends

The results for the year are shown on page 6.

The directors do not propose a final ordinary dividend, which together with the interim dividend of £1,935 per ordinary share, make a total dividend of £1,935 per share (2016: £800 *per share*).

The Company made no political donations or incurred any political expenditure in the year.

### Directors

The directors who held office during the year were as follows:

T D Nielsen	resigned 04/08/2017
G T Martin	
L Vaidyanathan	resigned 12/10/2017
G N Moyles	
M A Beckram	appointed 01/10/2017
M J McGarry	appointed 12/10/2017

Certain directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

### Disclosure of information to auditor

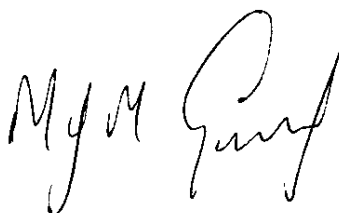
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

**Michael McGarry**  
Director



Foster Road,  
Ashford Business Park,  
Sevington, Ashford,  
TN24 0SH

17 July 2018

## **Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



## KPMG LLP

1 Sovereign Square  
Sovereign Street  
Leeds  
LS1 4DA  
United Kingdom

### **Independent auditor's report to the members of Inprint Systems Limited**

#### **Opinion**

We have audited the financial statements of Inprint Systems Limited ("the company") for the year ended 31 December 2017 which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

#### **Going concern**

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

#### **Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 3, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

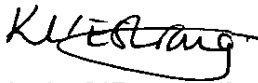
### **Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



**Katharine L'Estrange (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*  
1 Sovereign Square  
Sovereign Street  
Leeds  
LS1 4DA

18 July 2018

**Profit and Loss Account and Other Comprehensive Income**  
*for year ended 31st December 2017*

	<i>Note</i>	<b>2017</b> <b>£000</b>	2016 £000
<b>Turnover</b>		<b>440</b>	440
Cost of sales		-	-
		<hr/>	<hr/>
<b>Gross profit</b>		<b>440</b>	440
Administration expenses		(283)	(257)
		<hr/>	<hr/>
<b>Operating profit</b>	2,3	<b>157</b>	183
Income from shares in group undertaking		19,346	8,000
		<hr/>	<hr/>
<b>Profit before taxation</b>		<b>19,503</b>	8,183
Tax on profit	4	(13)	21
		<hr/>	<hr/>
<b>Profit and other comprehensive income for the financial year</b>		<b>19,490</b>	8,204
		<hr/> <hr/>	<hr/> <hr/>

All items dealt with in arriving at operating profit above relate to continuing operations.

The Company has no recognised gains and losses other than the profit above and therefore no separate statement of total comprehensive income has been presented.

Notes on pages 9 to 21 form part of financial statements.



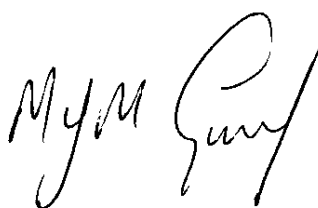
**Balance Sheet**  
*at 31st December 2017*

	Note	2017 £000	2016 £000
<b>Fixed assets</b>			
Tangible assets	5	6,057	6,333
Investments	6	18,000	18,000
		<b>24,057</b>	<b>24,333</b>
<b>Current assets</b>			
Debtors	7	665	247
Cash at bank and in hand		22	22
		<b>687</b>	<b>269</b>
<b>Creditors: amounts falling due within one year</b>	8	<b>(7)</b>	<b>(9)</b>
<b>Net current assets</b>		<b>680</b>	<b>260</b>
<b>Total assets less current liabilities</b>		<b>24,737</b>	<b>24,593</b>
<b>Net assets</b>		<b>24,737</b>	<b>24,593</b>
<b>Capital and reserves</b>			
Called up share capital	11	2,283	2,283
Profit and loss account		22,454	22,310
<b>Shareholders' funds</b>		<b>24,737</b>	<b>24,593</b>

These financial statements were approved by the board of directors on 17 July 2018 and were signed on its behalf by:

**Michael McGarry**  
*Director*

Company registered number: 03650238



Notes on pages 9 to 21 form part of financial statements

## Statement of Changes in Equity

	<b>Called-up share capital £000</b>	<b>Profit and loss account £000</b>	<b>Total equity £000</b>
Balance at 1 January 2016	2,283	12,106	14,389
<b>Total comprehensive income for the period</b>			
Profit for the year	-	8,204	8,204
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	-	8,204	8,204
Equity dividends	-	(8,000)	(8,000)
Capital contribution	-	10,000	10,000
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2016</b>	<b>2,283</b>	<b>22,310</b>	<b>24,593</b>
	<hr/>	<hr/>	<hr/>
	<b>Called-up share capital £000</b>	<b>Profit and loss account £000</b>	<b>Total equity £000</b>
Balance at 1 January 2017	2,283	22,310	24,593
<b>Total comprehensive income for the period</b>			
Profit for the year	-	19,490	19,490
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	-	19,490	19,490
Equity dividends	-	(19,346)	(19,346)
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2017</b>	<b>2,283</b>	<b>22,454</b>	<b>24,737</b>
	<hr/>	<hr/>	<hr/>

A capital contribution took place in October 2016 by converting to capital amounts owed to the Company's sole shareholder CCL Industries UK Ltd.

Notes on pages 9 to 21 form part of financial statements

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

#### 1.1 Basis of preparation

Inprint Systems Limited (the "Company") is a private company incorporated, domiciled and registered in England in the UK. The registered number is 03650238 and the registered address is Foster Road, Ashford Business Park, Sevington, Ashford, TN24 0SH.

The Company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 102. The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's ultimate parent undertaking, CCL Industries Inc includes the Company in its consolidated financial statements. The consolidated financial statements of CCL Industries Inc are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Suite 500, Gordon Baker Road, Framingham, Canada. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of CCL Industries Inc include the disclosures equivalent to those required by FRS 102, the Company has also taken the exemptions available in respect of the following disclosures:

- Certain disclosures required by FRS 102.26 *Share Based Payments*; and,
- Certain disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 1.13.

#### 1.2 Measurement convention

The financial statements are prepared on the historical cost basis, except that the following assets and liabilities are stated at their fair value: derivative financial instruments and financial instruments classified at fair value through the profit or loss.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.3 Going concern

The Company's business activities, together with the factors likely to affect its future development and its financial position are described in the Strategic report on page 1.

The Company, as part of CCL Industries Inc., has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook. After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Directors' report and financial statements.

#### 1.4 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

#### 1.5 Classification of financial instruments issued by the Company

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- (b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

#### 1.6 Basic financial instruments

##### Trade and other debtors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.6 Basic financial instruments (continued)

##### *Trade and other creditors*

Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

##### *Interest-bearing borrowings classified as basic financial instruments*

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

##### *Investments in subsidiaries*

Investments in subsidiaries are carried at cost less impairment.

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits.

#### 1.7 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items, for example land is treated separately from buildings.

The Company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

- freehold building 40 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.8 Impairment excluding stocks and deferred tax assets

##### *Financial assets (including trade and other debtors)*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

##### *Non-financial assets*

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs, the company tests the impairment of goodwill by determining the recoverable amount of the entity in its entirety, including the integrated acquired operations.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.9 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

#### 1.10 Turnover

Turnover represents the amounts (excluding value added tax) receivable for intercompany rents, recognised on rental payments.

#### 1.11 Expenses

##### *Interest payable and interest receivable*

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method and unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrues, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the Company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

#### 1.12 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

## **Notes** *(continued)*

### **1 Accounting policies** *(continued)*

#### **1.13 Accounting estimates and judgements**

##### *Key sources of estimation uncertainty*

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

##### **(i) Useful economic lives of tangible assets**

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 5 for the carrying amount of the property plant and equipment, and note 1.7 for the useful economic lives for each class of assets.

##### **(ii) Impairment of debtors**

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 7 for the net carrying amount of the debtors and associated impairment provision.

##### **(iii) Investments**

Investments in subsidiaries are initially measured at cost. An annual review of investments is performed to ensure there is no indication of impairment and the carrying value is supported by the assets and trade of the subsidiary



**Notes** *(continued)*

**2 Expenses and auditor's remuneration**

*Included in operating profit are the following.*

	<b>2017</b>	2016
	<b>£000</b>	£000
Depreciation of tangible fixed assets	<b>276</b>	262
	<hr/>	<hr/>

*Auditor's remuneration:*

	<b>2017</b>	2016
	<b>£000</b>	£000
Audit of these financial statements	<b>3</b>	3

*Disclosures below based on amounts receivable in respect of other services to the company and its subsidiaries*

Amounts receivable by the company's auditor and its associates in respect of:

Taxation compliance services	<b>3</b>	5
Other services	<b>1</b>	1
	<hr/>	<hr/>

**3 Directors and employees**

None of the directors received emoluments in respect of their services to the Company during the year *(2016 £nil)*.  
The directors are remunerated by another group company.

The Company had no employees during the year apart from the directors *(2016: none)*.

## Notes (continued)

### 4 Taxation

#### Total tax expense recognised in the profit and loss account

	2017 £000	£000	2016 £000	£000
<i>Current tax</i>				
Current tax on income for the period	-		-	
Adjustments in respect of prior periods	-		-	
	<hr/>		<hr/>	
Total current tax		-		-
<i>Deferred tax (see note 9)</i>				
Origination and reversal of timing differences	13		(6)	
Change in tax rate	-		(15)	
	<hr/>		<hr/>	
Total deferred tax		13		(21)
		<hr/>		<hr/>
Total tax		13		(21)
		<hr/>		<hr/>

#### Reconciliation of effective tax rate

	2017 £000	2016 £000
Profit for the year	19,490	8,204
Total tax expense	13	(21)
	<hr/>	<hr/>
Profit before tax	19,503	8,183
Tax using the UK corporation tax rate of 19.25 % (2016: 20%)	3,754	1,637
Reduction in tax rate on deferred tax balances	(9)	(15)
Fixed asset differences	47	46
Income not taxable	(3,724)	(1,600)
Utilisation of brought forward tax losses	(54)	(89)
Other differences	(1)	-
	<hr/>	<hr/>
Total tax expense included in profit or loss	13	(21)
	<hr/>	<hr/>

Please note that from 1 April 2014, the main rate of corporation tax was reduced to 21% and from 1 April 2016 the main rate will be reduced to 20%. Accordingly, prior year tax had been measured at the hybrid rate of 20.25%. In the Budget on 8 July 2016, the Chancellor announced additional planned reductions to 19% from 01 April 2017 and 18% from 01 April 2020. This will reduce any future current tax charge accordingly. Any deferred tax at 31 December 2017 has been calculated based on the rate of 17% being the rate substantively enacted at the balance sheet date.

A further reduction to the corporation tax rate by 1% to 17% by 1 April 2020 was announced in the Chancellor's 2017 budget statement. This further change had not been substantively enacted at the balance sheet date and, therefore, is not included in these financial statements as the proposed reduction cannot be reliably quantified at this stage.

**Notes** *(continued)*

**5 Tangible fixed assets**

	<b>Land and buildings £000</b>
<b>Cost</b>	
Balance at 1 January 2017	8,840
	<hr/>
Balance at 31 December 2017	8,840
	<hr/>
<b>Depreciation and impairment</b>	
Balance at 1 January 2017	2,507
Depreciation charge for the year	276
	<hr/>
Balance at 31 December 2017	2,783
	<hr/>
<b>Net book value</b>	<b>6,057</b>
<b>At 31 December 2017</b>	
	<hr/>
At 1 January 2017	6,333
	<hr/>

*Land and Buildings*

The net book value of land and buildings comprises:

	<b>2017 £000</b>	<b>2016 £000</b>
Land	1,760	1,760
Freehold	4,297	4,573
	<hr/>	<hr/>
	<b>6,057</b>	<b>6,333</b>
	<hr/>	<hr/>

## Notes (continued)

### 6 Fixed asset investments

	Shares in group undertakings £000
<i>Cost and net book value</i>	
As at 1 January 2017	18,000
Additions	-
Disposals	-
	<hr/>
<b>As at 31 December 2017</b>	<b>18,000</b>
	<hr/>

The Company has the following investment in subsidiary:

	Activity	Registered Office address	Class of shares	Ownership 2017 %	Ownership 2016 %
CCL Label (Ashford) Limited	Trading	Foster Rd Ashford, Kent TN24 0SH, UK	Ordinary	100%	100%

### 7 Debtors

	2017 £000	2016 £000
Amounts owed by group undertakings	649	218
Deferred taxation (see note 9)	16	29
	<hr/>	<hr/>
	<b>665</b>	<b>247</b>
	<hr/>	<hr/>

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

## Notes (continued)

### 8 Creditors: amounts falling due within one year

	2017 £000	2016 £000
Accruals and deferred income	7	9
	<u>7</u>	<u>9</u>
	<u>7</u>	<u>9</u>

### 9 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2017 £000	Assets 2016 £000
Accelerated capital allowances	16	29
	<u>16</u>	<u>29</u>
Tax assets	16	29
	<u>16</u>	<u>29</u>

In addition to the deferred tax asset above, the Company has additional unrecognised deferred tax assets of £502,000 (2016: £555,000).

### 10 Deferred tax asset movement

	2017 £000
Balance at 1 January 2017	29
Charged to profit and loss during the year	(13)
	<u>16</u>
<b>Balance at 31 December 2017</b>	<b><u>16</u></b>

## Notes (continued)

### 11 Capital and reserves

#### Share capital

	2017 £000	2016 £000
<i>Allotted, called up and fully paid</i>		
9,000 A ordinary shares of £1 each	9	9
900 B ordinary shares of £1 each	1	1
50 C ordinary shares of £1 each	-	-
50 D ordinary shares of £1 each	-	-
2,272,727 deferred shares of £1 each	2,273	2,273
	<hr/>	<hr/>
At 31 December	2,283	2,283
	<hr/>	<hr/>

#### *Rights of classes of shares*

##### *Ordinary shares*

The ordinary shares rank pari-passu with each other for the purposes of dividend payments and voting rights.

On winding up or on exit, the ordinary shareholders are entitled to the following proportion of assets of the company or aggregate consideration payable to the ordinary shareholders of the company:

Up to £20m	- A shareholders 90%
	- B shareholders 10%
Between £20m and £44m	- A shareholders 79%
	- B shareholders 16%
	- C shareholders 3.5%
	- D shareholders 1.5%
Over £44m	- A shareholders 15%
	- B shareholders 25%
	- C shareholders 33.6%
	- D shareholders 26.4%

##### *Deferred shares*

Deferred shareholders are not entitled to participate in any dividend or other distribution paid or made by the company, except when surplus assets are remaining after a total sum of £100,000,000 has been distributed in respect of each of the ordinary shares of the company. The shareholders are then entitled to the repayment of the nominal amounts paid up on the shares. Deferred shareholders do not have any voting rights.

## **Notes** *(continued)*

### **12 Dividends**

	<b>2017</b> <b>£000</b>	2016 £000
Interim dividend of £1.934 per ordinary share <i>(2016: £800)</i>	<b>19,346</b>	8,000
	<hr/>	<hr/>

### **13 Ultimate parent company and parent company of larger group**

The Company is a subsidiary undertaking of CCL Industries (UK) Limited. The ultimate controlling party is CCL Industries Inc.

The largest group in which the results of the Company are consolidated is that headed by CCL Industries Inc, registered office address at 111 Gordon Baker Road, Suite 801, Toronto, Ontario M2H 3R1, Canada. No other group financial statements include the results of the Company. The consolidated financial statements of this group is available to the public and may be obtained from the registered office.



2017 ANNUAL REPORT

# innov!ation



COMPANIES HOUSE

THESE ACCOUNTS  
FORM PART OF THE  
GROUP ACCOUNTS  
OF COMPANY  
No 3650238





20 000

Employees



167

Production Facilities



39

Countries



6

Continents

#### CCL

CCL is the world's largest converter of pressure sensitive and extruded film materials for decorative, instructional, security and functional applications for government institutions and leading global customers in the consumer packaging, healthcare, automotive and consumer durable segments.

#### Avery

Avery provides world-leading software solutions that help small businesses and consumers design online or download templates to digitally print labels, tags, dividers, badges and specialty card products from [avery.com](http://avery.com). Products are sold through mass market retailers and distributors alongside complementary office supplies as well as direct to consumers via [avery.com](http://avery.com) and other e-commerce brands

#### Innovia

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

#### Container

With plants in Canada, United States and Mexico, this business is a leading manufacturer of sustainable, impact extruded, aluminum aerosol containers and bottles for premium brands in the North American Home & Personal Care and Food & Beverage markets.

#### Checkpoint

Checkpoint is a leading manufacturer of technology-driven loss-prevention, inventory management labelling and tagging solutions (RF and RFID capable) to global apparel brand owners and omni channel retailers.

North America  
represents

**43%**

of total sales.

Europe  
represents

**34%**

of total sales.

Emerging Markets  
represent

**23%**

of total sales.

**CAUTION ABOUT FORWARD-LOOKING INFORMATION** This annual report contains forward-looking information and forward-looking statements, as defined under applicable securities laws, (hereinafter collectively referred to as "forward-looking statements") that involve a number of risks and uncertainties. Forward-looking statements include all statements that are predictive in nature or depend on future events or conditions. Forward-looking statements are typically identified by, but not limited to, the words "believes," "expects," "anticipates," "estimates," "intends," "plans" or similar expressions. Statements regarding the operations, business, financial condition, priorities, ongoing objectives, strategies and outlook of the Company, other than statements of historical fact, are forward-looking statements. Specifically, this 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 2018, the adequacy of the Company's financial liquidity, the Company's targeted return on equity, earnings per share, EBITDA growth rates and dividend payout, the Company's effective tax rate, the Company's ongoing business strategy, and the Company's expectations regarding general business and economic conditions.

Forward-looking statements are not guarantees of future performance. They involve known and unknown risks and uncertainties relating to future events and conditions including, but not limited to, the impact of competition, consumer confidence and spending preferences, general economic and geopolitical conditions, currency exchange rates, interest rates and credit availability, technological change, changes in government regulations, risks associated with operating and product hazards, and the Company's ability to attract and retain qualified employees. Do not unduly rely on forward-looking statements as the Company's actual results could differ materially from those anticipated in these forward-looking statements. Forward-looking statements are also based on a number of assumptions, which may prove to be incorrect, including, but not limited to, assumptions about the following: higher consumer spending, improved customer demand for the Company's products, continued historical growth trends, market growth in specific segments and entering into new segments, the Company's ability to provide a wide range of products to multinational customers on a global basis, the benefits of the Company's focused strategies and operational approach, the Company's ability to implement its acquisition strategy and successfully integrate acquired businesses, the achievement of the Company's plans for improved efficiency and lower costs, including the ability to pass on aluminum 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 and therefore cannot be described in a meaningful way in advance of knowing specific facts. The forward-looking statements are provided as of the date of this annual report and the Company does not assume any obligation to update or revise the forward-looking statements to reflect new events or circumstances, except as required by law.

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

**CCL INDUSTRIES DELIVERED ANOTHER RECORD YEAR IN 2017 WITH SALES OF \$4.8 BILLION AND NET EARNINGS OF \$474 MILLION, AIDED BY A \$40 MILLION REDUCTION IN DEFERRED LIABILITIES RESULTING FROM THE UNITED STATES TAX CUTS & JOBS ACT THAT TAKES EFFECT IN 2018.**

**Donald G. Lang**  
Executive Chairman

**Geoffrey T. Martin**  
President and  
Chief Executive Officer

6.2% organic sales growth for the CCL Segment continues to exceed global GDP; Checkpoint had a successful first full year with increased profitability; Avery rebounded from a slow first half to post results in local currencies in line with 2016, while our Container business flawlessly completed the daunting consolidation of its North American operations. The Innovia acquisition, announced late 2016 and closed at the end of February 2017, had a decidedly mixed start. Innovia Security (now CCL Secure, part of the CCL Segment) performed well as expected, but Innovia Films had a challenging 2017 as polypropylene resin price increases significantly impacted profitability. Reported sales increased 19.6% and adjusted basic earnings per share\* ("adjusted EPS") improved 18% from \$2.28 in 2016 to \$2.69 in 2017. Foreign currency translation and transaction impacts were modestly negative due to the lower U.S. dollar, offset partly by the stronger euro. Restructuring charges and other expenses were \$27 million in 2017, offset by a \$16 million favourable settlement of a large legal claim, compared to \$35 million in 2016. Actions were focused on improving the performance of Innovia and Checkpoint. Free cash flow from operations\* was another highlight reaching \$438 million, and return on equity\* improved slightly to 24%.

### Global Economy

The world remained volatile in 2017, with tensions in North Korea, terror incidents, civil wars and the rise of populism in both Europe and the United States. However, 179 of 192 economies in the International Monetary Fund's ("IMF") World Economic Outlook posted growth; while IMF forecasts for 2018 would have the fewest countries in recession ever reported. If the recovery in the United States lasts the decade through mid-2019, which looks a distinct possibility, it will have been the longest period of expansion since 1945. In this context, we regard the Company's overall 2.1% organic sales growth as a solid "par" given many of our businesses exceeded this rate by a distance while some fell short.

### CCL Segment

Sales reached \$2.8 billion while operating as CCL Label for Home & Personal Care, Healthcare & Specialty and Food & Beverage consumer packaging markets; CCL Design for high performance, durable products for Automotive & Electronics OEMs; and CCL Secure for anti-counterfeit, graphic technologies for government institutions and companies interested in brand protection. CCL outperformed again in 2017 with 6.2% organic sales growth on top of 7.1% in 2016 on modest progress in North America, solid

in Latin America, strong in Europe and robust in Asia driven by exceptional results in China. Our joint ventures in the Middle East and Russia had record years. Healthcare & Specialty results were flat but the rest of our legacy global business lines delivered significant improvement on market share gains, while CCL Secure met expectations and augmented mix. Excluding the impact of currency translation, worldwide sales increased 14.5%, and operating income\* improved 19.0% compared to 2016. EBITDA\* margins improved 100 basis points to 22.2%.

**Home & Personal Care** operations delivered high-single-digit organic growth globally on share gains in both labels and tubes. Growth in China exceeded expectations as consumer sentiment recovered and many customers reported double-digit sales growth. Other Emerging Markets were mixed, with Mexico and the Middle East strong, Brazil still soft but showing signs of recovery and ASEAN countries only modestly up. Growth was ahead of the market in both the United States and Europe despite difficult conditions for customers and profitability improved significantly on both mix and sales gains. Results included start-up costs for a new plant in Columbus, Ohio, which moved into profitability in the fourth quarter.

**Healthcare & Specialty** sales increased low single-digit on acquisitions but profitability for the year was flat. Tough conditions in a highly consolidated Agricultural Chemical industry and market challenges in Healthcare, especially for generic drugs, drove heightened cost conscious decision making at many customers. North American results declined while Europe improved largely on contributions from acquisitions and restructuring actions at our plants in Denmark. Emerging Markets' profits were held in-check by a plant consolidation in Brazil and ongoing, albeit reduced, losses in Australia.

**Food & Beverage** again delivered outstanding results in 2017 on double-digit organic sales growth with significant profit improvement. All product lines and geographic regions progressed but Wine & Spirits excelled, especially in the Americas, only results in Germany disappointed. Strong growth continued globally for both Sleeves and Pressure Sensitive Labels using our proprietary coating technology for "wash off" labels on glass and PET bottles. The Closure Label business also had a solid year despite pricing pressures. Investments in the sector overall were significant as we completed a new plant in Switzerland and added capacity around the world in all business lines supporting customers accelerating strategies to premiumize brands.

**CCL Design** solidified its position as an equally important fourth leg of the CCL stool in 2017. North America posted solid performance, despite signs of plateauing automotive demand in the NAFTA region. In Mexico, we completed construction of two new plants, one in Guanajuato for Automotive and a second in Guadalajara for Electronics. In Europe, German automotive OEMs continued to post strong but moderating growth in global markets, and our label and metal tread plate businesses both delivered good results on the back of that. Electronics growth was exceptional in strong end-markets on new device launches with sales up in the teens, driving significant profit growth despite foreign exchange challenges as all customers in this space transact in a weaker U.S. dollar. Results in the mature alkaline battery market declined. Operating margins overall improved meaningfully but remain below Segment average.

**CCL Secure** the combination of the former Innovia Security operations and the 2015 Banknote Corporation of America acquisition had a good year improving overall operating margins for the Segment. We were particularly proud to be involved in the production of the commemorative \$10 note, celebrating the 150th anniversary of Canada's founding as a nation, which we feature on the inside back cover of our report. Polymer banknotes continue to attract interest from Central Banks around the world as a lower total cost, more secure and environmentally friendlier alternative to traditional paper currency.

## Avery

2017 profits before the impact of foreign exchange rate translation were flat. Hypercompetition between office supply superstores, mass market retail chains and e-commerce marketers on top of secular declines in traditional office supply products resulted in a mid-single-digit organic sales decline in North America. Europe posted modest organic growth with a greater proportion of sales in the core Printable Media product lines and less distribution channel turmoil, especially in Germany. Underlying European profitability improvement was augmented by contributions from two acquisitions that exceeded expectations. Results in Asia Pacific and Latin America both declined. New products, smart direct-to-consumer acquisitions, pricing, improved mix, and cost-reduction actions helped sustain results globally with \$165 million in operating income\* on sales of \$753 million, an improved margin of 21.8%. Avery continues to deliver the highest return on capital and free cash flow from operations\* as a percentage of sales in the Company.

## Checkpoint

Checkpoint completed its first full year under CCL Industries ownership with sales of \$675 million and \$87 million operating income\*, meeting our initial financial return expectations on an acquisition purchase price of \$532 million. 17.2% EBITDA\* margins improved significantly compared to pre-acquisition levels and cash flow was strong. Spending on the \$40 million restructuring program announced at acquisition in May 2016 reached \$36 million at the end of 2017 and will conclude in the first half of 2018 at or below the planned level. The hardware, software, hard tag and label product lines that collectively make up the Merchandise Availability Systems business had a strong year on cost savings, improved execution, innovations and new customer wins. Apparel Labeling Systems sales met expectations as we continue to invest in radio-frequency identification adoption in apparel, especially in Europe, but modest overall profitability leaves considerable scope to improve results on cost savings and better operational execution. Overall, we remain excited about the possibilities for smart label and tagging solutions in the retail and apparel supply chain.

## Innovia

This new Segment combines acquired Innovia Films operations with two small legacy film extrusion plants previously reported in the CCL Segment. Results for the 10 months of 2017 at the acquired business disappointed. Overall sales reached \$308 million with a 15.9% EBITDA\* margin. Profitability was impacted by a 30% rise in raw materials cost that we could not pass along fast enough to customers with a profit impact of approximately \$30 million. The situation escalated as 2017 unfolded and continues in the early part of 2018, although forecasts for the second half of the year recently improved. Historically this business benefited during periods of declining resin prices and struggled in rising markets, suggesting the need to more closely align movement in raw materials cost with pricing. *This aside, the acquisition integration has gone smoothly and we remain excited by the possibilities of our materials science position for our future development.*

## Container Segment

Late in 2016, an important Home Care customer switched a large aerosol brand to a new PET-based system prompting the final decision to exit our long-held Canadian operation, initially announced in 2013. The consolidation process, including expansions to our U.S. and Mexican operations, was executed flawlessly. The business delivered record cash flow, aided by the conversion of our Canadian assets into cash, despite the new investments. After a transitional first quarter, results progressively gained traction closing 2017 with sales of \$196 million and an improved 13.3% return on sales\* despite the negative impacts of rising aluminum cost and a weaker U.S. dollar. We expect to return to growth in 2018. Our joint venture with Rheinfelden for aluminum slug manufacturing in North Carolina continued to struggle. The plant had a small fire in early 2018; as a result, production will be halted for a couple of quarters while repairs are undertaken and the investment programme completed. Profitability isn't now expected until 2019. We continue to believe our own slug making facility is strategically important for the future of CCL Container.

## Delivering to Shareholders

At the Annual General Meeting in May 2017, shareholders approved a 5-for-1 share split of the Class B non-voting and Class A voting shares of CCL Industries, and last summer the Company was named a member of the Toronto Stock Exchange TSX 60 Index. Subsequent to these two events, our Class B shares reached an all-time high of \$71.32, driving the Company's market capitalization over \$10 billion for the first time. Despite another major acquisition, the Company's leverage ratio\* ended 2017 comfortably inside investment grade territory at 1.85 times. Priorities for 2018 include improving the performance of Innovia, sustaining organic growth in the core business, adding bolt-on transactions that meet our disciplined valuation metrics while paying down debt to build capacity for the future. Working capital results remain an area of laser-like focus, especially at recent acquisitions. Net of disposals, we invested \$273 million in plant and equipment to improve productivity, expand capabilities and add to geographic reach, compared to \$259 million in depreciation and amortization expense. Capital expenditures of \$325 million are planned for 2018, compared to an expected \$283 million depreciation and amortization expense. While accretive acquisitions have always been our priority, the annualized dividend more than doubled over the decade to 2013, and more than doubled again by 2017. The Board approved a further 13% increase to an annualized \$0.52 per Class B share, with the first-quarter dividend payable in March 2018. With 97% of sales outside Canada, CCL continues to provide domestic shareholders with considerable geographic risk diversification.

## Global Leadership, Governance and Sustainability

With 167 manufacturing facilities in 39 countries around the world, CCL's leaders must be global citizens. Deep industry experience is another mandate for any key operating leadership role while cultural understanding and entrepreneurial sense are necessary attributes to win in regionally diverse markets. Our team is energized by a younger generation but tempered by the experience of industry veterans, some with more than 40 years' tenure. "Think global and act local" with authority and accountability decentralized to the front line remains our creed. Acquisitions and joint ventures bring perspectives from new people with like minds, sometimes in the frontier geographies of the world. The small corporate team focuses on support of our businesses and strives to be technically excellent, agile and minimalist while recognizing their responsibilities to the broader stakeholder community.

In 2017, we sadly said farewell to Paul Block, our longest serving independent Director, who retired this past December after 20 years on our Board. An avid globetrotter, Paul will be remembered for his many visits to our operations to mentor and get to know our senior people. All of us will miss his human touch, enthusiasm and humour as well as his insightful views on our business and the markets we serve. Our Board of Directors continues to provide strong corporate governance, acting in the interests of all shareholders, while delivering broad-based counsel to management.

CCL Industries is deeply committed to help customers meet their sustainability targets while reducing the planetary impact of our own manufacturing processes, materials and products. Facilities are built to the latest standards to conserve energy using sustainable materials. Many operations are accredited with ISO 14001 and 16001 environmental certifications. Our plants replace wooden pallets and corrugated boxes with multi-trip returnable systems in collaborative logistic partnerships with suppliers and customers. CCL Label offers products based on Forest Stewardship Council certified papers while CCL Design uses low-energy LED lighting systems engineered into our tread plate products. In Food & Beverage markets, clear film pressure sensitive, wash off labels facilitate multi-trip use of glass bottles and enable closed-loop use of PET bottles with easy label removal in reprocessing systems. Release liner recycling and down-gauged films for pressure sensitive labels matched to bottle substrate improve the sustainability of one of our core technologies. We believe we are the only supplier of extruded tubes in the United States made with post-consumer polyethylene resins, and CCL Container has a zero waste manufacturing process for aluminum aerosols. Checkpoint's hard tag recycling programmes save cost and reduce waste for apparel retailers, while CCL Secure's polymer banknotes reduce the frequency of replacing currency in circulation with a cleaner solution that can eventually be reprocessed in secondary recycling applications. CCL Industries remains deeply committed to preserving the environment, filing letters of support for key global customers to push governments to join the 2015 landmark Paris climate accord.

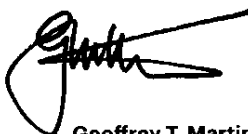
## 2018 Outlook

We enter 2018 with the global economy in its best condition for a decade. If the world has normalized after the Great Recession then this suggests higher interest rates are to come along with the return of inflation. While this remains muted at the consumer level, managing rising raw materials cost is likely our biggest risk in 2018. However, demand levels overall remain good and the start to the year has been quite strong. Currency volatility is on our watchlist but greater geographic diversity, particularly the balance between our U.S. and European earnings, should help to offset some of the concerns around the lower U.S. dollar.

We close, as always, recognizing our other stakeholders, customers and suppliers that partner with us in our endeavours and 20,000 employees around the world who never cease to amaze us with their dedication, ingenuity, entrepreneurial spirit and focus on results. The past year also demonstrated our ability to show compassion as Puerto Rico was devastated by Hurricane Maria and CCL Label's plant on the island serving the pharmaceutical industry was affected. Key leaders immediately chartered two cargo planes from the United States full of supplies and small generators for employees and their families. The plant survived the hurricane, and with its large generator, became a community centre for several weeks before production restarted. Appeals were launched at our businesses around the world collecting money for those affected and all employees received full pay throughout the lengthy disruption period. Events like this speak to who we are as people and as a Company.



**Donald G. Lang**  
Executive Chairman



**Geoffrey T. Martin**  
President and Chief Executive Officer

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

## FINANCIAL HIGHLIGHTS

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

	2017	2016	%
Sales	\$ 4,755.7	\$ 3,974.7	19.6%
EBITDA	\$ 959.2	\$ 792.7	21.0%
% of sales	20.2%	19.9%	
Restructuring and other items – net loss	\$ 11.3	\$ 34.6	
Net earnings	\$ 474.1	\$ 346.3	36.9%
% of sales	10.0%	8.7%	
<b>Basic earnings per Class B share</b>			
Net earnings	\$ 2.70	\$ 1.98	36.4%
Diluted earnings	\$ 2.66	\$ 1.95	36.4%
Adjusted basic earnings per Class B share	\$ 2.69	\$ 2.28	18.0%
Dividends	\$ 0.46	\$ 0.40	15.0%
<b>As at December 31</b>			
Total assets	\$ 6,144.0	\$ 4,678.8	31.3%
Net debt*	\$ 1,773.9	\$ 1,016.2	74.6%
Total equity	\$ 2,157.9	\$ 1,775.2	21.6%
Net debt to EBITDA*	1.85	1.28	
Return on equity (before other expenses)*	24.0%	23.5%	
Number of employees	20,000	19,000	5.3%

\* A non-IFRS measure – see “Key Performance Indicators and Non-IFRS Measures” in Section 5A

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Years ended December 31, 2017 and 2016 (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, 2017 and 2016. In preparing this MD&A, the Company has taken into account information available until February 22, 2018, unless otherwise noted. This MD&A should be read in conjunction with the Company's December 31, 2017, year-end consolidated financial statements, which form part of the CCL Industries Inc. 2017 Annual Report dated February 22, 2018. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and, unless otherwise noted, both the financial statements and this MD&A are expressed in Canadian dollars as the reporting currency. The major measurement currencies of the Company's operations are the Canadian dollar, U.S. dollar, euro, Argentine peso, Australian dollar, Bangladeshi taka, Brazilian real, Chilean peso, Chinese renminbi, Danish krone, Hungarian forint, Indian rupee, Japanese yen, Malaysian ringgit, Mexican peso, Philippine peso, Polish zloty, Russian ruble, Singaporean dollar, South African rand, South Korean won, Swiss franc, Thai baht, Turkish lira, U.K. pound sterling and Vietnamese dong. All per Class B non-voting share ("Class B share") amounts in this document are expressed on an undiluted basis, unless otherwise indicated. The Company's Audit Committee and its Board of Directors (the "Board") have reviewed this MD&A to ensure consistency with the approved strategy and results of the business.

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#### 45 6. Outlook

Subsequent to the acquisition of the Innovia Group of Companies ("Innovia") on February 28, 2017, the Company modified its Segment reporting disclosure. The Label Segment, or CCL Label, was renamed the CCL Segment or CCL, and now includes the results of the former Innovia Security (now CCL Secure) operations. The new Innovia Segment includes the results of the former Innovia Films operations as well as legacy film businesses previously included in the CCL Segment.

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

#### 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 2018; the

adequacy of the Company's financial liquidity; the Company's targeted return on equity, earnings per share, EBITDA growth rates and dividend payout; the Company's effective tax rate; the Company's ongoing business strategy; and the Company's expectations regarding general business and economic conditions.

Forward-looking statements are not guarantees of future performance. They involve known and unknown risks and uncertainties relating to future events and conditions including, but not limited to, the impact of competition; consumer confidence and spending preferences, general economic and geopolitical conditions, currency exchange rates; interest rates and credit availability; technological change; changes in government regulations; risks associated with operating and product hazards, and the Company's ability to attract and retain qualified employees. Do not unduly rely on forward-looking statements as the Company's actual results could differ materially from those anticipated in these forward-looking statements. Forward-looking statements are also based on a number of assumptions, which may prove to be incorrect, including, but not limited to, assumptions about the following: higher consumer spending; improved customer demand for the Company's products; continued historical growth trends, market growth in specific segments and entering into new segments; the Company's ability to provide a wide range of products to multinational customers on a global basis, the benefits of the Company's focused strategies and operational approach; the Company's ability to implement its acquisition strategy and successfully integrate acquired businesses; the achievement of the Company's plans for improved efficiency and lower costs, including the ability to pass on aluminum 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 and therefore cannot be described in a meaningful way in advance of knowing specific facts.

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

Unless the context otherwise indicates, a reference to "the Company" means CCL Industries Inc., 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](http://www.sedar.com) or on the Company's website [www.cclind.com](http://www.cclind.com).

## **1. CORPORATE OVERVIEW**

### **A) The Company**

CCL Industries Inc. is the world's largest converter of pressure sensitive and extruded film materials for a wide range of decorative, instructional, security and functional applications for government institutions and large global customers in the consumer packaging, healthcare, chemicals, consumer durables, electronic device and automotive markets. Extruded and laminated plastic tubes, folded instructional leaflets, precision decorated and die cut components, electronic displays, polymer banknote substrate and other complementary products and services are sold in parallel to specific end-use markets. Avery is the world's largest supplier of labels, specialty converted media and software solutions to enable short-run digital printing in businesses and homes alongside complementary products sold through distributors and mass-market retailers. Checkpoint is a leading manufacturer of technology-driven loss-prevention, inventory-management and labeling solutions, including radio-frequency ("RF") and radio-frequency identification ("RFID") based, to the retail and apparel industry. Innovia manufactures films sold to customers in the pressure sensitive label materials, consumer packaged goods and security products industries globally. Container is a leading producer of impact-extruded aluminum aerosol cans and bottles for consumer packaged goods customers in the United States and Mexico. The Company has partly backward integrated into materials science with capabilities in polymer extrusion, adhesive development and coating, surface engineering and metallurgy that are deployed across all five business Segments.

Founded in 1951, the Company has been publicly listed under its current name since 1980. The Company's corporate offices are located in Toronto, Canada, and Framingham, Massachusetts, United States. The corporate offices provide executive and centralized services such as finance, accounting, internal audit, treasury, risk management, legal, tax, human resources, information technology, environmental, health and safety and oversight of operations. The Company employs approximately



## MANAGEMENT'S DISCUSSION AND ANALYSIS

Years ended December 31, 2017 and 2016 (Tabular amounts in millions of Canadian dollars, except per share data)

20,000 people in 167 production facilities located in North America, Latin America, Europe, Australia and Asia including equity investments in Russia operating five facilities, the Middle East operating five facilities, and two in the United States operating an in-mould label facility and an aluminum slug facility supporting the Container Segment. The Company also has a label and tube license holder operating two plants in Indonesia.

### B) Customers and Markets

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

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

Container operates only in the NAFTA region; there are two direct competitors in the business in the United States and one in Mexico.

### C) Strategy and Financial Targets

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

A key attribute of this strategy is maintaining focus and discipline. The Company 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 the growth of CCL globally both organically and by acquisition. Avery has similar objectives aligned to applications in labels and specialty converted media that enable short-run digital printing in businesses and homes.

Checkpoint Systems, Inc. ("Checkpoint"), acquired in May of 2016, added a significant new Segment to the Company. Checkpoint is an adjacency to the Company's core CCL Segment with principal applications in technology-driven loss-prevention, inventory-management and labeling solutions to the retail and apparel labeling industries. With the post-acquisition restructuring program largely complete, yielding approximately \$40 million in annualized synergies, focus now turns to the qualitative development of its smart labeling and tagging solutions portfolio and geographic reach of the Segment.

On February 28, 2017 the Company completed the acquisition of the Innovia Group of Companies ("Innovia") for approximately \$1.15 billion. Innovia, another adjacency to the CCL Segment, 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 adds significant depth and capability to develop proprietary films for label applications. The Innovia Films production facilities along with two small legacy film manufacturing facilities transferred from the CCL Segment now form the new Innovia Segment. Innovia also supplies base film for CCL Secure's high-security, specialized polymer banknote operations in the U.K., Australia and Mexico. CCL Secure has become the fifth global operating business within the CCL Segment.

Container completed the consolidation of its operations from four plants to three in 2017 and expects to improve its financial performance going forward. The Rheinfelden joint venture had a small fire at its operations in early 2018 and will recommence production in the second half of the year. Profitability is now not expected until 2019. Slug supply remains a strategic imperative for Container.

The Company's financial strategy is to be fiscally prudent and conservative. 2017's financial results delivered strong cash flow and an improved balance sheet. During good and difficult economic times, the Company has maintained high levels of cash on hand and unused lines of credit to reduce its financial risk and to provide flexibility when acquisition opportunities are available. As at December 31, 2017, the Company had \$557.5 million of cash with US\$397.7 million of undrawn capacity on the Company's unsecured revolving credit facility.

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

A key financial target is return on equity before goodwill impairment loss, restructuring and other items, tax adjustments, gains on business dispositions and non-cash acquisition accounting adjustments ("ROE," a non-IFRS measure; see "Key Performance Indicators and Non-IFRS Measures" in Section 5A). The Company continues to execute its strategy with a goal of achieving a comparable ROE level to its leading peers in specialty packaging. Despite a substantial increase in the Company's equity base from retained earnings over the last five years, ROE increased dramatically compared to 2012 due to significant accretive earnings from acquisitions, as well as improved results in its legacy operations. 2017 ROE of 24.0% was a record:

	2017	2016	2015	2014	2013	2012
Return on Equity	<b>24.0%</b>	23.5%	21.1%	20.1%	15.8%	11.4%

Another metric used by the investment community as a comparative measure is return on total capital before goodwill impairment loss, restructuring and other items, tax adjustments, gains on business dispositions and non-cash acquisition accounting adjustments ("ROTC," a non-IFRS measure; see "Key Performance Indicators and Non-IFRS Measures" in Section 5A). The chart below details performance since 2012. The Company targets delivering returns in excess of its cost of capital and delivered an improved metric compared to 2012. ROTC of 14.0% for 2017 declined compared to 2016 due to the significant increase in net debt attributable to the Innovia acquisition.

	2017	2016	2015	2014	2013	2012
Return on Total Capital	<b>14.0%</b>	15.9%	15.4%	14.1%	11.9%	9.5%

ROTC is expected to improve as the Company deleverages its balance sheet and increases net earnings.

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

The Company has achieved significant positive growth in its adjusted basic and basic earnings per share since 2012:

	2017	2016	2015	2014	2013	2012
Adjusted Basic EPS						
Growth Rate	<b>18%</b>	33%	32%	47%	52%	13%
Basic EPS Growth Rate	<b>36%</b>	16%	35%	108%	4%	15%

In 2017, adjusted basic earnings increased by 18.0% to a record \$2.69 per Class B share. Improved earnings from acquired businesses over the past four years, in particular Checkpoint, bolt on acquisitions at CCL and results from the Innovia transaction, contributed meaningfully to the significant increase in adjusted basic earnings per share. Excluding the impact of currency translation, adjusted basic earnings per share increased 20.1%. The Company believes continuing growth in earnings per share is achievable in the future as the European economy stabilizes, as operating efficiencies are solidified for the Checkpoint and Container Segments post-restructuring, as price increases are implemented to recover cost inflation and as the Company executes its global business strategies for the CCL, Avery, Checkpoint and Innovia Segments.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Years ended December 31, 2017 and 2016 (Tabular amounts in millions of Canadian dollars, except per share data)

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

	2017	2016	2015	2014	2013	2012
EBITDA	\$ 959.2	\$ 792.7	\$ 608.4	\$ 481.6	\$ 355.6	\$ 254.6
% of sales	20%	20%	20%	19%	19%	19%

In 2017, EBITDA increased by approximately 22.6%, excluding the negative impact of foreign currency translation, maintaining a solid 20% of sales. The Company's EBITDA margins remain at the top end of the range of its peers. The Company expects positive growth in EBITDA in the future as global growth initiatives are implemented.

The framework supporting the above performance indicators is an appropriate level of financial leverage. Based on the dynamics within the specialty packaging industry and the risks that higher leverage may bring, the Company has a comfort level up to a target of approximately 3.5 times net debt to EBITDA (a non-IFRS measure; see "Key Performance Indicators and Non-IFRS Measures" in Section 5A) with an appropriate deleveraging and liquidity profile to maintain its investment-grade ratings with Moody's and Standard & Poor's. As at December 31, 2017, net debt to EBITDA was 1.85 times, higher than the 1.28 times at December 31, 2016, but reflecting significant deleveraging since the \$115 billion Innovia acquisition on February 28, 2017. This leverage level is consistent with management's conservative approach to financial risk and the Company's ability to generate strong levels of free cash flow from operations (a non-IFRS measure; see "Key Performance Indicators and Non-IFRS Measures" in Section 5A). This leverage level also allows the Company the flexibility to quickly execute its acquisition growth strategy without significantly exposing its credit quality.

The Board does not have a target dividend payout ratio (a non-IFRS measure; see "Key Performance Indicators and Non-IFRS Measures" in Section 5A). However, the Company has paid dividends quarterly for over thirty years without an omission or reduction and has more than doubled the annualized rate since March 2014. The Board views this consistency and dividend growth as important factors in enhancing shareholder value. For 2017, the dividend payout ratio was 17% of adjusted earnings. This dividend payout ratio reflects the strong net earnings generated by newly acquired businesses in 2017 and 2016, including benefits from the Tax Cuts & Jobs Act ("TCJA") as well as improved results for the legacy operations of the Company. After careful review of the current year results, budgeted cash flow and income for 2018, the Board has declared a 13.0% increase in the annual dividend: an increase of \$0.015 per Class B share per quarter, from \$0.115 to \$0.13 per Class B share per quarter (\$0.52 per Class B share annualized).

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

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

#### D) Recent Acquisitions and Dispositions

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

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

- In February 2017, Innovia, headquartered in Wigton, U.K., for approximately \$1.15 billion, debt free and net of cash acquired from a consortium of U.K.-based private equity investors. Innovia is a leading global producer of specialty high-performance, multi-layer, surface engineered BOPP films for label, packaging and security applications. The business has film extrusion, coating and metallizing facilities across the U.K., Belgium and Australia, which now form the basis of the Company's new Innovia Segment. In the U.K., Australia and Mexico, the business has high-security, specialized polymer banknote operations that have been added to CCL Secure within the CCL Segment.
- In April 2017, Goed Gemeerkt B.V. and Goed Gewerkt B.V. ("GGW"), privately owned companies with common shareholders, based near Utrecht in the Netherlands for approximately \$23.0 million. GGW is a manufacturer of durable, personalized "kids' labels" for the Benelux and German markets, expanding Avery's printable media platform.
- In April 2017, badgepoint GmbH, badgetech GmbH and Name Tag Systems Inc. ("Badgepoint"), privately owned companies with common shareholders, based near Hamburg, Germany, for approximately \$5.6 million. Badgepoint expanded Avery's printable media offering with patented, premium name tag systems and accessories for the German market.
- In October 2017, acquired the final 37.5% stake in the Acrus-CCL wine label joint venture in Chile from its partner for \$6.3 million. As a result of the change in control, 2017 financial results are no longer included in equity investments but fully consolidated with CCL's Food & Beverage business, without a portion of the earnings attributable to a non-controlling interest since October 2017.
- In January 2016, Woelco AG ("Woelco"), a privately owned company in Stuttgart, Germany, with subsidiaries in China and the United States, for approximately \$21.7 million. Woelco has integrated into CCL Design and has expanded its depth in the industrial and automotive durable goods markets.
- In January 2016, Label Art Ltd. and Label Art Digital Ltd. (collectively "LAL"), privately owned companies with common shareholders, based in Dublin, Ireland, for approximately \$13.6 million. LAL expands CCL's Healthcare & Specialty business in Ireland and the U.K.
- In January 2016, the Company invested \$6.0 million in cash to increase its stake from 50% to 75% in its tube manufacturing joint venture in Bangkok, Thailand, with Taisei Kako Co. Ltd. of Japan. Finally, in August 2016, the Company acquired the final 25% stake in the venture from its partner for \$1.9 million. From the date of the change in control, financial results are no longer included in equity investments but fully consolidated with CCL's Home & Personal Care business, without a portion of the earnings attributable to a non-controlling interest.
- In February 2016, Zephyr Company Limited of Singapore, and its Malaysian subsidiaries in Penang and Johor (collectively "Zephyr"), privately owned companies with multiple shareholders, for approximately \$40.9 million. Zephyr expands CCL Design's presence within the electronics industry to the ASEAN region.
- In March 2016, Powerpress Rotulo & Etiquetas Adesivas LTDA ("Powerpress"), a privately owned company based in Sao Paulo, Brazil, for approximately \$11.4 million. Powerpress enhances CCL's product offering in the Healthcare & Specialty business in South America.
- In May 2016, the Company acquired all the outstanding shares of Checkpoint (NYSE:CKP) at an enterprise value of \$531.9 million. Checkpoint is a leading global manufacturer and provider of hardware and software systems plus security labels and tags, providing inventory control and loss-prevention solutions to world leading retailers.
- In July 2016, Eukerdruck GmbH & Co. KG and Pharma Druck Cdm GmbH (collectively "Euker"), privately held companies with common shareholders, and the associated facilities in Marburg and Dresden, Germany. Euker is a leading supplier of folded leaflets, specialty booklets and pressure sensitive labels to pharmaceutical companies in German-speaking Europe. The purchase price consideration, including debt assumed, was approximately \$30.0 million.
- In August 2016, Labelone Ltd. ("Label1"), a privately owned company based in Belfast, Northern Ireland, for approximately \$17.5 million including assumed debt. Label1 expands CCL's product offering in the Healthcare & Specialty business to Northern Ireland.

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. Furthermore, with the addition of Avery, the Company is now the world's largest supplier

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Years ended December 31, 2017 and 2016 (Tabular amounts in millions of Canadian dollars, except per share data)

of labels, specialty converted media, and software solutions to enable short-run digital printing in businesses and homes alongside complementary office products. Checkpoint has added technology-driven loss-prevention, inventory-management and labeling solutions, including RF and RFID-based, to the retail and apparel industry. Innovia provides vertical integration driving the Company deeper into polymer sciences, enhancing the development of propriety products for its customers.

### E) Consolidated Annual Financial Results

#### Selected Financial Information

##### Results of Consolidated Operations

	2017	2016
Sales	\$ 4,755.7	\$ 3,974.7
Cost of sales	3,319.4	2,806.8
Gross profit	1,436.3	1,167.9
Selling, general and administrative expenses	751.5	612.8
	684.8	555.1
Earnings in equity accounted investments	3.7	4.5
Net finance cost	(75.2)	(37.9)
Restructuring and other items – net loss	(11.3)	(34.6)
Earnings before income taxes	602.0	487.1
Income taxes	127.9	140.8
Net earnings	\$ 474.1	\$ 346.3
Basic earnings per Class B share	\$ 2.70	\$ 1.98
Diluted earnings per Class B share	\$ 2.66	\$ 1.95
Adjusted basic earnings per Class B share	\$ 2.69	\$ 2.28
Dividends per Class B share	\$ 0.46	\$ 0.40
Total assets	\$ 6,144.0	\$ 4,678.8
Total non-current liabilities	\$ 2,686.4	\$ 1,996.6

#### Comments on Consolidated Results

Sales were a record \$4,755.7 million in 2017, an increase of 19.6% compared to \$3,974.7 million recorded in 2016. This improvement in sales can be attributed to acquisition growth of 19.1%, augmented by organic growth of 2.1%, partially offset by a negative 1.6% impact from foreign currency translation.

Consistent with 2016, approximately 97% of the Company's 2017 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, U.K. pound, Mexican peso and Chinese renminbi by 2.0%, 0.1%, 6.9%, 3.2% and 3.7%, respectively, was slightly offset by a 6.6% appreciation of the Brazilian real, relative to the Canadian dollar in 2017 compared to average exchange rates in 2016.

Selling, general and administrative expenses ("SG&A") were \$751.5 million for 2017, compared to \$612.8 million reported in 2016. The increase in SG&A expenses in 2017 relates primarily to the significant acquisitions made over the last two years. Corporate expenses for 2017 were \$52.7 million, compared to \$48.2 million for 2016. The increase in corporate expenses relative to those in 2016 relates predominantly to an increase in equity linked compensation costs.

Operating income (a non-IFRS measure; see "Key Performance Indicators and Non-IFRS Measures" in Section 5A) for 2017 was \$737.5 million, an increase of 22.2% compared to \$603.3 million for 2016. Excluding the \$15.2 million and \$33.9 million non-cash accounting adjustments to fair value the acquired finished goods inventories in 2017 and 2016, respectively, operating income improved 18.1%. Foreign currency translation negatively impacted consolidated operating income by 1.6% for 2017 compared to 2016. The CCL and Checkpoint Segments each improved operating income while Avery and Container Segments posted declines, compared to 2016. The newly acquired Innovia Segment generated operating income of \$21.6 million, excluding its \$7.0 million share of the non-cash acquisition accounting adjustment to fair value the acquired finished goods inventory. Further details on the business segments follow later in this report.

EBITDA (a non-IFRS measure; see “Key Performance Indicators and Non-IFRS Measures” in Section 5A) in 2017 was \$959.2 million, an improvement of 21.0% compared to \$792.7 million recorded in 2016. Excluding the impact of currency translation, EBITDA increased by 22.6% over the prior year.

Net finance cost was \$75.2 million for 2017, compared to \$37.9 million for 2016, with the increase in interest costs due to an increase in drawn debt needed to fund the Innovia acquisition.

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

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

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

For the full year 2016, restructuring costs and other items represented an expense of \$34.6 million (\$27.8 million after tax) as follows

- For the CCL Segment, \$7.2 million (\$6.3 million after tax), the majority of which was \$4.2 million for the reorganization of the 2015 acquisition of Worldmark Ltd. (“Worldmark”) but also included \$3.0 million of acquisition-related costs for the seven CCL Segment transactions closed in 2016.
- For the Checkpoint Segment, \$28.5 million (\$21.8 million after tax), of which \$20.7 million was for severance and other reorganization costs and the balance, \$7.8 million, for acquisition-related expenditures.
- For the Avery Segment, \$2.0 million (\$1.2 million after tax) reversal of the reorganization reserve as the Meridian, Mississippi, facility, that was scheduled to be shut down was repurposed as a distribution centre
- For the Innovia Segment, initial acquisition costs amounting to \$0.9 million (\$0.9 million after tax)

The negative earnings impact of these restructuring and other items in 2016 was \$0.15 per Class B share.

In 2017, the consolidated effective tax rate was 21.4%, compared to 29.2% in 2016, excluding earnings in equity accounted investments. The combined Canadian federal and provincial statutory tax rate was 25.3% for 2017 (2016 – 25.3%). The effective tax rate for 2017 was impacted by recording the amendments signed into law in the TCJA. The TCJA was a comprehensive and complex tax reform making numerous changes to U.S. tax law but the two most significant items were, (1) a transition tax on certain unrepatriated earnings of foreign subsidiaries, and (2) a reduction in the U.S. federal corporate income tax rate from 35% to 21% commencing January 1, 2018

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

Excluding the impact of TCJA the effective tax rate for 2017 would have been 28.1% compared to 29.2% for 2016. This pro-forma effective tax rate reflects the impact of the Innovia acquisition increasing the portion of the Company’s taxable income being earned in lower-taxed jurisdictions, and other discrete tax reductions

The Company’s effective tax rate for the upcoming year is expected to decline by approximately 3%, due to the aforementioned TCJA. However, over 97% of the Company’s sales are from products sold to customers outside of Canada, and the income from these foreign operations is subject to varying rates of taxation. The Company’s effective tax rate is also affected from year to year as a result of the level of income in the various countries, recognition or reversal of tax losses, tax reassessments and income and expense items not subject to tax.

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Years ended December 31, 2017 and 2016 (Tabular amounts in millions of Canadian dollars, except per share data)

Net earnings for 2017 were \$474.1 million, an increase of 36.9% compared to \$346.3 million recorded in 2016 due to the items described above.

Basic earnings per Class B share were \$2.70 for 2017 versus the \$1.98 recorded for 2016. Diluted earnings per Class B share were \$2.66 for 2017 and \$1.95 for 2016. The movement in foreign currency exchange rates in 2017 compared to 2016 had an estimated negative impact on the translation of the Company's basic earnings of \$0.04 per Class B share. The diluted weighted average number of shares was 178,257,334 for 2017, compared to 177,462,860 for 2016.

As of December 31, 2017, the Company had 11,837,250 Class A voting shares and 164,951,412 Class B non-voting shares issued and outstanding. In addition, the Company had outstanding stock options to purchase 3,091,505 Class B non-voting shares and had 376,515 deferred share units outstanding to issue 376,515 Class B non-voting shares.

Adjusted basic earnings per Class B share (a non-IFRS measure; see "Key Performance Indicators and Non-IFRS Measures" in Section 5A) was \$2.69 for 2017, up 18.0% from \$2.28 in 2016.

The movement in foreign currency exchange rates in 2017 versus 2016 had an estimated negative translation impact of \$0.04 on adjusted basic earnings per Class B share. This estimated foreign currency impact reflects the currency translation in all foreign operations.

### F) Seasonality and Fourth Quarter Financial Results

2017	Unaudited Qtr 1	Unaudited Qtr 2	Unaudited Qtr 3	Unaudited Qtr 4	Year
Sales					
CCL	\$ 673.1	\$ 728.9	\$ 687.2	\$ 733.9	\$ 2,823.1
Avery	160.8	209.1	212.0	171.0	752.9
Checkpoint	149.3	171.0	162.6	192.3	675.2
Innovia	29.8	91.6	95.6	91.2	308.2
Container	48.5	52.3	49.4	46.1	196.3
Total sales	\$ 1,061.5	\$ 1,252.9	\$ 1,206.8	\$ 1,234.5	\$ 4,755.7
Segment operating income (loss)					
CCL	\$ 110.3	\$ 113.4	\$ 94.7	\$ 126.4	\$ 444.8
Avery	28.5	45.4	49.9	40.7	164.5
Checkpoint	15.3	19.5	21.7	30.9	87.4
Innovia	(1.3)	4.4	11.4	0.1	14.6
Container	6.1	5.5	7.6	7.0	26.2
Operating income	158.9	188.2	185.3	205.1	737.5
Corporate expenses	13.4	14.2	12.5	12.6	52.7
Restructuring and other items	7.4	5.2	2.9	(4.2)	11.3
Earnings in equity accounted investments	(0.6)	(0.8)	(1.0)	(1.3)	(3.7)
	138.7	169.6	170.9	198.0	677.2
Finance cost, net	14.6	17.9	18.9	23.8	75.2
Earnings before income taxes	124.1	151.7	152.0	174.2	602.0
Income taxes	36.2	41.8	45.1	4.8	127.9
Net earnings	\$ 87.9	\$ 109.9	\$ 106.9	\$ 169.4	\$ 474.1
<b>Per Class B share</b>					
Basic earnings	\$ 0.50	\$ 0.63	\$ 0.60	\$ 0.97	\$ 2.70
Diluted earnings	\$ 0.49	\$ 0.63	\$ 0.59	\$ 0.95	\$ 2.66
Adjusted basic earnings	\$ 0.57	\$ 0.68	\$ 0.61	\$ 0.83	\$ 2.69

2016	Unaudited Qtr 1	Unaudited Qtr 2	Unaudited Qtr 3	Unaudited Qtr 4	Year
Sales					
CCL	\$ 622.3	\$ 604.0	\$ 639.5	\$ 631.8	\$ 2,497.6
Avery	179.6	207.4	220.2	180.5	787.7
Checkpoint	—	92.6	175.5	190.9	459.0
Container	64.9	56.2	54.1	55.2	230.4
Total sales	\$ 866.8	\$ 960.2	\$ 1,089.3	\$ 1,058.4	\$ 3,974.7
Segment operating income (loss)					
CCL	\$ 103.9	\$ 89.3	\$ 94.1	\$ 90.7	\$ 378.0
Avery	35.4	50.6	45.3	35.5	166.8
Checkpoint	—	(4.7)	5.6	27.3	28.2
Container	10.6	7.9	4.7	7.1	30.3
Operating income	149.9	143.1	149.7	160.6	603.3
Corporate expenses	10.8	14.1	12.3	11.0	48.2
Restructuring and other items	3.0	18.9	6.0	6.7	34.6
Earnings in equity accounted investments	(0.8)	(1.1)	(1.4)	(1.2)	(4.5)
	136.9	111.2	132.8	144.1	525.0
Finance cost, net	7.9	7.8	10.0	12.2	37.9
Earnings before income taxes	129.0	103.4	122.8	131.9	487.1
Income taxes	39.3	31.2	36.7	33.6	140.8
Net earnings	\$ 89.7	\$ 72.2	\$ 86.1	\$ 98.3	\$ 346.3
<b>Per Class B share</b>					
Basic earnings	\$ 0.51	\$ 0.42	\$ 0.49	\$ 0.56	\$ 1.98
Diluted earnings	\$ 0.51	\$ 0.41	\$ 0.48	\$ 0.55	\$ 1.95
Adjusted basic earnings	\$ 0.53	\$ 0.56	\$ 0.60	\$ 0.59	\$ 2.28

#### Fourth Quarter Results

Sales for the fourth quarter of 2017 improved 16.6% to \$1,234.5 million, compared to \$1,058.4 million recorded in the 2016 fourth quarter. Excluding currency translation, sales for the fourth quarter of 2017 increased by 18.8% compared to the prior-year period. This increase was due to 3.9% organic growth and 14.9% impact from acquisitions. The CCL and Checkpoint Segments posted sales increases of 17.7% and 4.0%, respectively, excluding the impact of currency translation. Solid organic growth rates and the impact of acquisitions in these two Segments offset declines of 2.0% and 13.8% for the Avery and Container Segments, respectively. The decline in sales for the Container Segment can be attributed to the previously announced loss of a large Homecare application in North America at the end of 2016. The new Innovia Segment added \$91.2 million of sales for the fourth quarter.

Operating income in the fourth quarter of 2017 was \$205.1 million, an increase of 27.7% from \$160.6 million in the fourth quarter of 2016. For the fourth quarter of 2017 compared to the same period in 2016, the CCL, Avery, and Checkpoint Segments recorded improvements in operating income of 39.4%, 14.6% and 13.2%, respectively. The improvement in the CCL Segment was driven by gains in all geographic regions, augmented by four acquisitions made since the beginning of the fourth quarter of 2016. The Avery Segment also posted solid improvement due to improved product mix and acquisitions resulting in an up-tick in return on sales to 23.8% (a non-IFRS measure; see "Key Performance Indicators and Non-IFRS Measures" in Section 5A). Checkpoint benefited from strong operational execution with its post-acquisition restructuring initiative nearing completion. Operating income for the Container Segment was almost flat to the prior year fourth quarter but return on sales improved to 15.2% on efficiency gains resulting from the closure of the Canadian operation. The new Innovia Segment generated operating income of \$0.1 million due to rising resin costs and higher amortization expense during the fourth quarter. Foreign currency translation resulted in a negative impact of 2.5% to consolidated operating income.

EBITDA for the fourth quarter of 2017 was \$259.0 million, an increase of 26.8% compared to the \$204.3 million for the 2016 comparable period.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

Years ended December 31, 2017 and 2016 (Tabular amounts in millions of Canadian dollars, except per share data)

Corporate expenses were \$12.6 million in the fourth quarter of 2017, compared to \$11.0 million recorded in the prior-year period. The increase is attributable to an increase in equity linked compensation expenses.

Net finance cost was \$23.8 million for the fourth quarter of 2017 compared to \$12.2 million for the fourth quarter of 2016. This increase was attributable to an increase in interest costs resulting from increased drawn debt due to the Innovia acquisition and interest costs resulting from increased pension liabilities.

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

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

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

For the fourth quarter of 2016, restructuring costs and other items represented an expense of \$6.7 million (\$6.4 million expense after tax) as follows:

- For the CCL Segment, \$2.5 million (\$2.1 million after tax), the majority of which was for the Worldmark acquisition.
- For the Checkpoint Segment, \$5.3 million (\$4.6 million after tax), primarily for severance costs
- For the Avery Segment, \$2.0 million (\$1.2 million after tax) reversal of the reorganization reserve as the Meridian, Mississippi facility that was scheduled to be shut down was repurposed as a distribution centre.
- For Innovia, initial acquisition costs amounting to \$0.9 million (\$0.9 million after tax).

The negative earnings impact of these restructuring and other items for the 2016 fourth quarter was \$0.03 per Class B share

Tax expense in the fourth quarter of 2017 was \$4.8 million compared to \$33.6 million in the prior-year period. The decrease in tax expense can be attributed to the previously mentioned \$40.0 million impact from the TCJA. Excluding the impact of the TCJA, the effective tax rate for the fourth quarter of 2017 was 25.9% and for the corresponding quarter in 2016 was 25.7%. Although the 2016 fourth quarter benefited from the recognition of previously unrecognized deferred tax assets that reduced the effective tax rate, the 2017 fourth quarter earned a higher portion of pretax income in lower tax jurisdictions than for the comparative period.

Net earnings in the fourth quarter of 2017 were \$169.4 million, compared to net earnings of \$98.3 million in last year's fourth quarter. This increase reflects the items described above.

Basic earnings per Class B share were \$0.97 in the fourth quarter of 2017 compared to \$0.56 in the fourth quarter of 2016. The movement in foreign currency exchange rates in the fourth quarter of 2017 compared to 2016 had a negative impact on the translation of the Company's basic earnings of \$0.01 per Class B share

Adjusted basic earnings per Class B share were \$0.83 for the fourth quarter of 2017, an improvement of 40.7% compared to \$0.59 in the corresponding quarter of 2016.

### Summary of Seasonality and Quarterly Results

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

Sales and net earnings comparability between the quarters of 2017 and 2016 were primarily affected by regional economic variances, the impact of dramatic foreign currency changes relative to the Canadian dollar, the timing of acquisitions, the effect of restructuring, the impact of central bank reorder patterns and tax adjustments and other items

The CCL Segment has generally experienced strong demand in its existing and newly acquired operations in the past few years. The Segment increased sales, excluding the impact of currency translation, in all four quarters of 2017, primarily driven by organic growth and acquisitions.

The Avery Segment's quarterly results mirrored its expected seasonal pattern for 2017, posting robust results for the third quarter of the year, reflecting the back-to-school intensity in North America. Since the Avery acquisition in July of 2013, management has implemented initiatives that have moderated the magnitude of the third-quarter back-to-school season by reducing market share in low-margin ring binder sales. Return on sales for 2017 in the Avery Segment was 21.8%, an improvement over the 21.2% posted for 2016. This seasonal pattern should continue in 2018.

Checkpoint's results for the 2017 year were consistent with the most active months in the annual retail cycle.

The Container Segment's quarterly results for 2017 were true to its seasonal pattern, with stronger volumes in the first half of the year compared to the second half of the year, excluding the impact of the previously announced loss of a large Homecare application in North America

## **2. BUSINESS SEGMENT REVIEW**

### **A) General**

Over the last decade, all divisions invested significant capital and management effort to develop world-class manufacturing operations, with spending allocated to geographic expansion, cost-reduction projects, the development of innovative products and processes, the maintenance and expansion of existing capacity and the continuous improvement in health and safety in the workplace, including environmental management. The Company also makes strategic acquisitions for global competitive advantage, servicing large customers, taking advantage of new geographic markets, finding adjacent and new product opportunities, adding new customer segments, building infrastructure and improving operating performance. Since 2009, average annual capital spending has been broadly in line with annual depreciation and amortization expense. The Avery and Checkpoint Segments and the CCL Design business within the CCL Segment are less capital intensive as a percentage of sales than the Company's other businesses. Further discussion on capital spending is provided in the "Business Segment Review" sections below.

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

The cost of many of the key raw material inputs for the Company, such as plastic films and resins, paper, specialty chemicals and aluminum, 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, both the Innovia and Container Segments can experience delays in price adjustments up or down to customers due to the nature of their respective relationships and contracts. The success of the Company is dependent on each business managing the cost-and-price equation with suppliers and customers. The Container Segment successfully introduced pricing mechanisms in its customer contracts that pass through a 90-day average cost of aluminum as priced on the London Metals Exchange ("LME"). Innovia's pricing mechanisms are much more complex with multiple indices for polypropylene used by customers and suppliers, and differing terms in contracts when trigger points are arrived at for price changes. In addition, much of Innovia's manufacturing cost is calculated in euros and pounds with approximately 20% of its sales in the United States. Pricing strategy for Innovia will be an important financial performance lever for 2018 and beyond

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Years ended December 31, 2017 and 2016 (Tabular amounts in millions of Canadian dollars, except per share data)

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

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

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

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

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

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

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

Innovia maintains two world class research and development centres, each specifically dedicated to the markets it serves. One for films in support of label and packaging applications, and the second for security products predominantly in support of polymer banknotes. The new discoveries and product enhancements generated from these centres will be deployed across the entirety of the Company for the benefit of its customers.

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

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

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

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

#### Business Segment Results

	2017	2016
<b>Segment sales</b>		
CCL	\$ 2,823.1	\$ 2,497.6
Avery	752.9	787.7
Checkpoint	675.2	459.0
Innovia	308.2	—
Container	196.3	230.4
Total sales	\$ 4,755.7	\$ 3,974.7
<b>Operating income*</b>		
CCL	\$ 444.8	\$ 378.0
Avery	164.5	166.8
Checkpoint	87.4	28.2
Innovia	14.6	—
Container	26.2	30.3
Segment operating income	\$ 737.5	\$ 603.3

\* 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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Years ended December 31, 2017 and 2016 (Tabular amounts in millions of Canadian dollars, except per share data)

### B) CCL Segment

#### Overview

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

The Segment's product lines include pressure sensitive labels, shrink sleeves, stretch sleeves, in-mould labels, precision printed and die cut metal, glass and plastic components, expanded content labels, pharmaceutical instructional leaflets, graphic security features and extruded or laminated plastic tubes. It currently operates 123 production facilities located in Canada, the United States (including Puerto Rico), Argentina, Australia, Austria, Brazil, Chile, China, Denmark, Egypt, France, Germany, Hungary, India, Ireland, Italy, Japan, Korea, Malaysia, Mexico, the Netherlands, Northern Ireland, Oman, Pakistan, Philippines, Poland, Russia, Saudi Arabia, Singapore, Switzerland, Thailand, Turkey, United Arab Emirates, the United Kingdom and Vietnam. The five plants in Russia, six plants in the Middle East, and one plant in the United States are connected to the equity investments in CCL-Kontur, Pacman-CCL, and Korsini-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. There are some product categories that do not fall within the Segment's target market. The Company believes that CCL is the largest consolidated operator in most of its defined global market sectors. Competition largely comes from single-plant businesses, often owned by private operators who compete in local markets with the Segment. There are also a few multi-plant competitors in certain regions of the world and specialists in a single market segment globally. However, there is no major competitor that has the product breadth, global reach and scale of the CCL Segment.

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

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

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

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

## CCL Segment Financial Performance

	2017	% Growth	2016
Sales	\$ 2,823.1	13.0%	\$ 2,497.6
Operating income	\$ 444.8	17.7%	\$ 378.0
Return on sales	15.8%		15.1%

Sales in the CCL Segment for 2017 increased 13.0% to \$2,823.1 million, compared to \$2,497.6 million in 2016. A strong organic rate of 6.2% coupled with 8.3% growth from nine acquisitions since the beginning of the 2016 year offset a 1.5% negative impact from foreign currency translation.

Sales in 2017 for **North America** increased low-single digit compared to 2016, excluding the impact of currency translation. Healthcare & Specialty results for the year were solid, with a modest improvement in Healthcare performance compared to a very strong prior year offset by a slow year for Ag-Chem and Specialty markets. Home & Personal Care sales and profitability improved substantially driven by market share gains in labels and tubes, with profitability gains partially impacted by start-up costs for a new tube operation in Columbus, Ohio. Sales and profitability in the Food & Beverage sector improved significantly on market share wins in the Beverage and Wine & Spirit operations. CCL Design sales grew modestly as automotive markets plateaued, however profitability improved significantly on mix and productivity gains in legacy operations. CCL Secure, the security product vertical that includes the 2015 Banknote Corporation of America Inc. acquisition, posted improved sales and profitability for the year. Overall profitability increased despite the negative impact of currency translation, while return on sales ("Return on Sales," a non-IFRS financial measure; see "Key Performance Indicators and Non-IFRS Measures" in Section 5A) was held in check for the year.

**European** sales were up high-single digit for 2017, excluding currency translation and the impact of acquisitions in the region, compared to 2016. Home & Personal Care sales and profitability improved compared to the prior year driven by strong market share gains and operational efficiencies in Eastern Europe. Healthcare & Specialty sales and profitability, excluding acquisitions, were in line with the prior year. The 2016 Healthcare acquisitions in Ireland and Germany continue to perform to management's expectations. Results for Food & Beverage were robust with operating margins improving in all lines of business. The Closures business posted better sales and profitability compared to a strong prior year. CCL Design sales and profitability increased on strong German automotive demand. CCL Secure, representing the acquired Innovia security business, posted strong results for the first ten months subsequent to the acquisition. Overall, European operating income and return on sales increased substantially due to the impact of acquisitions and improvements in the legacy operations.

Sales in **Latin America**, excluding acquisitions and currency translation, increased mid-single digit for 2017 compared to 2016. Sales and profitability improved in all lines of business in Mexico more than offsetting start-up costs for the new CCL Design automotive facility. Sales and profitability were impacted by soft consumer markets in Brazil and foreign currency translation in Mexico albeit return on sales remains above the CCL average. CCL Secure in Mexico, representing the acquired Innovia security business, posted strong results for the ten months post-acquisition. Operating income increased significantly in absolute terms and as a percent of sales, including start-up costs for CCL Design in Mexico and the new Home & Personal Care plant in Argentina.

**Asia Pacific** sales, excluding acquisitions and currency translation, increased in the low teens for 2017 compared to 2016. Sales and profitability in China increased considerably with strong improvements in all lines of business, most notably at CCL Design on robust electronics end markets. ASEAN sales and profitability were mixed with improvements at CCL Design offset by soft Home & Personal Care end markets. Overall CCL Design profitability in Asia was comparatively impacted by the weaker U.S. dollar. Australian results for labels were up with continued progress in Wine & Spirits and a reduction in operating losses in Healthcare. CCL Secure, representing the acquired Innovia security business, posted solid results, equal to management's expectations for the first ten months post acquisition. Operating income increased significantly and as a percentage of sales in the Asia Pacific region due to the impact of acquisitions and improvements in legacy operations.

Operating income for the CCL Segment improved by 17.7% to \$444.8 million for 2017 compared to \$378.0 million for 2016. Included in 2017 operating income was an \$8.2 million non-cash accounting adjustment to fair value the acquired finished goods of the Security business that was part of the Innovia acquisition now included in the CCL Segment. Foreign currency translation had a negative effect of 1.3% on 2017 operating income compared to 2016. Operating income as a percentage of sales was 15.8% in 2017 compared to the 15.1% return generated in the prior year.

The CCL Segment invested \$218.6 million in capital spending in 2017 compared to \$194.8 million last year. The major expenditures were for equipment installations to support the Home & Personal Care and Healthcare businesses in North America, capacity additions for Food & Beverage in Europe and capacity expansion for CCL Design in the United States and Asia. Depreciation and amortization for the CCL Segment was \$172.5 million in 2017, compared to \$152.6 million in 2016.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Years ended December 31, 2017 and 2016 (Tabular amounts in millions of Canadian dollars, except per share data)

### C) Avery Segment

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

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

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

#### Avery Segment Financial Performance

	2017	% Growth	2016
Sales	\$ 752.9	(4.4%)	\$ 787.7
Operating income	\$ 164.5	(1.4%)	\$ 166.8
Return on sales	21.8%		21.2%

Sales in the Avery Segment for 2017 were \$752.9 million, a decrease of 4.4% compared to the \$787.7 million posted in 2016. Foreign currency translation had an unfavourable influence of 1.7% and organic sales declined 4.6%, partially offset by acquisitions adding 1.9% compared to 2016.

**North American** sales were down mid-single digits for 2017, excluding currency translation, compared to 2016. Sales were negatively impacted by office superstore closures and weakness in the wholesale channel. The OPG category continued to experience share loss in low-margin, mass market binders. This was partially offset by sales growth in the direct to consumer channel for badges, "Kids Labels" and "WePrint" labels printed directly by Avery for consumers where profitability improved appreciably. Return on sales improved year-over-year and for this region remains above the Segment average.

**International** sales are mostly generated from products in the Printable Media category but now include the recently acquired results for GGW and Badgepoint in the direct to consumer category and together represent 23.9% of the Avery Segment's sales for 2017. Sales, excluding acquisitions and currency translation, decreased low single-digits with gains in Europe offset by declines in Asia Pacific and Latin America. Overall profitability improved significantly due to strong results from the acquired GGW and Badgepoint businesses as well as operational efficiencies in the European operations.

Operating income for 2017 was \$164.5 million compared to \$166.8 million in 2016. Return on sales improved to 21.8% for 2017, compared to 21.2% for 2016, reflecting the financial benefits achieved from post-acquisition restructuring initiatives, mix and the positive impact of acquisitions.

The Avery Segment invested \$13.8 million in capital spending for 2017, compared to \$16.2 million for 2016. The expenditures in 2017 were for capacity and efficiency additions in the North American manufacturing operations for both Printable Media and OPG. Depreciation and amortization for the Avery Segment was \$16.1 million for 2017 and 2016.

## D) Checkpoint Segment

### Overview

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

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

Checkpoint is supported by 20 manufacturing facilities, 13 distribution facilities and four product and software development centres around the world. The Segment generates sales in 24 countries outside of its home market in North America across Europe, Latin America and Asia. Checkpoint sells directly to retailers or apparel manufacturers and competes with other global retail labeling companies.

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

Lastly, subsequent to the Company's acquisition on May 13, 2016, Checkpoint implemented a comprehensive restructuring plan to streamline operations and right-size the management structure. Since the date of acquisition restructuring expenses have totalled \$35.5 million in accordance with the previously announced plan yielding annualized savings of \$40 million.

### Checkpoint Segment Financial Performance

	2017	% Growth	2016
Sales	\$ 675.2	47.1%	\$ 459.0
Operating income	\$ 87.4	209.9%	\$ 28.2
Return on sales	12.9%		6.1%

Sales for the Checkpoint Segment were \$675.2 million for 2017, an increase of 47.1% compared to the \$459.0 million posted for the seven-and-a-half months of ownership in 2016.

The MAS product lines posted strong profits across the board; North America, Latin America, Europe and Asia generating return on sales in excess of the Segment average. ALS posted an operating profit for 2017 compared to an operating loss in 2016 on efficiency gains resulting from restructuring initiatives. RMS results, although not material, were solidly profitable for 2017. Operating income for 2017 was \$87.4 million compared to \$28.2 million in the prior year seven-and-a-half month period that included a charge of \$31.9 million for the non-cash acquisition accounting adjustment related to the elimination of profit from acquired finished goods inventory. Operating income for the Checkpoint Segment increased 45.4% to \$87.4 million compared to \$60.1 million for 2016 after adjusting for the 2016 non-cash accounting adjustment to fair value the acquired finished goods inventories of \$31.9 million. Return on sales ("Return on Sales," a non-IFRS financial measure; see "Key Performance Indicators and Non-IFRS Measures" in Section 5A) improved to 12.9% for 2017, compared to 6.1% for 2016. Return on sales improved reflecting the financial benefits achieved from post-acquisition restructuring initiatives.

The Checkpoint Segment invested \$23.3 million in capital spending for 2017, compared to \$5.9 million for 2016. The majority of expenditures in 2017 were in the Asia Pacific region to enhance capacity and efficiency with the MAS and ALS manufacturing facilities. Depreciation and amortization for the Checkpoint Segment was \$29.0 million for 2017, compared to \$18.7 million for 2016.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

Years ended December 31, 2017 and 2016 (Tabular amounts in millions of Canadian dollars, except per share data)

### E) Innovia Segment

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

Polypropylene resin is the most significant input cost for this Segment. Polypropylene is derived from natural gas and is manufactured globally by a limited number of producers. Polypropylene is traded in the market by financial investors and speculators with its cost linked to the price of natural gas and the availability of refining capacity. The Segment does not use derivative financial instruments to hedge its exposure to volatility of polypropylene prices, therefore, the Segment must oversee its customer relationships diligently managing selling prices for the optimal long term financial benefit of the Company.

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

Lastly, subsequent to the acquisition on February 28, 2017, a minor restructuring was initiated to eliminate duplicate corporate costs and overhead in the two divisions. Since the date of acquisition, restructuring expenses have totaled approximately \$9.5 million in accordance with the previously announced plan.

#### Innovia Segment Financial Performance

	2017	% Growth	2016
Sales	\$ 308.2	n/a	\$ n/a
Operating income	\$ 14.6	n/a	\$ n/a
Return on sales	4.7%		n/a

Sales for the Innovia Segment were \$308.2 million for 2017, almost entirely from the newly acquired operations. Operating income was \$14.6 million, and would have been \$21.6 million but for a charge of \$7.0 million for the non-cash acquisition accounting adjustment related to the elimination of profit from acquired finished goods inventory. Profitability for 2017 was impacted by rising polypropylene resin costs that could not be passed to the customer base concurrently. Return on sales was 4.7% for 2017.

The Innovia Segment invested \$10.9 million in capital spending since February 28, 2017, largely for the European operations. Depreciation and amortization for the Innovia Segment was \$27.4 million for the period February 28, 2017, to December 31, 2017.

### F) Container Segment

#### Overview

The Container Segment is a leading manufacturer of aluminum specialty containers for the consumer products industry in North America, including Mexico. The key product line is recyclable aluminum aerosol cans for the personal care, home care and cosmetic industries, plus shaped aluminum bottles for promotional applications in the beverage market. The Segment functions in a competitive environment, which includes imports and the ability of customers, in some cases, to shift a product to competing alternative technology.

In North America, there are two direct competitors in the United States and one in Mexico in the impact-extruded aluminum container business. The Company believes that it is approximately the same size as its key United States competitor in the aerosol market and has about 50% market share. Other competition comes from South American, Asian and European imports; however, currency exchange rates and logistical issues, such as delivery lead times and costs, significantly impact their competitiveness.

With the cessation of operations at the Canadian operation in mid-2017, the Container Segment currently operates from four plants, two each in the United States and Mexico. Three plants are dedicated aluminum aerosol facilities and the fourth facility was established in December 2014 when the Company contributed a 50% equity investment in Rheinfelden Americas, LLC ("Rheinfelden"), a joint venture with Rheinfelden Semis GmbH, a leading German producer of aluminum slugs. This new facility in North Carolina will provide an alternate source of aluminum slugs in North America. The plant has posted start-up losses throughout 2016 and 2017. A final tranche of capital investments for Rheinfelden is expected in mid-2018 enabling the operation to realize its optimal production capability, move into profit in 2019 and ensure a sustainable second source of aluminum slugs for the North American market.

Product innovation remains a strategic focus for the Segment, investing significant resources in the development of innovatively shaped and highly decorated containers for existing and new customer applications. As the demand for these new, higher-value products has grown, the Segment has adapted existing production equipment and acquired new technology in order to meet expected overall market requirements and to maximize manufacturing efficiencies.

Aluminum represents a significant variable cost for this Segment. Aluminum is a commodity that is supplied by a limited number of global producers and is traded in the market by financial investors and speculators. Aluminum prices and the associated "premiums" charged over and above for its supply have been extremely volatile in the past few years and continue to have the largest impact on manufacturing costs for the Container Segment, requiring disciplined focus on managing selling prices to the Segment's customers.

Aluminum trades as a commodity on the LME and the Container Segment uses pricing mechanisms in its customer contracts that pass through the fluctuations in the cost of aluminum to its customers. In specific situations, the Container Segment will hedge some of its anticipated future aluminum purchases using futures contracts on the LME if they are tied to specific fixed-price customer contracts. The Segment hedged 20.6% of its 2017 volume and has hedged 2.4% of its expected 2018 requirements, and all the hedges, including matured 2017 hedges, were matched to fixed-price customer contracts. Existing hedges are priced in the US\$1,900 to US\$2,100 range per metric ton. The unrealized gain on the aluminum futures contracts as at December 31, 2017, was nominal. Pricing for aluminum in 2017 ranged from US\$1,700 to US\$2,245 per metric ton, compared to US\$1,450 to US\$1,780 per metric ton in 2016.

Management believes that the aluminum container business can continue to improve levels of profitability in the coming years with increased demand and continued pricing discipline and by driving greater operational efficiencies in the reorganized manufacturing footprint in the United States and Mexico. The biggest risk for the Segment's business base relates to customers shifting their products into containers of other materials such as steel, glass or plastic, leading to a loss in market share. However, certain products and delivery systems can only be provided in an aluminum container. The relative cost of steel versus aluminum containers sometimes impacts the marketers' choice of container and may cause volume gains or losses if customers decide to change from one product form to another. Aluminum cost remains a key factor in determining the level of growth in the market.

#### Container Segment Financial Performance

	2017	% Growth	2016
Sales	\$ 196.3	(14.8%)	\$ 230.4
Operating income	\$ 26.2	(13.5%)	\$ 30.3
Return on sales	13.3%		13.2%

Sales for the Container Segment declined as anticipated to \$196.3 million, compared to \$230.4 million in 2016. The decline can be entirely attributed to the previously announced loss of a large Homecare application in North America that motivated the closure of the Canadian operation. Mexican sales and profitability were up on volume gains. Foreign currency translation had a negative 1.9% impact on sales. Productivity improvements augmented results across all the facilities. The weaker U.S. dollar and rising aluminum cost was a drag on profitability. Operating income was \$26.2 million and return on sales improved to 13.3% for 2017, compared to return on sales of 13.2% for 2016.

When announcing, in late 2013, the closure of the Canadian facility and redistribution of the business to the remaining plants, management had expected annualized operating improvements totaling \$10.0 million. These savings have now been realized.

The Container Segment invested \$18.7 million of capital in 2017, compared to \$17.8 million last year. The majority of the 2017 expenditures were facility expansion and equipment additions at the Mexican operations. Depreciation and amortization in 2017 and 2016 were \$13.3 million and \$15.3 million, respectively.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Years ended December 31, 2017 and 2016 (Tabular amounts in millions of Canadian dollars, except per share data)

### G) Joint Ventures

For the years ended December 31

	2017	2016	+/-
Sales (at 100%)			
Label joint ventures	\$ 125.2	\$ 124.6	0.5%
Rheinfelden*	20.3	10.2	99.0%
	\$ 145.5	\$ 134.8	7.9%
Earnings (losses) in equity accounted investments (at 100%)			
Label joint ventures	\$ 11.7	\$ 11.9	(1.7%)
Rheinfelden	(4.4)	(3.2)	(37.5%)
	\$ 7.3	\$ 8.7	(16.1%)

\* Primarily sales to Container Segment

Results from the joint ventures in CCL-Kontur, Russia; Pacman-CCL, Middle East; Korsini-SAF and Rheinfelden Americas, United States, are not proportionately consolidated into either the CCL or Container Segments but instead are accounted for as equity investments. The Company's share of the joint ventures net income is disclosed in "Earnings in Equity Accounted Investments" in the consolidated income statement.

Sales at CCL-Kontur declined modestly as gains in the ruble to the euro resulted in lower local currency market prices however profits more than doubled on strong product mix and the new shrink sleeve manufacturing facility posting profitability compared to prior year losses. Pacman-CCL posted significant increases in sales and profitability contributing meaningfully to overall earnings for 2017 despite significant challenges with its investment in India. Korsini-CCL, the in-mould joint venture, and Rheinfelden Americas, the aluminum slug joint venture, incurred expected start-up losses for the year. Although profitability was expected at the Rheinfelden slug operation in 2018, this has been delayed to 2019 due to a small fire in the facility in early 2018 that has temporarily closed operations and postponed installation of the final tranche of capital investment. Earnings in equity accounted investments amounted to \$3.7 million for 2017, compared to \$4.5 million for 2016.

## 3. FINANCING AND RISK MANAGEMENT

### A) Liquidity and Capital Resources

The Company's leverage ratio is as follows:

For the years ended December 31	2017	2016
Current debt	\$ 230.6	\$ 4.2
Long-term debt	2,100.8	1,597.1
Total debt	2,331.4	1,601.3
Cash and cash equivalents	(557.5)	(585.1)
Net debt <sup>1</sup>	\$ 1,773.9	\$ 1,016.2
EBITDA	\$ 959.2	\$ 792.7
Net debt to EBITDA <sup>1</sup>	1.85	1.28

<sup>1</sup> Total debt, net debt and net debt to EBITDA are non-IFRS measures, see "Key Performance Indicators and Non-IFRS Measures" in Section 5A

In September 2016, the Company closed its initial 144A private bond offering of US\$500.0 million aggregate principal amount of 3.25% notes due October 2026. The notes are unsecured senior obligations.

In February 2017, the Company signed an additional US\$450.0 million credit facility with a syndicate of banks to bolster financing for the Innovia acquisition. This new unsecured term loan facility, maturing in February 2019 with principal repayments of US\$12.0 million per quarter commencing June 30, 2017, incurs interest at the applicable domestic rate plus an interest rate margin linked to the Company's net debt to EBITDA consistent with the existing syndicated revolving facility.

The Company's debt structure at December 31, 2017, was primarily comprised of the aforementioned bonds of US\$500.0 million (C\$620.3 million), two private debt placements completed in 1998 and 2008 for a total of US\$129.0 million (C\$162.0 million), outstanding debt totalling \$1,015.2 million under the unsecured syndicated revolving credit facility and the term loan facility of US\$414.0 million (C\$520.0 million). Outstanding contingent letters of credit totalled \$3.5 million; accordingly there was US\$397.7 million of unused availability on the revolving credit facility at December 31, 2017. The Company's debt structure at December 31, 2016, was comprised of bonds of US\$500.0 million (C\$662.1 million), two private debt placements completed in 1998 and 2008 for a total of US\$129.0 million (C\$173.0 million) and outstanding debt under the syndicated revolving credit facility of \$756.6 million.

Net debt was \$1,773.9 million at December 31, 2017, \$757.7 million higher than the net debt of \$1,016.2 million at December 31, 2016. The increase in net debt was primarily attributable to the additional debt drawn to acquire Innovia, partially offset by the increase in cash and cash equivalents and debt repayments during the year.

Net debt to EBITDA increased to 1.85 times as at December 31, 2017, compared to 1.28 times at the end of 2016, due to the increase in net debt relative to the increase in EBITDA. However, the measure remains very strong after closing four acquisitions for proceeds of approximately \$1.2 billion in 2017.

The Company's overall average finance rate was 2.9% as at December 31, 2017, compared to 3.0% as at December 31, 2016. The decrease in the average finance rate was caused by a larger proportion of lower-cost variable rate debt at December 31, 2017.

Interest coverage (a non-IFRS measure; see "Key Performance Indicators and Non-IFRS Measures" in Section 5A) was 9.1 times and 14.6 times in 2017 and 2016, respectively, indicative of higher net finance costs associated with the increase in total debt resulting from the \$1.2 billion in acquisition payments in 2017.

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

	2017	2016
Cash provided by operating activities	\$ 711.2	\$ 564.0
Cash provided by financing activities	733.0	439.6
Cash used for investing activities	(1,464.3)	(796.8)
Effect of exchange rates on cash	(7.5)	(27.4)
Increase (decrease) in cash and cash equivalents	\$ (27.6)	\$ 179.4
Cash and cash equivalents – end of year	\$ 557.5	\$ 585.1

In 2017, cash provided by operating activities was \$711.2 million, compared to \$564.0 million in 2016. Free cash flow from operations reached \$438.3 million for 2017, compared to \$338.6 million in the prior year. The free cash flow from operations was primarily attributable to an increase in cash flow from operations, partially offset by an increase in capital additions for the year.

The Company maintains a rigorous focus on its investment in non-cash working capital. Days of working capital employed (a non-IFRS measure, see "Key Performance Indicators and Non-IFRS Measures" in Section 5A) was 17 days at December 31, 2017, compared to 15 days at December 31, 2016. The increase in days working capital employed can be attributed to the impact of acquired businesses in 2017 that did not manage their working capital as efficiently as the legacy businesses of the Company.

Cash provided by financing activities in 2017 was \$733.0 million, consisting of net debt borrowings of \$802.1 million, primarily used to finance the Innovia acquisition, and proceeds from the issuance of shares of \$12.1 million due to the exercise of stock options partially offset by dividend payments of \$81.2 million. In 2016, financing activities provided \$439.6 million, primarily for the acquisition of Checkpoint.

Cash used for investing activities in 2017 of \$1,464.3 million was primarily for the acquisitions that totaled \$1,191.4 million and net capital expenditures of \$272.9 million (see below). After the above noted items and the \$7.5 million effect of foreign currency rates, cash and cash equivalents declined by \$27.6 million in 2017 to \$557.5 million.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Years ended December 31, 2017 and 2016 (Tabular amounts in millions of Canadian dollars, except per share data)

Capital spending in 2017 amounted to \$285.7 million and proceeds from capital dispositions were \$12.8 million, resulting in net capital expenditures of \$272.9 million, compared to \$225.4 million in 2016. Net capital spending was slightly greater than annual depreciation and amortization expense. 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. Depreciation and amortization in 2017 amounted to \$259.2 million, compared to \$203.7 million in 2016.

### C) Interest Rate, Foreign Exchange Management and Other Hedges

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

As the Company operates internationally, less than 3% of its 2017 sales to end-use customers are denominated in Canadian dollars, the Company has exposure to market risks from changes in foreign exchange rates. The Company partially manages these exposures by contracting primarily in Canadian dollars, euros, U.K. pounds and U.S. dollars. Additionally, each subsidiary's sales and expenses are primarily denominated in its local currency, further minimizing the foreign exchange impact on the operating results. The Company does not use financial instruments to hedge its U.S. dollar foreign exchange risk.

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 ("IRSAs") 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, 2017, the Company utilized CCIRSAs to effectively convert notional US\$264.7 million 3.25% fixed rate debt into 1.23% fixed rate euro debt, hedging its euro-based assets and cash flows. The effect of the CCIRSAs has been to decrease finance cost by \$5.5 million for the year ended December 31, 2017.

The Company is potentially exposed to credit risk 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, 2017, the Company's exposure to credit risk arising from derivative financial instruments was \$1.0 million.

As at December 31, 2017, the Company had US\$1,314.0 million, €155.8 million and £60.3 million drawn under the 144A private bonds, private debt placements, term credit facility and revolving credit facility, which are hedging a portion of its U.S. dollar-based, euro-based and pound sterling-based investments and cash flows.

### D) Equity and Dividends

#### Summary of Changes in Equity

For the years ended December 31

	2017	2016
Net earnings	\$ 474.1	\$ 346.3
Dividends	(80.8)	(70.0)
Settlement of exercised stock options	18.0	6.8
Shares released from trust, net of purchase of shares for trust	—	(22.3)
Contributed surplus on expensing of stock options and stock-based compensation plans	13.8	13.7
Defined benefit plan actuarial gains (losses), net of tax	9.6	(9.0)
Net impact of acquisition of non-controlling interest	—	0.4
Increase in accumulated other comprehensive income (loss)	(52.0)	(112.6)
<b>Increase in equity</b>	<b>\$ 382.7</b>	<b>\$ 153.3</b>
<b>Equity</b>	<b>\$ 2,157.9</b>	<b>\$ 1,775.2</b>
Shares issued at December 31 – Class A (000s)	11,837	11,837
– Class B (000s)	164,951	164,111

In 2017, the Company declared dividends of \$80.8 million, compared to \$70.0 million declared in the prior year. As previously discussed, the dividend payout ratio in 2017 was 17% (2016 – 18%) of adjusted earnings. After careful review of the current year results, budgeted cash flow and income for 2018, the Board has declared a 13.0% increase in the annual dividend: an increase of \$0.015 per Class B share per quarter, from \$0.115 to \$0.13 per Class B share per quarter (\$0.52 per Class B share annualized).

If cash flow periodically exceeds attractive acquisition opportunities available, the Company may also repurchase its shares provided that the repurchase is accretive to earnings per share, is at a valuation equal to or lower than valuations for acquisition opportunities, and will not materially increase financial leverage beyond targeted levels. The Company did not repurchase any of its shares for cancellation in 2017.

## E) Commitments and Other Contractual Obligations

The Company's obligations relating to debt, leases and other liabilities at the end of 2017 were as follows:

	December 31, 2016			December 31, 2017				
	Carrying Amount	Carrying Amount	Contractual Cash Flows	0-6 Months	6-12 Months	1-2 Years	2-5 Years	More than 5 Years
Non-derivative financial liabilities								
Secured bank loans	\$ 2.5	\$ 1.3	\$ 1.3	\$ 0.2	\$ 0.2	\$ 0.5	\$ 0.4	\$ —
Unsecured bank loans	1.4	6.5	6.5	2.8	2.9	0.6	0.2	—
Unsecured notes	173.0	162.0	162.0	—	162.0	—	—	—
Finance lease liabilities	5.6	6.2	6.2	1.1	1.1	1.7	1.6	0.7
Unsecured Rule 144A bonds	662.1	620.3	620.3	—	—	—	—	620.3
Unsecured syndicated bank revolving credit facility	756.6	1,015.1	1,015.1	—	—	—	1,015.1	—
Unsecured syndicated bank term credit facility	—	520.0	520.0	30.2	30.1	459.7	—	—
Finance costs	*	*	273.4	25.8	33.7	49.6	87.7	76.6
Trade and other payables	844.5	1,018.4	1,018.4	1,018.4	—	—	—	—
Accrued post-employment benefit liabilities	*	*	223.3*	4.4	4.4	26.3	58.7	129.5
Operating leases	—	—	138.4	18.5	18.5	21.5	40.8	39.1
Total contractual cash obligations	\$ 2,445.7	\$ 3,349.8	\$ 3,984.9	\$ 1,101.4	\$ 252.9	\$ 559.9	\$ 1,204.5	\$ 866.2

\* Accrued long-term employee benefit and post-employment benefit liability of \$10.1 million and accrued interest of \$9.3 million on unsecured notes, unsecured Rule 144A bonds and unsecured syndicated credit facilities are reported in trade and other payables in 2017 (2016 – \$76 million, \$10.8 million and nil, 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 2017 was \$696.6 million (2016 – \$342.0 million) and the fair value of the plan assets was \$376.9 million (2016 – \$66.5 million), for a net deficit of \$319.7 million (2016 – \$275.5 million). Contributions to defined benefit plans during 2017 were \$18.8 million (2016 – \$7.9 million). The Company expects to contribute \$42.8 million to the pension plans in 2018, inclusive of defined contribution plans. These estimated funding requirements will be adjusted annually, based on various market factors such as interest rates, expected returns and staffing assumptions, including compensation and mortality. The Company's contributions are funded through cash flows generated from operations. Management anticipates that future cash flows from operations will be sufficient to fund expected future contributions. Details of the Company's pension plans and related obligations are set out in note 19, "Employee Benefits," of the consolidated financial statements.

## Other Obligations and Commitments

The Company has provided various loan guarantees for its joint ventures and associates totaling \$48.9 million (2016 – \$62.1 million). The Company has posted surety bonds through accredited insurance companies globally totaling \$75.5 million. There are no other material "off-balance sheet" financing obligations except for typical long-term operating lease agreements. The nature of these commitments is described in note 25 of the consolidated financial statements. There are no defined benefit plans funded with the Company's stock.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Years ended December 31, 2017 and 2016 (Tabular amounts in millions of Canadian dollars, except per share data)

### F) Controls and Procedures

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

As at December 31, 2017, based on the continued evaluation of the disclosure controls and procedures, the CEO and the CFO have concluded that the Company's disclosure controls and procedures, as defined in National Instrument 52-109, *Certificate of Disclosure in Issuers Annual and Interim Filings* ("NI 52-109"), are effective to ensure that information required to be disclosed in reports and documents that the Company files or submits under Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified.

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

In accordance with the provisions of NI 52-109, management, including the Chief Executive Officer, and the Chief Financial Officer, have limited the scope of their design of the Company's disclosure controls and procedures and internal control over financial reporting to exclude controls, policies and procedures of Innovia. The Company acquired Innovia and its subsidiaries on February 28, 2017.

The Innovia acquisition contributed approximately 10.0% of sales per the Company's consolidated financial statements for the year ended December 31, 2017.

The scope limitation is primarily based on the time required to assess Innovia's disclosure controls and procedures and internal control over financial reporting in a manner consistent with the Company's other operations. The assessment on the design effectiveness of disclosure controls and procedures and internal control over financial reporting is on track for completion by the end of the first quarter of 2018 and the assessment of the operating effectiveness will be completed by the fourth quarter of 2018.

Except for the preceding changes, based on the evaluation of the design and operating effectiveness of the Company's internal control over financial reporting, the CEO and the CFO concluded that internal control over financial reporting was effective as at December 31, 2017.

There were no material changes in internal control over financial reporting in the financial year ended December 31, 2017.

### 4. RISKS AND UNCERTAINTIES

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

#### Potential Risks Relating to Significant Operations in Foreign Countries

The Company operates plants in North America, Europe, Latin America, Asia, Australia and the Middle East. Sales to customers located outside of Canada in 2017 were 97% of the Company's total sales, a level similar to that in 2016. 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 2017, 39.5% and 33.6% 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 2017 were 23.6% of the Company's total sales. In addition, the Company has equity accounted investments in Russia, the United States and the Middle East. There are risks associated with operating a decentralized organization in 167 manufacturing facilities in countries around the world with a variety of different cultures and values. Operations outside of Canada, the United States and Europe are perceived generally to have greater political and economic risks and include

the Company's operations in Latin America, parts of Asia, Russia and the Middle East. These risks include, but are not limited to, fluctuations in currency exchange rates, inflation, changes in foreign law and regulations, government nationalization of certain industries, currency controls, potential adverse tax consequences and locally accepted business practices and standards that may not be similar to accepted business practices and standards in North America and Europe. Although the Company has controls and procedures intended to mitigate these risks, these risks cannot be entirely eliminated and may have a material adverse effect on the consolidated financial results of the Company.

### **Competitive Environment**

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

### **Foreign Exchange Exposure and Hedging Activities**

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

### **Retention of Key Personnel and Experienced Workforce**

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

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

### **Acquired Businesses**

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

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



## MANAGEMENT'S DISCUSSION AND ANALYSIS

Years ended December 31, 2017 and 2016 (Tabular amounts in millions of Canadian dollars, except per share data)

### Integration and Restructuring of Checkpoint

The Company acquired the global operations of Checkpoint on May 13, 2016, and immediately commenced detailed analysis of the restructuring that would be required at Checkpoint. Checkpoint had 4,300 employees with operations in 29 countries including 20 manufacturing plants and 46 go-to market units. The size, geographic scope and complexity of Checkpoint's operations exceeded the typical acquisition of the Company and therefore the integration and restructuring initiative has *been more complex and time consuming. The initial assessment resulted in severance-related restructuring charges of \$35.5 million through to the end of 2017.* The restructuring and integration plan is largely complete, however if these remaining initiatives are too significant there could be a material adverse effect on the Company's business, financial condition and results of operations.

### Long-Term Growth Strategy

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

### Lower than Anticipated Demand

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

### Exposure to Income Tax Reassessments

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

### Risks in Integrating and Restructuring Innovia

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

### Realization of Deferred Tax Assets

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

### **Fluctuations in Operating Results**

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

### **Insurance Coverage**

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

### **Brexit**

In a non-binding referendum on the United Kingdom's membership in the European Union ("E.U.") in June 2016, a majority of those who voted approved the United Kingdom's withdrawal from the European Union. Any withdrawal by the United Kingdom from the European Union ("Brexit") would occur after, or possibly concurrently with, a process of negotiation regarding the future terms of the United Kingdom's relationship with the E.U., which could result in the U.K. losing access to certain aspects of the single E.U. market and the global trade deals negotiated by the E.U. on behalf of its members. The Brexit vote and the perceptions as to the impact of the withdrawal of the U.K. may adversely affect business activity, political stability and economic conditions in the U.K., the Eurozone, the E.U. and elsewhere. The economic outlook could be further adversely affected by (i) the risk that one or more other E.U. countries could come under increasing pressure to leave the E.U., (ii) the risk of a greater demand for independence by Scottish nationalists, or (iii) the risk that the euro as the single currency of the Eurozone could cease to exist or (iv) the risk that movements in the U.K. pound exchange rates related to Brexit could damage competitiveness or profitability as a significant portion of the Company's U.K. sales are priced in U.S. dollars and euros. Any of these developments, or the perception that any of these developments are likely to occur, could have a material adverse effect on economic growth or business activity in the U.K., the Eurozone or the E.U. and could result in the relocation of businesses, cause business interruptions, lead to economic recession or depression, and impact the stability of the financial markets, availability of credit, political systems or financial institutions and the financial and monetary system. Given that the Company conducts a significant portion of its business in the E.U. and the U.K., any of these developments could have a material adverse effect on the business, financial position, liquidity and results of operations of the Company.

### **Impacts from Changes to NAFTA**

The governments of the United States, Canada and Mexico are currently renegotiating the terms of the existing North American Free Trade Agreement ("NAFTA"). These negotiations have the potential to significantly change the existing trade rules as currently exist between those countries. Changes that limit access to U.S. markets, or that preferentially favour U.S. industries or that otherwise negatively impact the competitiveness of the Company's products could have a material adverse effect on the Company's business, results of operations and financial condition. In addition, if changes to NAFTA or other trade laws were instituted that limited the Company's access to the materials or products necessary for such manufacturing operations, the Company's ability to meet its customers' specifications and delivery requirements would be reduced. Any such reduction in the Company's ability to meet its customers' specifications and delivery requirements could have a material adverse effect on the Company's business, results of operations and financial condition. Also, significant changes to NAFTA or the termination of NAFTA could create significant uncertainty and could have a material adverse effect on economic growth and business activity in those countries and impact the stability of the financial markets and any of these developments could have a material adverse effect on the Company's business, financial position, liquidity and results of operations.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Years ended December 31, 2017 and 2016 (Tabular amounts in millions of Canadian dollars, except per share data)

### Dependence on Customers

The Company has a modest dependence on certain customers. The Company's two largest customers combined accounted for approximately 8.4% of the consolidated revenue for the fiscal year 2017. The five largest customers of the Company represented approximately 16.5% of the total revenue for 2017 and the 25 largest customers represented approximately 38.6% of the total revenue. Several thousand customers make up the remainder of total revenue. Although the Company has strong partnership relationships with its customers, there can be no assurance that the Company will maintain its relationship with any particular customer or continue to provide services to any particular customer at current levels. A loss of any significant customer, or a decrease in the sales to any such customer, could have a material adverse effect on the business, financial condition and results of operations of the Company. Consolidation within the consumer products marketer base and office retail superstores could have a negative impact on the Company's business, depending on the nature and scope of any such consolidation.

### Environmental, Health and Safety Requirements and Other Considerations

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

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

### Operating and Product Hazards

The Company's revenues are dependent on the continued operation of its facilities and its customers. The operation of manufacturing plants involves many risks, including the failure or substandard performance of equipment, natural disasters, suspension of operations and new governmental statutes, regulations, guidelines and policies. The total loss of certain of our 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.

#### **Decline in Address Mailing Labels**

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

#### **Product Security**

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

#### **Financial Reporting**

The Company prepares its financial reports in accordance with accounting policies and methods prescribed by IFRS. In the preparation of financial reports, management may need to rely upon assumptions, make estimates or use their best judgment in determining the financial condition of the Company. Significant accounting policies are described in more detail in the notes to the Company's annual consolidated financial statements for the year ended December 31, 2017. 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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Years ended December 31, 2017 and 2016 (Tabular amounts in millions of Canadian dollars, except per share data)

### New Product Developments

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

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

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

### Labour Relations

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

### Legal Proceedings

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

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

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

### Defined Benefit Post-Employment Plans

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

### **Breach of Legal and Regulatory Requirements**

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

### **Material Disruption of Information Technology Systems**

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

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

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

As of December 31, 2017, the Company had over \$2.0 billion of goodwill and indefinite-life intangible assets on its statement of financial position, the value of which is reviewed for impairment at least annually. The assessment of the value of goodwill and intangible assets depends on a number of key factors requiring estimates and assumptions about earnings growth, operating margins, discount rates, economic projections, anticipated future cash flows and market capitalization. There can be no assurance that future reviews of goodwill and intangible assets will not result in an impairment charge. Although it does not affect cash flow, an impairment charge does have the effect of reducing the Company's earnings, total assets and equity.

### **Raw Materials and Component Parts**

Although the Company is a large customer to certain key suppliers, it is also an inconsequential buyer of some materials. The ability to grow earnings will be affected by inflationary and other increases in the cost of electronic sub-assemblies and raw materials, aluminum ingot, slugs and foils, resins, extruded films, pressure sensitive laminates, paper, binder rings and plastic components. Inflationary and other increases in the costs of raw materials, labour and energy have occurred in the past and are expected to recur, and the Company's performance depends in part on its ability to pass these cost increases on to customers in the price of its products and to effect improvements in productivity. The Company may not be able to fully offset the effects of raw material costs and other sourced components through price increases, productivity improvements or cost-reduction programs. If the Company cannot obtain sufficient quantities of these items at competitive prices, of appropriate quality and on a timely basis, it may not be able to produce sufficient quantities of product to satisfy market demand, product shipments may be delayed, or its material or manufacturing costs may increase. Innovia is sensitive to price movements in polypropylene resin used in its BOPP films for label, packaging and security applications. Polypropylene is the most significant input cost for the Innovia Segment and is traded in the market, with prices linked to the market price of natural gas and refining capacity. Price movements must be managed and where necessary, passed along to the Segment's customers. Failure to pass along higher costs in a timely and effective manner to its customers could have a material adverse effect on the Innovia Segment's business and profitability. Checkpoint's supply chain relies significantly on components sourced from factories in Asia therefore supply disruption and tariff changes could adversely affect sales and profitability. Avery's U.S. supply chain relies almost completely on its plant in Tijuana, Mexico, supply disruption, changes to border controls or NAFTA could adversely affect sales and profitability. Overall, any of these problems could result in the loss of customers and revenue, provide an opportunity for competing products to gain market acceptance and have a material adverse effect on the Company's business, financial condition and results of operations.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Years ended December 31, 2017 and 2016 (Tabular amounts in millions of Canadian dollars, except per share data)

### Credit Ratings

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

### Share Price Volatility

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

### Increase in Interest Rates

At December 31, 2017, approximately 66% of the Company's outstanding debt was subject to variable interest rates. Increases in short-term interest rates would directly impact interest costs. Significant increases in short-term interest rates will increase borrowing costs and could have a material adverse impact on the financial results of the Company.

### Protection of Intellectual Property

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

### Dividends

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

## 5. ACCOUNTING POLICIES AND NON-IFRS MEASURES

### A) Key Performance Indicators and Non-IFRS Measures

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

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

### Earnings per Class B Share

		Fourth Quarter			Year to Date
	2017	2016	2017	2016	
Basic earnings	\$ 0.97	\$ 0.56	\$ 2.70	\$ 1.98	
Net (gain) loss from restructuring and other items	—*	0.03	0.07	0.15	
Non-cash acquisition accounting adjustment to finished goods inventory	—	—	0.06	0.15	
TCJA remeasurement of deferred tax on indefinite life intangibles	(0.14)	—	(0.14)	—	
Adjusted basic earnings	\$ 0.83	\$ 0.59	\$ 2.69	\$ 2.28	

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

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

### Days of Working Capital Employed

A, December 31	2017	2016
Trade and other receivables	\$ 821.3	\$ 672.3
Inventories	425.1	351.5
Prepaid expenses	33.6	25.8
Income taxes recoverable	13.1	26.2
Trade and other payables	(1,018.4)	(844.5)
Income taxes payable	(50.7)	(58.3)
Net working capital	\$ 224.0	\$ 173.0
Days in quarter	92	92
Fourth quarter sales	\$ 1,234.5	\$ 1,058.4
Days of working capital employed	17	15

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

### Dividend Payout Ratio

		Year-to Date
	2017	2016
Dividends declared per equity	\$ 80.8	\$ 70.0
Adjusted earnings	\$ 471.7	\$ 399.2
Dividend payout ratio	17%	18%



## MANAGEMENT'S DISCUSSION AND ANALYSIS

Years ended December 31, 2017 and 2016 (Tabular amounts in millions of Canadian dollars, except per share data)

**Earnings per Share Growth Rate** – A measure indicating the percentage change in adjusted basic earnings per Class B share (see definition above).

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

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

### EBITDA

	Fourth Quarter		Year-to-Date	
	2017	2016	2017	2016
Net earnings	\$ 169.4	\$ 98.3	\$ 474.1	\$ 346.3
Corporate expense	12.6	11.0	52.7	48.2
Earnings in equity accounted investments	(1.3)	(1.2)	(3.7)	(4.5)
Finance cost, net	23.8	12.2	75.2	37.9
Restructuring and other items – net loss (gain)	(4.2)	6.7	11.3	34.6
Income taxes	4.8	33.6	127.9	140.8
	\$ 205.1	\$ 160.6	\$ 737.5	\$ 603.3
Less: Corporate expense	(12.6)	(11.0)	(52.7)	(48.2)
Add: Depreciation and amortization	66.5	54.7	259.2	203.7
Add: Non-cash accounting adjustment to finished goods inventory	—	—	15.2	33.9
EBITDA (a non-IFRS measure)	\$ 259.0	\$ 204.3	\$ 959.2	\$ 792.7

**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 consolidated statements of cash flows for the periods ended as indicated.

### Free Cash Flow from Operations

	2017	2016
Cash provided by operating activities	\$ 711.2	\$ 564.0
Less: Additions to property, plant and equipment	(285.7)	(234.7)
Add: Proceeds on disposal of property, plant and equipment	12.8	9.3
Free cash flow from operations	\$ 438.3	\$ 338.6

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

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

**Interest Coverage**

	2017	2016
Operating income (a non-IFRS measure, see definition below)	\$ 737.5	\$ 603.3
Less: Corporate expense	(52.7)	(48.2)
	\$ 684.8	\$ 555.1
Net finance cost	\$ 75.2	\$ 37.9
Interest coverage	9.1	14.6

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

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

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

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

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

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

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

**Return on Equity**

	2017	Year to Date 2016
Net earnings	\$ 474.1	\$ 346.3
Restructuring and other items, (net of tax)	11.6	27.8
Non-cash acquisition accounting adjustment to finished goods inventory, (net of tax)	11.0	25.1
TCJA remeasurement of deferred tax on acquisition intangibles	(25.0)	—
Adjusted net earnings	\$ 471.7	\$ 399.2
Average equity	\$ 1,966.6	\$ 1,698.5
Return on equity	24.0%	23.5%

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Years ended December 31, 2017 and 2016 (Tabular amounts in millions of Canadian dollars, except per share data)

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

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

### Return on Total Capital

		2017	2016
Net earnings	\$	474.1	\$ 346.3
Restructuring and other items (net of tax)		11.7	27.8
Non-cash acquisition accounting adjustment to finished goods inventory (net of tax)		10.9	25.1
IFCJA remeasurement of deferred tax on indefinite life intangibles		(25.0)	—
Adjusted net earnings	\$	471.7	\$ 399.2
Average total capital	\$	3,361.6	\$ 2,506.6
Return on total capital		14.0%	15.9%

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

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

### Return on Sales

	Three Months Ended December 31		Twelve Months Ended December 31	
	2017	2016	2017	2016
Sales				
CCL	\$ 733.9	\$ 631.8	\$ 2,823.1	\$ 2,497.6
Avery	171.0	180.5	752.7	787.7
Checkpoint	192.3	190.9	675.2	459.0
Innovia	91.2	—	308.2	—
Container	46.1	55.2	196.3	230.4
<b>Total sales</b>	<b>\$ 1,234.5</b>	<b>\$ 1,058.4</b>	<b>\$ 4,755.7</b>	<b>\$ 3,974.7</b>
Operating income				
CCL	\$ 126.4	\$ 90.7	\$ 444.8	\$ 378.0
Avery	40.7	35.5	164.5	166.8
Checkpoint	30.9	27.3	87.4	28.2
Innovia	0.1	—	14.6	—
Container	7.0	7.1	26.2	30.3
<b>Total operating income</b>	<b>\$ 205.1</b>	<b>\$ 160.6</b>	<b>\$ 737.5</b>	<b>\$ 603.3</b>
Return on sales				
CCL	17.2%	14.4%	15.8%	15.1%
Avery	23.8%	19.7%	21.8%	21.2%
Checkpoint	16.1%	14.3%	12.9%	6.1%
Innovia	0.1%	—	4.7%	—
Container	15.2%	12.9%	13.3%	13.2%
<b>Total return on sales</b>	<b>16.6%</b>	<b>15.2%</b>	<b>15.5%</b>	<b>15.2%</b>

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

## **B) Accounting Policies and New Standards**

### **Accounting Policies**

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

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

### **Recently Issued New Accounting Standards, Not Yet Effective**

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

In May 2014, IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"), was issued and provides guidance on the timing and amount of revenue that should be recognized and also requires more informative and relevant disclosures. The standard provides a single, principles-based five-step model to be applied to all contracts with customers. This standard is effective for annual periods beginning on January 1, 2018. The Company has completed its evaluation and concluded the impact of IFRS 15 on its consolidated financial statements was immaterial on opening retained earnings as at January 1, 2018.

In January 2016, IFRS 16, *Leases* ("IFRS 16"), was issued by the IASB. This standard introduces a single-lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. The new standard is effective for annual periods beginning on or after January 1, 2019. The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019, using the modified retrospective approach. Under this approach the Company will recognize transitional adjustments in retained earnings on the date of initial application (January 1, 2018), without restating prior periods. The Company is currently evaluating the impact of IFRS 16 on its consolidated financial statements and has begun collecting and cataloguing all existing leases in order to perform an initial assessment and develop a preliminary plan with respect to analyzing the impact of the new standard on existing leases. As such, it is not yet possible to make a reliable estimate of the impact of the new standard on the Company's consolidated financial statements.

In June 2016, amendments to IFRS 2, *Share-based Payment* ("IFRS 2"), were issued by the IASB. The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligation, and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018. The Company intends to adopt the amendments to IFRS 2 in its financial statements for the annual period beginning on January 1, 2018. The Company does not expect the amendments to have a material impact on the financial statements.

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Years ended December 31, 2017 and 2016 (Tabular amounts in millions of Canadian dollars, except per share data)

### C) Critical Accounting Estimates

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

#### Goodwill and Indefinite-Life Intangibles

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

During the fourth quarter, the Company completed its impairment test as at September 30, 2017. Impairment testing for the cash-generating units ("CGU"), CCL, Avery, Checkpoint, Innovia and Container Segments was done by a comparison of the unit's carrying amount to its estimated value in use, determined by discounting future cash flows from the continuing use of the unit. Key assumptions used in the determination of the value in use include growth rates of 2.0% to 5.0% and pre-tax discount rates ranging from 11.0% to 19.0%. 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 2017 and 2016, it was determined that the carrying amount of goodwill and indefinite-life intangibles was not impaired. Since the process of determining fair values requires management judgment regarding projected results and market multiples, a change in these assumptions could impact the fair value of the reporting units, resulting in an impairment charge.

#### Long-Lived Assets

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

#### Employee Benefits

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

### D) Related Party Transactions

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

## 6. OUTLOOK

2017 was the Company's fourth consecutive record financial year; revenue increased 19.6%, achieving an estimated annualized run-rate of \$5.0 billion, and adjusted basic earnings per share improvement of 18.0% to \$2.69. The Company closed on the \$1.15 billion Innovia acquisition, the largest in its history. The films portion of the acquisition created the new Innovia segment giving substance to the Company's vertical integration initiative in polymer sciences. The security printing portion of the acquisition added polymer banknote substrate construction, bolstering the CCL Secure offering.

Globally 2017 was marked by a year of natural disasters, geopolitical tensions, profound political divisions and sweeping U.S. tax reform. Economies in North America and Europe began to firm up whilst Asian emerging markets, particularly China, returned solid growth rates with volatility reemerging in Latin America. The 2018 global growth forecasts have recently been revised upward; with U.S. protectionist trade reforms, commodity price escalation and continued geopolitical uncertainty remaining in the foreground. Emerging markets are expected to show continuing strength outpacing developed markets. Continued focus will be given to monitoring volatile foreign currency markets; notwithstanding the current appreciation of the Canadian dollar to the U.S. dollar should act as a headwind to translated results while the lower U.S. dollar poses increased foreign transaction risks to parts of the Company's business.

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

At Avery in 2017, two more tuck-in acquisitions, GGW and Badgepoint, were folded into the Segment as it pursued its growth strategy. For 2018, legacy Avery printable media businesses will explore new product opportunities to capture consumer digital print momentum. Moreover, the six acquisitions over the past four years, all with a direct-to-consumer digital print offering, as well as the introduction of Avery's own new e-commerce platform, provide a product group with higher organic growth rates and cross-selling opportunities. Avery will continue to find complementary acquisitions that add new territories, expand channels to market and complement the product offerings in the core digital print domain.

The Checkpoint Segment had a successful 2017 delivering a return on sales of 13%, nearly in-line with the Company's legacy business only nineteen months post acquisition. Checkpoint has nearly completed its restructuring initiative, recording costs of \$35.5 million since the date of acquisition yielding an expected \$40 million in annualized savings for 2018. Further initiatives will be more qualitative, focusing on fine tuning manufacturing facilities, optimizing the supply chain, new product initiatives and building the customer base.

The financial results for the Innovia Segment were somewhat disappointing for the Company as volatile resin prices eroded profit in 2017. For 2018 strategic focus will be centered on managing customer relationships through periods of cost inflation and further developing the customer base to take advantage of the unique properties of the Innovia-produced film. It is management's belief that longer term the Innovia Segment will provide robust expertise in polymer sciences delivering proprietary materials across the Company.

In 2017, the Container Segment finally shuttered its Canadian facility leaving a strong stable operating footprint with a management team focused on optimization, innovation and market share gains. Although profitability was expected at the Rheinfelden slug operation in 2018, this has been delayed to 2019 due to a small fire in the facility in early 2018 that has temporarily closed operations and postponed installation of the final tranche of capital investment.

The Company concluded the year with cash-on-hand of \$557.5 million and unused availability on the revolving credit facility was US\$397.7 million. The Company's aforementioned liquidity position is robust, leverage is low with a net debt leverage ratio of 1.85 times EBITDA at the end of 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 2018 to be approximately \$325 million in order to support the organic growth and new greenfield opportunities globally. Orders so far into the first weeks of 2018 remain solid.



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## INDEPENDENT AUDITORS' REPORT

To the Shareholders of CCL Industries Inc.

We have audited the accompanying consolidated financial statements of CCL Industries Inc. ("the Company"), which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016, the consolidated income statements and other comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2017 and December 31, 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Chartered Professional Accountants, Licensed Public Accountants

February 21, 2018  
Toronto, Canada

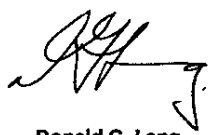
# **CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(In millions of Canadian dollars)

As at December 31	Note	2017	2016
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	\$ 557.5	\$ 585.1
Trade and other receivables	7	821.3	672.2
Inventories	8	425.1	351.5
Prepaid expenses		33.6	25.8
Income taxes recoverable		13.1	26.2
Derivative instruments	23	1.0	0.1
<b>Total current assets</b>		<b>1,851.6</b>	<b>1,660.9</b>
<b>Non-current assets</b>			
Property, plant and equipment	10	1,514.7	1,216.9
Goodwill	11,12	1,580.7	1,131.8
Intangible assets	11,12	1,082.7	549.6
Deferred tax assets	14	28.8	21.2
Equity accounted investments	9	54.0	64.1
Other assets		31.5	34.3
<b>Total non-current assets</b>		<b>4,292.4</b>	<b>3,017.9</b>
<b>Total assets</b>		<b>\$ 6,144.0</b>	<b>\$ 4,678.8</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	13	\$ 1,018.4	\$ 844.5
Current portion of long-term debt	17	230.6	4.2
Income taxes payable		50.7	58.3
<b>Total current liabilities</b>		<b>1,299.7</b>	<b>907.0</b>
<b>Non-current liabilities</b>			
Long-term debt	17	2,100.8	1,597.1
Deferred tax liabilities	14	183.5	67.8
Employee benefits	19	333.6	279.3
Provisions and other long-term liabilities		17.8	52.4
Derivative instruments	23	50.7	—
<b>Total non-current liabilities</b>		<b>2,686.4</b>	<b>1,996.6</b>
<b>Total liabilities</b>		<b>\$ 3,986.1</b>	<b>\$ 2,903.6</b>
<b>Equity</b>			
Share capital	15	279.4	261.4
Contributed surplus		78.0	64.2
Retained earnings		1,853.4	1,450.5
Accumulated other comprehensive loss	28	(52.9)	(0.9)
<b>Total equity attributable to shareholders of the Company</b>		<b>2,157.9</b>	<b>1,775.2</b>
Commitments and contingencies	25		
Acquisitions	5		
Subsequent events	30		
<b>Total liabilities and equity</b>		<b>\$ 6,144.0</b>	<b>\$ 4,678.8</b>

See accompanying explanatory notes to the consolidated financial statements

On behalf of the Board:



**Donald G. Lang**  
Director



**Geoffrey T. Martin**  
Director



## CONSOLIDATED INCOME STATEMENTS

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

Years ended December 31	Note	2017	2016
Sales		\$ 4,755.7	\$ 3,974.7
Cost of sales		3,319.4	2,806.8
Gross profit		1,436.3	1,167.9
Selling, general and administrative expenses		751.5	612.8
Restructuring and other items	29	11.3	34.6
Earnings in equity accounted investments		(3.7)	(4.5)
		677.2	525.0
Finance cost	18	87.4	41.8
Finance income	18	(12.2)	(3.9)
<b>Net finance cost</b>		75.2	37.9
<b>Earnings before income tax</b>		602.0	487.1
Income tax expense	21	127.9	140.8
<b>Net earnings</b>		\$ 474.1	\$ 346.3
<b>Attributable to:</b>			
Shareholders of the Company		\$ 474.1	\$ 346.8
Non-controlling interest		—	(0.5)
<b>Net earnings</b>		\$ 474.1	\$ 346.3
<b>Earnings per share</b>			
Basic earnings per Class B share	2,16	\$ 2.70	\$ 1.98
Diluted earnings per Class B share	2,16	\$ 2.66	\$ 1.95

See accompanying explanatory notes to the consolidated financial statements

# **CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(In millions of Canadian dollars)

Years ended December 31	2017	2016
<b>Net earnings</b>	<b>\$ 474.1</b>	<b>\$ 346.3</b>
<b>Other comprehensive income (loss), net of tax:</b>		
<b>Items that may subsequently be reclassified to income:</b>		
Foreign currency translation adjustment for foreign operations, net of tax recovery of \$6.4 for the year ended December 31, 2017 (2016 – tax recovery of \$0.1)	(84.9)	(146.6)
Net gains on hedges of net investment in foreign operations, net of tax expense of \$4.0 for the year ended December 31, 2017 (2016 – tax expense of \$3.5)	27.6	33.0
Effective portion of changes in fair value of cash flow hedges, net of tax expense of \$0.8 for the year ended December 31, 2017 (2016 – tax expense of \$0.3)	3.8	0.7
Net change in fair value of cash flow hedges transferred to the income statement, net of tax recovery of \$0.3 for the year ended December 31, 2017 (2016 – tax recovery of \$0.1)	1.5	0.3
Actuarial gains (losses) on defined benefit post-employment plans, net of tax expense of \$1.8 for the year ended December 31, 2017 (2016 – tax recovery of \$2.0)	9.6	(9.0)
<b>Other comprehensive loss, net of tax</b>	<b>(42.4)</b>	<b>(121.6)</b>
<b>Total comprehensive income</b>	<b>\$ 431.7</b>	<b>\$ 224.7</b>
<b>Attributable to:</b>		
Shareholders of the Company	\$ 431.7	\$ 225.2
Non-controlling interest	—	(0.5)
<b>Total comprehensive income</b>	<b>\$ 431.7</b>	<b>\$ 224.7</b>

See accompanying explanatory notes to the consolidated financial statements.

# **CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

(In millions of Canadian dollars)

	Class A Shares (note 15)	Class B Shares (note 15)	Shares Held in Trust (note 15)	Total Share Capital	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Equity Attributable to Shareholders	Non controlling Interest	Total Equity
Balances, January 1, 2016	\$ 4.5	\$ 279.8	\$ (7.4)	\$ 276.9	\$ 50.6	\$ 1,182.7	\$ 111.7	\$ 1,621.9	\$ —	\$ 1,621.9
Acquisition of shares in a subsidiary from the non-controlling interest (note 5(f))	—	—	—	—	0.1	—	—	0.1	0.5	0.6
Net earnings	—	—	—	—	—	346.8	—	346.8	(0.5)	346.3
Dividends declared										
Class A	—	—	—	—	—	(4.6)	—	(4.6)	—	(4.6)
Class B	—	—	—	—	—	(65.4)	—	(65.4)	—	(65.4)
Defined benefit plan actuarial losses, net of tax	—	—	—	—	—	(9.0)	—	(9.0)	—	(9.0)
Stock-based compensation plan	—	—	—	—	9.8	—	—	9.8	—	9.8
Shares redeemed from trust	—	—	6.7	6.7	(6.7)	—	—	—	—	—
Shares purchased and held in trust	—	—	(29.0)	(29.0)	0.2	—	—	(28.8)	—	(28.8)
Stock option expense	—	—	—	—	5.9	—	—	5.9	—	5.9
Stock options exercised	—	6.8	—	6.8	(1.2)	—	—	5.6	—	5.6
Income tax effect related to stock options	—	—	—	—	5.5	—	—	5.5	—	5.5
Other comprehensive loss	—	—	—	—	—	—	(112.6)	(112.6)	—	(112.6)
Balances, December 31, 2016	\$ 4.5	\$ 286.6	\$ (29.7)	\$ 261.4	\$ 64.2	\$ 1,430.5	\$ (0.9)	\$ 1,775.2	\$ —	\$ 1,775.2
Net earnings	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 474.1	\$ —	\$ 474.1	\$ —	\$ 474.1
Dividends declared										
Class A	—	—	—	—	—	(5.3)	—	(5.3)	—	(5.3)
Class B	—	—	—	—	—	(75.5)	—	(75.5)	—	(75.5)
Defined benefit plan actuarial gains, net of tax	—	—	—	—	—	9.6	—	9.6	—	9.6
Stock-based compensation plan	—	3.4	—	3.4	7.9	—	—	11.3	—	11.3
Shares redeemed from trust	—	—	0.3	0.3	—	—	—	0.3	—	0.3
Shares purchased and held in trust	—	—	(0.3)	(0.3)	0.3	—	—	—	—	—
Stock option expense	—	—	—	—	8.1	—	—	8.1	—	8.1
Stock options exercised	—	14.6	—	14.6	(2.5)	—	—	12.1	—	12.1
Other comprehensive loss	—	—	—	—	—	—	(52.0)	(52.0)	—	(52.0)
Balances, December 31, 2017	\$ 4.5	\$ 304.6	\$ (29.7)	\$ 279.4	\$ 78.0	\$ 1,853.4	\$ (52.9)	\$ 2,157.9	\$ —	\$ 2,157.9

See accompanying explanatory notes to the consolidated financial statements.

# **CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In millions of Canadian dollars)

Years ended December 31	2017	2016
<b>Cash provided by (used for)</b>		
<b>Operating activities</b>		
Net earnings	\$ 474.1	\$ 346.3
Adjustments for:		
Depreciation and amortization	259.2	203.7
Earnings in equity accounted investments, net of dividends received	(1.2)	(1.7)
Net finance costs	75.2	37.9
Current income tax expense	155.2	126.0
Deferred tax expense (recovery)	(27.3)	14.8
Equity-settled share-based payment transactions	19.7	15.4
Gain on sale of property, plant and equipment	(0.9)	(1.4)
	954.0	741.0
Change in inventories	8.1	61.3
Change in trade and other receivables	(36.1)	22.8
Change in prepaid expenses	(7.5)	(4.4)
Change in trade and other payables	3.6	(100.1)
Change in income taxes receivable and payable	8.4	(2.5)
Change in employee benefits	10.7	16.6
Change in other assets and liabilities	(8.1)	(9.9)
	933.1	724.8
Net interest paid	(67.3)	(36.0)
Income taxes paid	(154.6)	(124.8)
<b>Cash provided by operating activities</b>	<b>711.2</b>	<b>564.0</b>
<b>Financing activities</b>		
Proceeds on issuance of long-term debt	1,186.6	835.2
Repayment of long-term debt	(384.5)	(302.2)
Proceeds from issuance of shares	12.1	5.6
Purchase of shares held in trust	—	(28.8)
Dividends paid	(81.2)	(70.2)
<b>Cash provided by financing activities</b>	<b>733.0</b>	<b>439.6</b>
<b>Investing activities</b>		
Additions to property, plant and equipment	(285.7)	(234.7)
Proceeds on disposal of property, plant and equipment	12.8	9.3
Business acquisitions and other long-term investments (note 5)	(1,191.4)	(571.4)
<b>Cash used for investing activities</b>	<b>(1,464.3)</b>	<b>(796.8)</b>
Net increase (decrease) in cash and cash equivalents	(20.1)	206.8
Cash and cash equivalents at beginning of year	585.1	405.7
Translation adjustments on cash and cash equivalents	(7.5)	(27.4)
<b>Cash and cash equivalents at end of year</b>	<b>\$ 557.5</b>	<b>\$ 585.1</b>

See accompanying explanatory notes to the consolidated financial statements

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2017 and 2016 (In millions of Canadian dollars, except per share information)

### 1. REPORTING ENTITY

CCL Industries Inc. (the "Company") is a public company, listed on the Toronto Stock Exchange, and is incorporated and domiciled in Canada. These consolidated financial statements of the Company as at and for the years ended December 31, 2017 and 2016, comprise the results of the Company and its subsidiaries and the Company's interest in joint ventures and associates. The Company has manufacturing facilities around the world and is primarily involved in the manufacture of labels, containers, consumer printable media products, technology-driven label solutions, polymer bank note substrates and specialty films.

### 2. BASIS OF PREPARATION

#### (a) Statement of compliance

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

These consolidated financial statements were authorized for issue by the Company's Board of Directors on February 22, 2018.

#### (b) Basis of measurement

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

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

#### (c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information, except per share information, is presented in millions of Canadian dollars, unless otherwise noted.

#### (d) Use of estimates and judgments

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

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

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

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

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

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

#### (e) Stock split

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

### **3. SIGNIFICANT ACCOUNTING POLICIES**

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

#### **(a) Basis of consolidation**

##### **(i) Business combinations**

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

##### **(ii) Subsidiaries**

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

##### **(iii) Associates and joint arrangements**

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

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

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

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

##### **(iv) Transactions eliminated on consolidation**

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2017 and 2016 (In millions of Canadian dollars, except per share information)

### (b) Foreign currency

#### (i) Foreign currency transactions

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

#### (ii) Foreign operations

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

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

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

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

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

#### (iii) Hedge of net investment in a foreign operation

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

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

### (c) Financial instruments

#### (i) Non-derivative financial instruments

Non-derivative financial instruments comprise cash and cash equivalents, trade and other receivables, trade and other payables and long-term debt.

Non-derivative financial instruments are recognized initially at fair value, plus any directly attributable transaction costs, for instruments not at fair value through profit or loss. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

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

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

#### ***Loans and receivables***

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables. The carrying value of trade and other receivables is net of an allowance for doubtful accounts. The allowance is based upon the aging of the receivables, the Company's knowledge of the financial condition of its customers, historical experience and the current business environment.

Cash and cash equivalents comprise cash on hand and short-term investments with original maturity dates of 90 days or less.

#### ***Financial assets at fair value through profit or loss***

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Upon initial recognition, the attributable transaction costs are recognized in the income statement when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in the income statement.

#### ***Available-for-sale financial assets***

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale, are not classified in any of the previous categories and are included in other assets.

These items are initially recognized at fair value plus transaction costs and are subsequently carried at fair value with changes recognized in other comprehensive income. When an investment is derecognized, the accumulated gain or loss recognized in other comprehensive income is transferred to the income statement.

#### ***Non-derivative financial liabilities***

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

#### **(ii) Derivative financial instruments, including hedge accounting**

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

On initial designation of the hedge, the Company formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment, both at the inception of the hedging relationship and on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80% to 125%. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2017 and 2016 (In millions of Canadian dollars, except per share information)

Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

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

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

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

### **Cash flow hedges**

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

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

### **Fair value hedges**

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

### **Separable embedded derivatives**

Changes in the fair value of separable embedded derivatives are recognized immediately in the income statement.

## **(d) Property, plant and equipment**

### **(i) Recognition and measurement**

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

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

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

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

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

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

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

## **(ii) Depreciation**

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

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

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

- |                           |                |
|---------------------------|----------------|
| • buildings               | Up to 40 years |
| • machinery and equipment | Up to 15 years |
| • fixtures and fittings   | Up to 10 years |
| • minor components        | Up to 5 years  |

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

## **(e) Intangible assets**

### **(i) Goodwill**

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

#### **Subsequent measurement**

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

### **(ii) Other intangible assets**

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

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

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

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

- |                                 |                |
|---------------------------------|----------------|
| • patents, trademarks and other | Up to 15 years |
| • customer relationships        | Up to 20 years |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### (f) Leases

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

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

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

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

### (g) Inventories

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

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

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

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

### (h) Impairment

#### (i) Financial assets, including receivables

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

The Company considers evidence of impairment for loans and receivables and held-to-maturity investment securities at both a specific asset and a collective level. All individually significant loans and receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant loans and receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

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

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

An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value and is recognized by transferring the cumulative loss that has been recognized in other comprehensive income, and presented in unrealized gains or losses on available-for-sale financial assets in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognized in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and for available-for-sale financial assets that are debt securities, the reversal is recognized in the income statement. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in other comprehensive income.

## **(ii) Non-financial assets**

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

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

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

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

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

## **(i) Employee benefits**

### **(i) Defined contribution plans**

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

### **(ii) Defined benefit plans**

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

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

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

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

### (iii) Termination benefits

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

### (iv) Short-term benefits

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

### (v) Share-based payment transactions

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

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

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

### (j) Provisions

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

### (k) Revenue

Revenue is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized and related costs transferred to cost of sales when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Generally, this would be at the time goods are shipped, product is delivered or services rendered. At that time, persuasive evidence of an arrangement exists, the price to the customer is fixed and ultimate collection is reasonably assured. A provision for sales returns and allowances is recognized when the underlying products are sold. The provision is based on an evaluation of products currently under quality assurance review as well as historical sales returns experience.

For agreements that contain multiple deliverables, each element is treated as a separate unit for revenue recognition purposes. For these agreements, total consideration is allocated to each unit based on its relative fair value. Revenue is then recognized for each unit when the relevant recognition criteria are met.

#### **(l) Finance income and costs**

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

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

#### **(m) Taxation**

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

##### **(i) Current tax**

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

##### **(ii) Deferred tax**

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

##### **(iii) Deferred tax liabilities**

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

##### **(iv) Deferred tax assets**

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

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

#### **(n) Share capital**

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

#### **(o) Earnings per share**

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

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### (p) Segment reporting

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

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

### (q) New accounting standards effective in 2017

In January 2016, the IASB issued amendments to clarify the requirements for recognizing deferred tax assets on unrealized losses. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. They also clarify certain other aspects of accounting for deferred tax assets. The amendments became effective for the Company on January 1, 2017 and did not have any impact on its financial statements.

In January 2016, the IASB issued an amendment to IAS 7, *Statement of Cash Flows*, introducing additional disclosure requirements for liabilities arising from financing activities. The amendments became effective for the Company on January 1, 2017 and the additional disclosure has been included in the supplemental cash flow information (note 17) accordingly.

### (r) New standards and interpretations not yet effective

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

In May 2014, IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"), was issued and provides guidance on the timing and amount of revenue that should be recognized and also requires more informative and relevant disclosures. The standard provides a single, principles-based five-step model to be applied to all contracts with customers. This standard is effective for annual periods beginning on January 1, 2018. The Company has completed its evaluation and concluded the impact of IFRS 15 on its consolidated financial statements was immaterial on opening retained earnings as at January 1, 2018.

In January 2016, IFRS 16, *Leases* ("IFRS 16"), was issued by the IASB. This standard introduces a single-lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. The new standard is effective for annual periods beginning on or after January 1, 2019. The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019, using the modified retrospective approach. Under this approach the Company will recognize transitional adjustments in retained earnings on the date of initial application (January 1, 2018), without restating prior periods. The Company is currently evaluating the impact of IFRS 16 on its consolidated financial statements and has begun collecting and cataloguing all existing leases in order to perform an initial assessment and develop a preliminary plan with respect to analyzing the impact of the new standard on existing leases. As such, it is not yet possible to make a reliable estimate of the impact of the new standard on the Company's consolidated financial statements.

In June 2016, the amendments to IFRS 2, *Share-based Payment* ("IFRS 2"), was issued by the IASB. The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligation, and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018. The Company intends to adopt the amendments to IFRS 2 in its financial statements for the annual period beginning on January 1, 2018. The Company does not expect the amendments to have a material impact on the financial statements.

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

## 4. SEGMENT REPORTING

### Business segments

As a result of the acquisition of Innovia, a new reportable segment was created for Innovia's film operation and Innovia's security operation is included within the newly named CCL (formerly CCL Label) Segment. The Company has five reportable segments, as described below, which are the Company's main business units. The business units offer a variety of products and services, and are managed separately as they require different technology and marketing strategies. For each of the business units, the Company's CEO, the chief operating decision maker, reviews internal management reports regularly.

The Company's reportable segments are:

- CCL – Includes the production of pressure sensitive and extruded film materials for a wide range of decorative, instructional and functional applications for large global customers in the consumer packaging, healthcare, automotive and consumer durables markets. Extruded and laminated plastic tubes, folded instructional leaflets, precision printed and die cut metal components with LED displays and other complementary products and services are sold in parallel to specific end-user markets.
- Avery – Includes the manufacturing and selling of various consumer products, including labels, binders, dividers, sheet protectors and writing instruments in North America, Latin America, Asia Pacific and Europe.
- Checkpoint – Includes the manufacturing and selling of technology-driven, loss-prevention, inventory management and labelling solutions, including radio-frequency ("RF") and radio-frequency identification-based ("RFID"), to the retail and apparel industry.
- Innovia – Includes the manufacturing of specialty high-performance, multi-layer, surface-engineered specialty films for label, packaging and security applications.
- Container – Includes the manufacturing of specialty containers for the consumer products industry in North America, including Mexico. The key product line is recyclable aluminum aerosol cans and bottles for the personal care, home care and cosmetic industries, plus shaped aluminum bottles for the beverage market.



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	Sales		Operating Income	
	2017	2016	2017	2016
CCL	\$ 2,823.1	\$ 2,497.6	\$ 444.8	\$ 378.0
Avery	752.9	787.7	164.5	166.8
Checkpoint	675.2	459.0	87.4	28.2
Innovia	308.2	—	14.6	—
Container	196.3	230.4	26.2	30.3
	<u>\$ 4,755.7</u>	<u>\$ 3,974.7</u>	<u>\$ 737.5</u>	<u>\$ 603.3</u>
Corporate expenses			(52.7)	(48.2)
Restructuring and other items			(11.3)	(34.6)
Earnings in equity accounted investments			3.7	4.5
Finance cost			(87.4)	(41.8)
Finance income			12.2	3.9
Income tax expense			(127.9)	(140.8)
Net earnings			<u>\$ 474.1</u>	<u>\$ 346.3</u>

	Total Assets		Total Liabilities		Depreciation and Amortization		Capital Expenditures	
	2017	2016	2017	2016	2017	2016	2017	2016
CCL	\$ 3,172.9	\$ 2,451.9	\$ 775.4	\$ 639.5	\$ 172.5	\$ 152.6	\$ 218.6	\$ 194.8
Avery	593.4	566.6	197.1	201.3	16.1	16.1	13.8	16.2
Checkpoint	941.0	935.8	417.4	441.8	29.0	18.7	23.3	5.9
Innovia	751.5	—	160.5	—	27.4	—	10.9	—
Container	140.1	156.1	46.2	42.3	13.3	15.3	18.7	17.8
Equity accounted investments	54.0	64.1	—	—	—	—	—	—
Corporate	491.1	504.3	2,389.5	1,578.7	0.9	1.0	0.4	—
Total	<u>\$ 6,144.0</u>	<u>\$ 4,678.8</u>	<u>\$ 3,986.1</u>	<u>\$ 2,903.6</u>	<u>\$ 259.2</u>	<u>\$ 203.7</u>	<u>\$ 285.7</u>	<u>\$ 234.7</u>

### Geographical segments

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

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

	Sales		Property, Plant and Equipment and Goodwill	
	2017	2016	2017	2016
Canada	\$ 159.6	\$ 194.6	\$ 44.9	\$ 91.8
United States and Puerto Rico	1,876.7	1,829.2	830.4	856.9
Mexico, Brazil, Chile and Argentina	293.5	261.8	300.6	191.5
Europe	1,597.9	1,122.0	1,308.2	873.7
Asia, Australia, Africa and New Zealand	828.0	567.1	611.3	334.8
Consolidated	<u>\$ 4,755.7</u>	<u>\$ 3,974.7</u>	<u>\$ 3,095.4</u>	<u>\$ 2,348.7</u>

The geographical segment is determined by the location from which the sale is made

## 5. ACQUISITIONS

### (a) Acquisition of Innovia Group of Companies

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

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

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

### (b) Other acquisitions

In April 2017, the Company acquired Goed Gemeert B.V. and Goed Gewerkt B.V. (collectively referred to as "Goed Gemeert"), two privately owned companies with common shareholders in Utrecht, Netherlands, for approximately \$23.0 million, net of cash acquired. Goed Gemeert has expanded Avery's depth in the personalized "kids labels" sector.

In April 2017, the Company acquired badgepoint GmbH, badgetech GmbH and Name Tag Systems Inc. (collectively referred to as "Badgepoint"), three privately owned companies with common shareholders based in Hamburg, Germany, for approximately \$5.6 million, net of cash acquired. Badgepoint has expanded Avery's portfolio in web-to-print technologies internationally.

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

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

### (c) Revenue and profit from acquirees

The following table summarizes the combined sales and earnings that the newly acquired Innovia, Goed Gemeert, Badgepoint and Acrus have contributed to the Company for the current reporting period.

	Twelve Months Ended December 31, 2017	
Sales	\$	495.4
Net earnings	\$	25.2

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2017 and 2016 (In millions of Canadian dollars, except per share information)

### (d) Pro forma information

The unaudited pro forma consolidated financial information below has been prepared following the accounting policies of the Company as if the acquisitions took place on January 1, 2017.

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

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

The following table summarizes the sales and earnings of the Company combined with Innovia, Goed Gemaakt, Badgepoint and Acrus as though the acquisitions took place on January 1, 2017.

	Twelve Months Ended December 31, 2017
Sales	\$ 4,873.7
Net earnings	\$ 498.9

### (e) Acquisition of Checkpoint Systems, Inc.

In May 2016, the Company completed the share acquisition of Checkpoint Systems, Inc. ("CSI") for \$531.9 million. CSI is a leading manufacturer of technology-driven, loss prevention, inventory management and labelling solutions, including radio-frequency ("RF") and radio-frequency identification-based ("RFID"), to the retail and apparel industry. The CSI acquisition was a strategic opportunity leveraging the Company's deep capabilities in labels.

Cash consideration, net of cash acquired	\$ 440.5
Assumed debt	91.4
Total consideration	\$ 531.9
Trade and other receivables	\$ 146.1
Inventories	137.7
Property, plant and equipment	105.4
Other assets	8.2
Goodwill	194.1
Intangible assets	321.3
Trade and other payables	(199.0)
Income taxes payable	(22.1)
Employee benefits	(127.4)
Deferred tax liabilities	(8.1)
Provisions and other long-term liabilities	(24.3)
Net assets acquired	\$ 531.9

During the year, the Company completed its assessment of the fair market value of the assets and liabilities acquired. As a result of the assessment, property, plant and equipment increased by \$3.9 million, other assets increased by \$3.9 million, brands increased by \$103.9 million, customer relationships increased by \$18.1 million, income taxes payable increased by \$1.2 million, and deferred tax liabilities increased by \$39.0 million related to the aforementioned adjustments, with the resulting net impact to goodwill since December 31, 2016.

Goodwill is comprised of the excess fair value of the consideration paid over the fair value of the net assets acquired. Factors that make up the amount of goodwill recognized include expected synergies from combining operations and expertise in smart-label products. Goodwill is not deductible for tax purposes.

**(f) Summary of 2016 acquisitions**

In January 2016, the Company acquired Woelco AG (“Woelco”), a privately owned company in Stuttgart, Germany, with subsidiaries in China and the United States, for approximately \$21.7 million, net of cash acquired. Woelco has expanded CCL’s depth in the industrial and automotive durable goods market.

In January 2016, the Company acquired Label Art Ltd. and Label Art Digital Ltd. (collectively referred to as “LAL”), two privately owned companies with common shareholders based in Dublin, Ireland, for approximately \$13.6 million, net of cash acquired. LAL expanded CCL’s business in Ireland and the U.K.

In February 2016, the Company acquired Zephyr Company Limited of Singapore, and its Malaysian subsidiaries in Penang and Johor (collectively referred to as “Zephyr”), from multiple private shareholders for approximately \$40.9 million, net of cash acquired. Zephyr expanded CCL’s presence within the electronics industry to southeast Asia

In March 2016, the Company acquired the shares of Powerpress Rotulos & Etiquetas Adesivas LTDA (“Powerpress”), a privately owned company in Sao Paulo, Brazil, for approximately \$11.4 million, net of cash acquired. Powerpress enhances CCL’s product offering in South America.

In July 2016, the Company acquired the shares of Eukerdruck GmbH & Co. KG and Pharma Druck CDM GmbH (collectively referred to as “Euker”), two privately own companies with common shareholders owning plants in Marburg and Dresden, Germany, for approximately \$30.0 million, net of cash acquired and assumed debt. Euker has expanded CCL’s presence with pharmaceutical companies in German-speaking countries

In August 2016, the Company acquired the shares of Labelone Ltd. (“Label1”), a privately held company based in Belfast, Northern Ireland, for approximately \$17.5 million, net of cash acquired and assumed debt. Label1 will maximize opportunities in an important country for the Healthcare business in Europe.

In January 2016, the Company invested \$6.0 million in cash to increase its interest from 50% to 75% in its tube manufacturing joint venture in Bangkok, Thailand, with Taisei Kako Co. Ltd of Japan (“Taisei”), resulting in Taisei becoming a subsidiary of the Company as a result of the change in control. In August 2016, the Company acquired the remaining 25% interest for proceeds of \$1.9 million.

The following table summarizes the allocation of the consideration to the fair value of the assets acquired and liabilities assumed for the Woelco, LAL, Zephyr, Powerpress, Euker, Label1 and Taisei acquisitions:

Cash consideration	\$	126.1
Assumed debt		10.9
Total consideration	\$	137.0
Trade and other receivables	\$	23.5
Inventories		14.6
Other current assets		0.8
Property, plant and equipment		45.6
Other long-term assets		0.4
Goodwill and intangibles		92.9
Trade and other payables		(28.0)
Long-term debt		(1.0)
Deferred tax liabilities		(5.3)
Provisions and other long-term liabilities		(6.5)
Net assets acquired	\$	137.0

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### 6. CASH AND CASH EQUIVALENTS

	December 31, 2017	December 31, 2016
Bank balances	\$ 513.0	\$ 546.2
Restricted cash	7.3	3.2
Short-term investments	37.2	33.7
Cash and cash equivalents	\$ 557.5	\$ 585.1

### 7. TRADE AND OTHER RECEIVABLES

	December 31, 2017	December 31, 2016
Trade receivables	\$ 754.8	\$ 630.5
Other receivables	66.5	41.7
Trade and other receivables	\$ 821.3	\$ 672.2

### 8. INVENTORIES

	December 31, 2017	December 31, 2016
Raw material	\$ 161.2	\$ 129.9
Work in progress	50.5	31.3
Finished goods	213.4	190.3
Total inventories	\$ 425.1	\$ 351.5

The total amount of inventories recognized as an expense in 2017 was \$3,319.4 million (2016 – \$2,806.9 million), including depreciation of \$209.7 million (2016 – \$178.6 million).

### 9. EQUITY ACCOUNTED INVESTMENTS

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

	Associates	Joint Ventures	Total
<b>At December 31, 2017</b>			
Net earnings	\$ 4.0	\$ 3.3	\$ 7.3
Other comprehensive loss	(1.2)	(4.2)	(5.4)
Total comprehensive income (loss)	\$ 2.8	\$ (0.9)	\$ 1.9
Carrying amount of investments in associates and joint ventures	\$ 25.4	\$ 28.6	\$ 54.0
<b>At December 31, 2016</b>			
Net earnings	\$ 1.6	\$ 7.2	\$ 8.8
Other comprehensive income (loss)	4.3	(8.3)	(4.0)
Total comprehensive income (loss)	\$ 5.9	\$ (1.1)	\$ 4.8
Carrying amount of investments in associates and joint ventures	\$ 24.0	\$ 40.0	\$ 64.1

## 10. PROPERTY, PLANT AND EQUIPMENT

		Land and Buildings	Machinery and Equipment	Fixtures, Fittings and Other	Total
<b>Cost</b>					
Balance at January 1, 2016	\$	486.7	\$ 1,687.3	\$ 26.7	\$ 2,200.7
Acquisitions through business combinations		72.0	75.6	2.5	150.1
Other additions		50.7	180.1	3.9	234.7
Disposals		(8.3)	(35.2)	(0.4)	(43.9)
Effect of movements in exchange rates		(24.1)	(102.3)	(1.3)	(127.7)
Balance at December 31, 2016	\$	577.0	\$ 1,805.5	\$ 31.4	\$ 2,413.9
Acquisitions through business combinations		64.4	177.7	1.5	243.6
Other additions		42.8	238.1	4.8	285.7
Disposals		(1.9)	(77.7)	(0.1)	(79.7)
Effect of movements in exchange rates		1.0	(56.1)	(0.8)	(55.9)
<b>Balance at December 31, 2017</b>	<b>\$</b>	<b>683.3</b>	<b>\$ 2,087.5</b>	<b>\$ 36.8</b>	<b>\$ 2,807.6</b>
<b>Accumulated depreciation and impairment losses</b>					
Balance at January 1, 2016	\$	140.9	\$ 957.8	\$ 16.5	\$ 1,115.2
Depreciation for the year		22.5	152.4	3.7	178.6
Disposals		(3.2)	(32.5)	(0.3)	(36.0)
Effect of movements in exchange rates		(5.1)	(54.1)	(1.6)	(60.8)
Balance at December 31, 2016	\$	155.1	\$ 1,023.6	\$ 18.3	\$ 1,197.0
Depreciation for the year		27.2	178.5	4.0	209.7
Disposals		(1.5)	(66.1)	(0.2)	(67.8)
Effect of movements in exchange rates		(1.5)	(43.4)	(1.1)	(46.0)
<b>Balance at December 31, 2017</b>	<b>\$</b>	<b>179.3</b>	<b>\$ 1,092.6</b>	<b>\$ 21.0</b>	<b>\$ 1,292.9</b>
<b>Carrying amounts</b>					
At December 31, 2016	\$	421.9	\$ 781.9	\$ 13.1	\$ 1,216.9
<b>At December 31, 2017</b>	<b>\$</b>	<b>504.0</b>	<b>\$ 994.9</b>	<b>\$ 15.8</b>	<b>\$ 1,514.7</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2017 and 2016 (In millions of Canadian dollars, except per share information)

### 11. INTANGIBLE ASSETS

	Customer Relationships	Patents, Trademarks and Other	Brands	Total	Goodwill
<b>Cost</b>					
Balance at January 1, 2016	\$ 178.6	\$ 21.6	\$ 177.7	\$ 377.9	\$ 876.8
Acquisitions through business combinations	192.3	12.5	93.3	298.1	291.4
Additions	—	1.0	—	1.0	—
Effect of movements in exchange rates	(9.6)	(1.5)	(2.4)	(13.5)	(36.4)
Balance at December 31, 2016	\$ 361.3	\$ 33.6	\$ 268.6	\$ 663.5	\$ 1,131.8
Acquisitions through business combinations	280.0	157.5	169.4	606.9	475.6
Effect of movements in exchange rates	(4.1)	(9.1)	(13.0)	(26.2)	(26.7)
<b>Balance at December 31, 2017</b>	<b>\$ 637.2</b>	<b>\$ 182.0</b>	<b>\$ 425.0</b>	<b>\$ 1,244.2</b>	<b>\$ 1,580.7</b>
<b>Amortization and impairment losses</b>					
Balance at January 1, 2016	\$ 73.9	\$ 18.7	\$ —	\$ 92.6	\$ —
Amortization for the year	22.3	2.8	—	25.1	—
Effect of movements in exchange rates	(2.5)	(1.3)	—	(3.8)	—
Balance at December 31, 2016	\$ 93.7	\$ 20.2	\$ —	\$ 113.9	\$ —
Amortization for the year	40.3	9.2	—	49.5	—
Effect of movements in exchange rates	0.4	(2.3)	—	(1.9)	—
<b>Balance at December 31, 2017</b>	<b>\$ 134.4</b>	<b>\$ 27.1</b>	<b>\$ —</b>	<b>\$ 161.5</b>	<b>\$ —</b>
<b>Carrying amounts</b>					
At December 31, 2016	\$ 267.6	\$ 13.4	\$ 268.6	\$ 549.6	\$ 1,131.8
<b>At December 31, 2017</b>	<b>\$ 502.8</b>	<b>\$ 154.9</b>	<b>\$ 425.0</b>	<b>\$ 1,082.7</b>	<b>\$ 1,580.7</b>

### 12. GOODWILL AND INDEFINITE-LIFE INTANGIBLE ASSETS

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

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

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

	December 31, 2017	December 31, 2016
Goodwill		
CCL	\$ 1,052.4	\$ 742.7
Avery	118.7	105.0
Checkpoint	192.8	271.3
Innovia	204.0	—
Container	12.8	12.8
	<b>\$ 1,580.7</b>	<b>\$ 1,131.8</b>
Indefinite-life intangible assets – brands		
Avery	\$ 188.4	\$ 184.0
Checkpoint	181.6	84.6
Innovia	55.0	—
	<b>\$ 425.0</b>	<b>\$ 268.6</b>

Impairment testing for goodwill and indefinite-life intangible assets was done by a comparison of the asset's carrying amount to its estimated value in use, determined by discounting the CGUs future cash flows. Key assumptions used in the determination of the value in use include a growth rate of 2%-5%, and a pre-tax discount rate of 11%-19%. Discount rates reflect current market assumptions and risks related to the CGUs and are based upon the weighted average cost of capital. The Company's historical growth rates are used as a basis in determining the growth rate applied for impairment testing.

The Company completed its impairment testing as at September 30, 2017.

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

### 13. TRADE AND OTHER PAYABLES

	December 31, 2017	December 31, 2016
Trade payables	\$ 551.7	\$ 452.9
Other payables	466.7	391.6
Trade and other payables	<b>\$ 1,018.4</b>	<b>\$ 844.5</b>

### 14. DEFERRED TAX

#### (a) Unrecognized deferred tax assets

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

	December 31, 2017	December 31, 2016
Deductible temporary differences	\$ 16.4	\$ 21.6
Tax losses	77.6	63.1
Income tax credits	7.1	73.2
	<b>\$ 101.1</b>	<b>\$ 157.9</b>

The unrecognized deferred tax assets on tax losses of \$20.1 million will expire between 2018 and 2027, \$6.8 million will expire beyond 2027 and \$50.7 million may be carried forward indefinitely. The deductible temporary differences do not expire under current tax legislation. Income tax credits of \$7.1 million will expire between 2018 and 2027 and relates mainly to foreign tax credits in the United States. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable income will be available against which the Company can utilize the benefits therefrom.



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### (b) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net (Assets) Liabilities	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Property, plant and equipment	\$ 6.4	\$ 5.3	\$ 52.4	\$ 72.7	\$ 46.0	\$ 67.4
Intangible assets	—	14.4	253.2	165.2	253.2	150.8
Derivatives	1.4	0.5	0.4	7.2	(1.0)	6.7
Inventory reserves	11.5	15.9	0.3	0.3	(11.2)	(15.6)
Employee benefit plans	56.0	57.9	—	—	(56.0)	(57.9)
Share-based payments	13.5	18.7	—	—	(13.5)	(18.7)
Capitalized research and development	14.6	29.5	—	—	(14.6)	(29.5)
Provisions and other items	31.2	29.5	5.7	13.9	(25.5)	(15.6)
Tax loss carry-forwards	22.7	31.6	—	—	(22.7)	(31.6)
Foreign tax credit	—	9.4	—	—	—	(9.4)
Balance before offset	157.3	212.7	312.0	259.3	154.7	46.6
Offset of tax	(128.5)	(191.5)	(128.5)	(191.5)	—	—
Balance after offset	\$ 28.8	\$ 21.2	\$ 183.5	\$ 67.8	\$ 154.7	\$ 46.6

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

	Balance at December 31, 2015 Liability (Asset)	Recognized in Income Statement	Acquisitions	Translation and Others	Recognized in Other Comprehensive Income/Equity	Balance at December 31, 2016 Liability (Asset)
Property, plant and equipment	\$ 71.6	\$ (2.6)	\$ 0.6	\$ (2.2)	\$ —	\$ 67.4
Intangible assets	77.3	8.7	68.1	(3.3)	—	150.8
Derivatives	—	3.9	(0.2)	—	3.0	6.7
Inventory reserves	(8.4)	(2.0)	(5.5)	0.3	—	(15.6)
Employee benefit plans	(49.9)	(4.9)	(3.0)	1.9	(2.0)	(57.9)
Share-based payments	(21.0)	3.2	(1.6)	0.4	0.3	(18.7)
Capitalized research and development	—	4.0	(32.3)	(1.2)	—	(29.5)
Provisions and other items	(15.8)	—	(1.5)	1.7	—	(15.6)
Tax loss carry-forwards	(6.2)	4.5	(29.2)	(0.7)	—	(31.6)
Foreign tax credit	—	—	(9.1)	(0.3)	—	(9.4)
	\$ 47.6	\$ 14.8	\$ (13.7)	\$ (3.4)	\$ 1.3	\$ 46.6

The aggregate amount of temporary differences associated with investments in subsidiaries and joint ventures for which deferred tax liabilities were not recognized as at December 31, 2017 is \$1,344.9 million (2016 – \$1,026.7 million).

The aggregate amount of temporary differences associated with investments in subsidiaries and joint ventures for which deferred tax assets were not recognized as at December 31, 2017, is \$14.4 million (2016 – \$15.3 million).

## 15. SHARE CAPITAL

Shares issued (in millions)	Class A Shares	Amount	Class B Shares	Amount	Total
Balance, January 1, 2016	11.8	\$ 4.5	163.6	\$ 279.8	\$ 284.3
Stock options exercised	—	—	0.5	6.8	6.8
Balance, December 31, 2016	11.8	\$ 4.5	164.1	\$ 286.6	\$ 291.1
Stock options exercised	—	—	0.8	14.6	14.6
Director share units exercised	—	—	0.1	3.4	3.4
<b>Balance, December 31, 2017</b>	<b>11.8</b>	<b>\$ 4.5</b>	<b>165.0</b>	<b>\$ 304.6</b>	<b>\$ 309.1</b>

At December 31, 2017, the authorized share capital comprised an unlimited number of Class A voting shares and an unlimited number of Class B non-voting shares. The Class A and Class B shares have no par value. All issued shares are fully paid. Both Class A and Class B shares are classified as equity.

### (i) Class A

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

### (ii) Class B

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

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

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### Dividends

The annual dividends per share were as follows:

	2017		2016	
Class A share	\$	0.45	\$	0.39
Class B share	\$	0.46	\$	0.40

### Shares held in trust

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

## 16. EARNINGS PER SHARE

### Basic earnings per share

The calculation of basic earnings per share for the year ended December 31, 2017, was based on profit attributable to Class A shares of \$31.8 million (2016 – \$23.3 million) and Class B shares of \$442.3 million (2016 – \$323.4 million) and a weighted average number of Class A shares outstanding of 11.8 million (2016 – 11.8 million) and Class B shares outstanding of 164.0 million (2016 – 163.3 million).

### Weighted average number of shares (in millions)

	2017		2016	
	Class A Shares	Class B Shares	Class A Shares	Class B Shares
Issued and outstanding shares at January 1	11.8	163.3	11.8	163.1
Effect of stock options exercised	—	0.6	—	0.2
Effect of reciprocal shares purchased	—	—	—	(0.4)
Effect of reciprocal shares vested	—	—	—	0.4
Effect of deferred share units exercised	—	0.1	—	—
Weighted average number of shares at December 31	11.8	164.0	11.8	163.3

### Diluted earnings per share

The calculation of diluted earnings per share for the year ended December 31, 2017, was based on profit attributable to Class A shares of \$31.4 million (2016 – \$23.0 million) and Class B shares of \$442.7 million (2016 – \$323.7 million) and a weighted average number of Class A shares outstanding of 11.8 million (2016 – 11.8 million) and Class B shares outstanding of 166.4 million (2016 – 165.6 million).

### Weighted average number of shares – diluted (in millions)

	December 31, 2017	December 31, 2016
Weighted average number of shares (basic)	175.8	175.1
Effect of deferred share units on issue	0.4	0.4
Effect of reciprocal shareholdings	0.7	0.5
Effect of share options on issue	1.3	1.4
Weighted average number of shares (diluted)	178.2	177.4

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

## 17. LOANS AND BORROWINGS

	December 31, 2017	December 31, 2016
<b>Current liabilities</b>		
Current portion of unsecured notes (i)	\$ 162.0	\$ —
Current portion of unsecured syndicated bank credit facilities (ii)	60.3	—
Current portion of finance lease liabilities	2.2	3.2
Current portion of other loans (iv)	6.1	1.0
	<b>\$ 230.6</b>	<b>\$ 4.2</b>
Short-term operating credit lines available (v)	\$ 20.1	\$ 30.9
Short-term operating credit lines used	\$ 6.8	\$ 3.2
<b>Non-current liabilities</b>		
Unsecured syndicated bank credit facilities (ii)	\$ 1,474.8	\$ 756.6
Unsecured Rule 144A bonds (iii)	620.3	662.1
Unsecured notes (i)	—	173.0
Finance lease liabilities	4.0	3.1
Other loans (iv)	1.7	2.3
	<b>\$ 2,100.8</b>	<b>\$ 1,597.1</b>

### (i) Unsecured notes

As at December 31, 2017, the Company had two private debt placements completed in 1998 and 2008 for a total of US\$129.0 million. US\$51.0 million (\$64.1 million; 2016: \$68.5 million) with an interest rate of 7.09% matures on July 8, 2018, and US\$78.0 million (\$98.1 million; 2016: \$104.7 million) with an interest rate of 6.62% matures on September 26, 2018. On maturity of the Company's 2006 private debt placement on March 7, 2016, the Company repaid US\$110.0 million, which had an interest rate of 5.57%.

### (ii) Unsecured syndicated bank credit facilities

As at December 31, 2017, the Company had an unsecured US\$1.2 billion revolving credit facility with a syndicate of banks. The facility bears interest at the applicable benchmark interest rate plus an interest rate margin linked to the Company's net debt to EBITDA and matures December 23, 2020. As at December 31, 2017, US\$271.0 million (\$340.7 million; LIBOR plus 1.45%), €155.8 million (\$235.0 million; EURIBOR plus 1.45%), £60.3 million (\$102.4 million; GBP LIBOR plus 1.45%), \$337.0 million (BA plus 1.45%) and \$3.5 million of contingent letters of credits were drawn on this syndicated bank credit facility.

As at December 31, 2016, US\$409.6 million (\$550.0 million; LIBOR plus 1.2%), €64.0 million (\$90.7 million; EURIBOR plus 1.2%), £70.0 million (\$115.9 million; GBP LIBOR plus 1.2%) and \$4.1 million of contingent letters of credits were drawn on the syndicated bank credit facility.

In February 2017, the Company utilized a new US\$450.0 million unsecured non-revolving amortizing term loan facility with a syndicate of banks to aid in the financing of the Innovia acquisition (note 5). This facility, maturing in February 2019, with quarterly principal repayments of US\$12.0 million that started in June 30, 2017, bears interest at the applicable domestic rate plus an interest rate margin linked to the Company's net debt to EBITDA consistent with the existing syndicated revolving facility. As at December 31, 2017, US\$414.0 million (\$520.0 million; LIBOR plus 1.45%) remained outstanding.

The unused portion of the revolving syndicated bank credit facility was US\$397.7 million at December 31, 2017 (December 31, 2016 – US\$631.1 million).

### (iii) Unsecured Rule 144A bonds

In September 2016, the Company issued US\$500.0 million of 3.25% notes that come due on October 1, 2026. These are unsecured notes offered under a Rule 144A private placement in the United States to qualified institutional buyers. These notes bear interest payable semi-annually. The net proceeds were used to partially repay amounts borrowed under the unsecured syndicated bank credit facility.

Subsequent to the acquisition of Innovia, the Company utilized a cross-currency interest rate swap agreement to effectively convert notional US\$264.7 million of this 3.25% fixed rate debt into €250.0 million 1.23% fixed rate debt in order to hedge its euro-based assets and cash flows (note 23(b)).

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### (iv) Other loans

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

### (v) Operating credit lines

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

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

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

	Balance at January 1, 2017	Financing Cash Flows	Acquisitions	Foreign Exchange	Non Cash Other	Balance at December 31, 2017
Syndicated bank credit facilities	\$ 756.6	\$ 807.4	\$ —	\$ (28.4)	\$ (0.5)	\$ 1,535.1
Unsecured Rule 144A bonds	662.1	—	—	(42.8)	1.0	620.3
Unsecured notes	173.0	—	—	(11.1)	0.1	162.0
Finance lease liabilities	6.3	(3.6)	3.2	0.3	—	6.2
Other loans	3.3	(1.7)	5.1	0.2	0.9	7.8
Total	\$ 1,601.3	\$ 802.1	\$ 8.3	\$ (81.8)	\$ 1.5	\$ 2,331.4

As at December 31, 2017, the carrying amount of financial and non-financial assets pledged as collateral, against \$5.0 million (2016 – \$6.4 million) of long-term debt, amounted to \$20.3 million (2016 – \$18.9 million).

## 18. FINANCE INCOME AND COST

### Recognized in income statement

	2017	2016
Interest expense on financial liabilities measured at amortized cost	\$ 71.4	\$ 37.4
Fees and interest recognized on other financial instruments	(1.0)	3.8
Interest expense on post-employment defined benefit plans	17.0	0.6
Finance cost	87.4	41.8
Interest income on cash and cash equivalents	3.3	3.8
Interest income on loans and receivables and other financial instruments	0.2	0.1
Interest income on post-employment defined benefit plans	8.7	—
Finance income	12.2	3.9
Net finance cost recognized in income statement	\$ 75.2	\$ 37.9

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

## 19. EMPLOYEE BENEFITS

	December 31, 2017	December 31, 2016
Present value of wholly unfunded defined benefit obligations	\$ 260.9	\$ 249.7
Present value of partially funded defined benefit obligations	435.7	92.3
Total present value of obligations	696.6	342.0
Fair value of plan assets	(376.9)	(66.5)
Recognized liability for defined benefit obligations	319.7	275.5
Liability for long-service leave and jubilee plans	11.7	4.5
Liability for long-term incentive plan	13.2	7.0
Total employee benefits	344.6	287.0
Total employee benefits reported in other payables	11.0	7.7
Total employee benefits reported in non-current liabilities	\$ 333.6	\$ 279.3

### (i) Defined contribution post-employment plans

The Company sponsors defined contribution post-employment plans in Canada, the U.S., Thailand and the U.K. A post-employment plan is classified as a defined contribution plan if the Company pays fixed contributions into a fund at a separate entity and the Company has no further obligation to pay any further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The expense for company-sponsored defined contribution post-employment plans was \$23.6 million in 2017 (2016 – \$21.2 million) of which \$0.1 million (2016 – \$0.1 million) was for key management personnel. Company contributions into defined contribution state plans are included in the line “Compulsory social security contributions” of the table in note 20.

### (ii) Defined benefit post-employment plans

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

#### *Partially funded defined benefit obligations*

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

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

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

The most recent actuarial valuation for funding purposes for the executive defined pension plan in Canada was as of January 1, 2015. The next required actuarial valuation will be as of January 1, 2018. The most recent actuarial valuation of the U.K. defined benefit pension plan for funding purposes was as of January 1, 2014. The next required valuation is as of January 1, 2017. The most recent actuarial valuation of the U.K. Innovia defined benefit pension plan for funding purposes was as of January 1, 2017. The next required valuation is as of January 1, 2020.

***Wholly unfunded defined benefit obligations***

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

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



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

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

2016	Partially Funded	Wholly Unfunded	Total
Accrued benefit obligation:			
Balance, beginning of year	\$ 86.3	\$ 114.5	\$ 200.8
Opening balance from current year acquisitions	7.0	132.8	139.8
Current service cost	1.6	3.7	5.3
Past service cost	—	0.1	0.1
Interest cost	2.0	5.3	7.3
Employee contributions	0.9	4.7	5.6
Benefits paid	(2.5)	(5.4)	(7.9)
Actuarial gains – experience	(0.7)	(1.6)	(2.3)
Actuarial gains – demographic assumptions	(0.9)	(0.3)	(1.2)
Actuarial loss – financial assumptions	8.3	4.8	13.1
Effect of movements in exchange rates	(9.7)	(8.9)	(18.6)
Balance, end of year	\$ 92.3	\$ 249.7	\$ 342.0
Plan assets			
Fair value, beginning of year	\$ 67.2	\$ —	\$ 67.2
Opening balance from current year acquisitions	5.1	—	5.1
Expected return on plan assets	1.5	—	1.5
Actuarial losses	(1.4)	—	(1.4)
Employee contributions	0.9	—	0.9
Employer contributions	2.5	5.4	7.9
Benefits paid	(2.5)	(5.4)	(7.9)
Effect of movements in exchange rates	(6.8)	—	(6.8)
Fair value, end of year	\$ 66.5	\$ —	\$ 66.5
Funded status, net deficit of plans	\$ (25.8)	\$ (249.7)	\$ (275.5)
Accrued benefit liability	\$ (25.8)	\$ (249.7)	\$ (275.5)

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

<b>2017</b>	Partially Funded	Wholly Unfunded	<b>Total</b>
Current service cost	\$ 7.5	\$ 4.3	<b>\$ 11.8</b>
Net interest cost on accrued benefit liability	1.7	6.6	<b>8.3</b>
Curtailment gain	(0.2)	—	<b>(0.2)</b>
Net defined benefit plan expense	<b>\$ 9.0</b>	<b>\$ 10.9</b>	<b>\$ 19.9</b>
Net defined benefit plan expense is recorded in:			
Cost of sales	\$ 5.5	\$ 1.0	<b>\$ 6.5</b>
Selling, general and administrative expenses	1.8	3.3	<b>5.1</b>
Finance cost	1.7	6.6	<b>8.3</b>
Net defined benefit plan expense	<b>\$ 9.0</b>	<b>\$ 10.9</b>	<b>\$ 19.9</b>
<b>2016</b>	Partially Funded	Wholly Unfunded	Total
Current service cost	\$ 1.6	\$ 3.7	<b>\$ 5.3</b>
Past service cost	—	0.1	<b>0.1</b>
Net interest cost on accrued benefit liability	0.5	5.3	<b>5.8</b>
Net defined benefit plan expense	<b>\$ 2.1</b>	<b>\$ 9.1</b>	<b>\$ 11.2</b>
Net defined benefit plan expense is recorded in:			
Cost of sales	\$ 0.8	\$ 1.8	<b>\$ 2.6</b>
Selling, general and administrative expenses	0.8	7.2	<b>8.0</b>
Finance cost	0.5	0.1	<b>0.6</b>
Net defined benefit plan expense	<b>\$ 2.1</b>	<b>\$ 9.1</b>	<b>\$ 11.2</b>

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

	2017	2016
Actuarial gains – experience	\$ 1.4	\$ 2.3
Actuarial gains – demographic assumptions	3.4	1.2
Actuarial loss – financial assumptions	(13.3)	(13.1)
Experience gains (losses) on plan assets	19.9	(1.4)
Recognized during the year in other comprehensive income	\$ 11.4	\$ (11.0)

Plan assets consist of the following:

2017	Partially Funded	Wholly Unfunded	Total
Equity securities	61%	—	61%
Debt securities	29%	—	29%
Real estate	3%	—	3%
Other	7%	—	7%
Total	100%	—	100%
2016	Partially Funded	Wholly Unfunded	Total
Equity securities	33%	—	33%
Debt securities	38%	—	38%
Real estate	9%	—	9%
Other	20%	—	20%
Total	100%	—	100%

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

The actual returns on plan assets are as follows

	Partially Funded	Wholly Unfunded	Total
2017	\$ 28.6	—	\$ 28.6
2016	\$ 0.1	—	\$ 0.1

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

	Partially Funded	Wholly Unfunded	Total
<b>December 31, 2017</b>			
Discount rate	2.36%	2.00%	2.33%
Expected rate of compensation increase	1.38%	1.87%	1.56%
<b>December 31, 2016</b>			
Discount rate	1.93%	1.96%	1.95%
Expected rate of compensation increase	1.60%	2.52%	2.31%

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

	Partially Funded	Wholly Unfunded	Total
<b>December 31, 2017</b>			
Discount rate	2.50%	1.94%	<b>2.29%</b>
Expected rate of compensation increase	1.38%	1.89%	<b>1.57%</b>
<b>December 31, 2016</b>			
Discount rate	2.45%	2.05%	2.15%
Expected rate of compensation increase	2.28%	2.51%	2.46%

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

	Partially Funded	Wholly Unfunded
Discount rate (increase 1%)	\$ (76.0)	\$ (27.2)
Discount rate (decrease 1%)	\$ 90.9	\$ 30.6
Longevity (+1 year)	\$ 16.5	\$ (33.9)
Inflation (+0.25%)	\$ 10.6	\$ 0.3
Inflation (-0.25%)	\$ (10.0)	\$ (0.2)
Salary (increase 1%)	\$ 16.6	\$ 4.2
Salary (decrease 1%)	\$ (15.8)	\$ (3.7)
Duration (years)	20	12

The Company expects to contribute \$8.8 million to the partially funded defined benefit plans and pay \$101 million in benefits for the wholly unfunded plans in 2018.

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

The Company has long-term incentive plans with cash and share-based payments, long-service leave plans and jubilee plans in various countries around the world. As at December 31, 2017, \$0.3 million (2016 – nil) of the total obligation of \$24.9 million (2016 – \$11.5 million) is classified as current, and reported in other payables. The expense for these plans was \$18.1 million in 2017 (2016 – \$17.7 million).

## 20. PERSONNEL EXPENSES

	2017	2016
Wages and salaries	\$ 1,084.1	\$ 812.8
Compulsory social security contributions	131.1	92.1
Contributions to company-sponsored defined contribution plans	23.6	21.2
Expenses related to defined benefit plans	20.1	11.3
Equity-settled share-based payment transactions	19.7	15.4
	<b>\$ 1,278.6</b>	<b>\$ 952.8</b>

## 21. INCOME TAX EXPENSE

	2017	2016
<b>Current tax expense</b>		
Current tax on earnings before earnings in equity accounted investments for the year	\$ 155.2	\$ 126.0
<b>Deferred tax expense (benefit) (note 14)</b>		
Origination and reversal of temporary differences	\$ 21.3	\$ 21.9
Impact of tax rate changes	(44.3)	(0.5)
Recognition of previously unrecognized tax losses and deductible temporary differences	(4.3)	(6.6)
	\$ (27.3)	\$ 14.8
Total income tax expense	\$ 127.9	\$ 140.8

### Reconciliation of effective tax rate

	2017	2016
Combined Canadian federal and provincial income tax rates	25.27%	25.27%
The income tax expense on the Company's earnings differs from the amount determined by the Company's statutory rates as follows:		
Net earnings for the year	\$ 474.1	\$ 346.3
Add: income tax expense	127.9	140.8
Deduct: earnings in equity accounted investments	3.7	4.5
Earnings before income tax and equity accounted investments	598.3	482.6
Income tax using the Company's domestic combined Canadian federal and provincial income tax rates	151.2	121.9
Effect of tax rates in foreign jurisdictions	27.4	18.0
Impact of tax rate changes	(44.3)	(0.5)
Recognition of previously unrecognized tax losses and deductible temporary differences	(4.3)	(6.6)
Losses and deductible temporary differences for which no deferred tax asset was recognized	4.6	5.1
Non-deductible expenses and other items	(6.7)	2.9
	\$ 127.9	\$ 140.8

### Income tax recovery recognized directly in other comprehensive income

Derivatives and foreign currency translation adjustments	\$ (1.3)	\$ 3.8
Actuarial gains and losses	1.8	(2.0)
Total income tax expense (recovery) recognized directly in other comprehensive income	\$ 0.5	\$ 1.8

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

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

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### 22. SHARE-BASED PAYMENTS

At December 31, 2017, the Company had four share-based compensation plans, which are described below

#### (i) Employee stock option plan

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

For options and share awards granted for stock-based compensation, \$18.8 million (2016 – \$15.4 million) has been recognized in the financial statements as an expense with a corresponding offset to contributed surplus. The fair value of options granted has been estimated using the Black-Scholes model and the following assumptions:

	2017	2016
Risk-free interest rate	1.12%	0.69%
Expected life	4.5 years	4.5 years
Expected volatility	28%	27%
Expected dividends	\$ 0.46	\$ 0.40

A summary of the status of the Company's Employee Stock Option Plan as of December 31, 2017 and 2016, and changes during the years ended on those dates, is presented below

	Shares (in millions)	Weighted Average Exercise Price	Shares (in millions)	Weighted Average Exercise Price
Outstanding at beginning of year	3.1	\$ 26.26	2.7	\$ 18.59
Granted	0.8	58.03	0.9	43.90
Exercised	(0.8)	15.83	(0.5)	12.05
Outstanding at end of year	3.1	\$ 36.81	3.1	\$ 26.26
Options exercisable at end of year	0.9	\$ 25.35	0.7	\$ 17.49

The weighted average share price at the date of exercise in 2017 was \$58.01 (2016 – \$48.03).

The following table summarizes information about the employee stock options outstanding at December 31, 2017.

Range of Exercisable Prices	Options Outstanding			Options Exercisable	
	Options Outstanding (in millions)	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Options Exercisable (in millions)	Weighted Average Exercise Price
\$11.20–\$25.00	0.7	1.0 years	\$ 16.30	0.4	\$ 15.48
\$25.01–\$40.00	0.8	2.2 years	\$ 27.48	0.3	\$ 27.48
\$40.01–\$58.03	1.6	3.7 years	\$ 50.95	0.2	\$ 43.90
\$11.20–\$58.03	3.1	2.6 years	\$ 36.81	0.9	\$ 25.35

**(ii) Deferred share units ("DSU")**

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

The Company had 376,515 DSUs outstanding as at December 31, 2017. The amount recognized as an expense in 2017 totalled \$0.9 million (2016 – \$0.5 million).

**(iii) Restricted share units ("RSU")**

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

**(iv) Long-term retention plan ("LTRP")**

In 2017, the Company instituted a long-term retention plan. Under the plan, the Company provided a one-time retention incentive to four key executives totalling 259,676 shares to be issued from treasury. The incentive vests 25% in each year beginning 2022 and ending 2025, inclusive. For LTRP, \$0.8 million has been recognized as an expense with a corresponding offset to contributed surplus.

## **23. FINANCIAL INSTRUMENTS**

**(a) Cash flow hedges**

The Company was party to an interest rate swap agreement ("IRSA"), the hedging item, in order to redistribute the Company's December 31, 2015, exposure to fixed and floating interest rates with a view to reducing interest rates over the long term. The hedged item was US\$80.0 million of the syndicated bank credit facility. Fair value of this IRSA was recorded in derivative instruments on the consolidated statements of financial position. Change in fair value of the IRSA and the change in fair value of the debt were recorded in other comprehensive income. No ineffectiveness was recognized in the consolidated income statement as this was a fully effective hedge. This swap matured in September 2016.

The Company has in place numerous aluminum derivative contracts (hedging item) that are used to fix the price the Company is required to pay for its anticipated aluminum manufacturing requirements (hedged item). These derivative contracts have a fair value of \$0.3 million (2016 – \$0.1 million), which is included in derivative instruments. Aluminum is the major raw material used in the Container Segment. The Company uses these contracts along with fixed-price customer contracts to minimize the impact of aluminum price fluctuations. The Company does not enter into these contracts for speculative purposes.

The changes in value of the aluminum derivative contracts are recorded in other comprehensive income. Any ineffective portion is recorded in selling, general and administrative expenses. For 2017 and 2016, no ineffectiveness was recognized. Payments made or proceeds received upon the settlement of these contracts are recorded in cost of goods sold.

Prices for aluminum fluctuate in response to changes in supply and demand, market uncertainty and a variety of other factors beyond the Company's control. A US\$100/MT increase (decrease) in the price of aluminum would have resulted in a \$0.1 million (2016 – \$0.3 million) decrease (increase) in other comprehensive income and no impact on the earnings from operations (2016 – nil) of the Company. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2017 and 2016 (In millions of Canadian dollars, except per share information)

### (b) Hedges of net investment in self-sustaining operations

US\$129.0 million (2016 – US\$129.0 million) of unsecured notes, US\$235.3 million (2016 – US\$500.0 million) of unsecured Rule 144A bonds and US\$685.0 million (2016 – US\$409.6 million) of the unsecured syndicated bank credit facilities (hedging items) have been used to hedge the Company's exposure to its net investment in self-sustaining U.S. dollar-denominated operations (hedged items) with a view to reducing foreign exchange fluctuations. The foreign exchange effect of the unsecured notes, the unsecured Rule 144A bonds, the unsecured syndicated bank credit facilities and the net investment in U.S. dollar-denominated subsidiaries is reported in other comprehensive income. These have been and continue to be 100% fully effective hedges as the notional amounts of the hedging items equal the portion of the net investment balance being hedged. No ineffectiveness has been recognized in the income statement.

£60.3 million (2016 – £70.0 million) of the unsecured syndicated bank credit facilities (hedging item) have been used to hedge the Company's exposure to its net investment in self-sustaining UK pound sterling-denominated operations (hedged items) with a view to reducing foreign exchange fluctuations. The foreign exchange effect of both the unsecured syndicated bank credit facilities and the net investment in UK pound sterling-denominated subsidiaries is reported in other comprehensive income. This has been and continues to be a 100% fully effective hedge as the notional amount of the hedging item equals the portion of the net investment balance being hedged. No ineffectiveness has been recognized in the income statement.

€155.8 million (2016 – €64.0 million) of the unsecured syndicated bank credit facilities (hedging item) have been used to hedge the Company's exposure to its net investment in self-sustaining euro-denominated operations (hedged items) with a view to reducing foreign exchange fluctuations. The foreign exchange effect of both the unsecured syndicated bank credit facilities and the net investment in euro-denominated subsidiaries is reported in other comprehensive income. This has been and continues to be a 100% fully effective hedge as the notional amount of the hedging item equals the portion of the net investment balance being hedged. No ineffectiveness has been recognized in the income statement.

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

Notional Principal Amount		Interest Rate		Fair Value December 31		Maturity	Effective Date
Fixed Rate	Fixed Rate	Paid (US\$)	Received (€)	2017 (C\$)	2016 (C\$)		
USD264.7 million	€250.0 million	3.25%	1.23%	\$(50.7) million	\$ —	October 1, 2026	February 28, 2017

**(c) Credit risk**

**Exposure to credit risk**

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

	<b>December 31, 2017</b>	December 31, 2016
Cash and cash equivalents	<b>\$ 557.5</b>	\$ 585.1
Trade and other receivables	<b>821.3</b>	672.2
Available-for-sale financial assets	<b>15.5</b>	22.5
Derivative instruments	<b>1.0</b>	0.1
	<b>\$ 1,395.3</b>	\$ 1,279.9

**Impairment losses**

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

	<b>December 31, 2017</b>	December 31, 2016
Under 31 days	<b>\$ 411.9</b>	\$ 353.1
Between 31 and 90 days	<b>299.1</b>	253.5
Greater than 90 days	<b>60.4</b>	41.7
	<b>\$ 771.4</b>	\$ 648.3

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

	<b>December 31, 2017</b>	December 31, 2016
Balance at January 1	<b>\$ 17.8</b>	\$ 15.1
Increase (decrease) during the year	<b>(1.2)</b>	2.7
Balance at December 31	<b>\$ 16.6</b>	\$ 17.8

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2017 and 2016 (In millions of Canadian dollars, except per share information)

### (d) Liquidity risk

#### Exposure to liquidity risk

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

	December 31, 2016		December 31, 2017					
	Carrying Amount	Carrying Amount	Contractual Cash Flows	0-6 Months	6-12 Months	1-2 Years	2-5 Years	More than 5 Years
Non-derivative financial liabilities								
Secured bank loans	\$ 2.5	\$ 1.3	\$ 1.3	\$ 0.2	\$ 0.2	\$ 0.5	\$ 0.4	\$ —
Unsecured bank loans	1.4	6.5	6.5	2.8	2.9	0.6	0.2	—
Unsecured notes	173.0	162.0	162.0	—	162.0	—	—	—
Finance lease liabilities	5.6	6.2	6.2	1.1	1.1	1.7	1.6	0.7
Unsecured Rule 144A bonds	662.1	620.3	620.3	—	—	—	—	620.3
Unsecured syndicated bank credit facility	756.6	1,015.1	1,015.1	—	—	—	1,015.1	—
Unsecured syndicated bank term credit facility	—	520.0	520.0	30.2	30.1	459.7	—	—
Interest on unsecured notes	*	*	3.3*	0.3	3.0	—	—	—
Interest on unsecured bank credit facilities	*	*	95.5*	20.0	20.4	29.0	26.1	—
Interest on unsecured Rule 144A bonds	*	*	173.6*	5.2	10.1	20.4	61.3	76.6
Interest on other long-term debt	*	*	1.0	0.3	0.2	0.2	0.3	—
Trade and other payables	844.5	1,018.4	1,018.4	1,018.4	—	—	—	—
Accrued post-employment benefit liabilities	*	*	223.3*	4.4	4.4	26.3	58.7	129.5
Operating leases	—	—	138.4	18.5	18.5	21.5	40.8	39.1
Total contractual cash obligations	\$ 2,445.7	\$ 3,349.8	\$ 3,984.9	\$ 1,101.4	\$ 252.9	\$ 559.9	\$ 1,204.5	\$ 866.2

\* Accrued long-term employee benefit and post-employment benefit liability of \$10.1 million and accrued interest of \$9.3 million on unsecured notes, unsecured Rule 144A bonds, and unsecured syndicated credit facilities are reported in trade and other payables in 2017 (2016: \$76 million and \$10.8 million, respectively)

The following table indicates the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to impact the income statement:

	December 31, 2016		December 31, 2017					
	Carrying Amount	Carrying Amount	Contractual Cash Flows	0-6 Months	6-12 Months	1-2 Years	2-5 Years	More than 5 Years
Assets	\$ 0.1	\$ 1.0	\$ 1.0	\$ 0.6	\$ 0.4	\$ —	\$ —	\$ —
Total contractual cash obligations	\$ 0.1	\$ 1.0	\$ 1.0	\$ 0.6	\$ 0.4	\$ —	\$ —	\$ —

**(e) Currency risk****Exposure to currency risk**

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

	December 31, 2017			December 31, 2016		
	U.S. Dollar	U.K. Pound	Euro	U.S. Dollar	U.K. Pound	Euro
Cash and cash equivalents	127.0	19.1	112.7	148.7	11.6	104.9
Trade and other receivables	241.2	28.4	138.1	241.0	18.3	116.4
Trade and other payables	277.5	27.0	156.9	256.3	12.4	151.8
Long-term debt	1,314.1	60.3	159.0	1,038.9	70.0	68.9

**Sensitivity analysis**

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

	Equity		Income Statement	
	2017	2016	2017	2016
Euro	(11.8)	(4.5)	0.2	0.8
U.S. dollar	5.2	(9.0)	4.0	5.3
U.K. pound	0.9	2.9	0.3	0.0

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

**(f) Interest rate risk**

An increase of 100 basis points in interest rates on the floating rate debt and cash equivalents as at the reporting date would decrease net income by \$11.4 million (2016 – \$6.1 million decrease). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2017 and 2016 (In millions of Canadian dollars, except per share information)

### (g) Fair values versus carrying amounts

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

	December 31, 2017		December 31, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets carried at fair value:				
Available-for-sale financial assets	\$ 15.5	\$ 15.5	\$ 22.5	\$ 22.5
Derivative financial assets	1.0	1.0	0.1	0.1
	<b>\$ 16.5</b>	<b>\$ 16.5</b>	<b>\$ 22.6</b>	<b>\$ 22.6</b>
Assets carried at amortized cost:				
Loans and receivables	\$ 821.3	\$ 821.3	\$ 672.2	\$ 672.2
Cash and cash equivalents	557.5	557.5	585.1	585.1
	<b>\$ 1,378.8</b>	<b>\$ 1,378.8</b>	<b>\$ 1,257.3</b>	<b>\$ 1,257.3</b>
Liabilities carried at fair value:				
Derivative financial liabilities	\$ 50.7	\$ 50.7	\$ —	\$ —
	<b>\$ 50.7</b>	<b>\$ 50.7</b>	<b>\$ —</b>	<b>\$ —</b>
Liabilities carried at amortized cost:				
Trade and other payables	\$ 1,018.4	\$ 1,018.4	\$ 844.5	\$ 844.5
Unsecured Rule 144A bonds	620.3	591.8	662.1	626.0
Unsecured syndicated bank credit facilities	1,535.1	1,535.1	756.6	756.6
Unsecured notes	162.0	168.3	173.0	189.2
Other loans	7.8	7.8	3.9	3.9
Finance lease liabilities	6.2	6.2	5.6	5.6
	<b>\$ 3,349.8</b>	<b>\$ 3,327.6</b>	<b>\$ 2,445.8</b>	<b>\$ 2,425.9</b>

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

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

### (h) Fair value hierarchy

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

The different levels have been defined as follows:

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

	Level 1		Level 2		Level 3		Total
<b>December 31, 2017</b>							
Available-for-sale financial assets	\$	—	\$	15.5	\$	—	\$ 15.5
Derivative financial assets		—		1.0		—	1.0
Derivative financial liabilities		—		(50.7)		—	(50.7)
	\$	—	\$	(34.2)	\$	—	\$ (34.2)
<hr/>							
	Level 1		Level 2		Level 3		Total
<b>December 31, 2016</b>							
Available-for-sale financial assets	\$	—	\$	22.5	\$	—	\$ 22.5
Derivative financial assets		—		0.1		—	0.1
	\$	—	\$	22.6	\$	—	\$ 22.6

## 24. FINANCIAL RISK MANAGEMENT

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

- credit risk,
- liquidity risk; and
- market risk

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

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

### (a) Credit risk

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

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

The Company is potentially exposed to credit risk arising from derivative financial instruments if a counterparty fails to meet its obligations. These counterparties are large international financial institutions and, to date, no such counterparty has failed to meet its financial obligations to the Company. As at December 31, 2017, the Company's exposure to credit risk arising from derivative financial instruments amounted to \$1.0 million (2016 – \$0.1 million).

### (b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity by monitoring expected cash flows and ensuring the availability of credit to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they are due. The financial obligations of the Company include trade and other payables, long-term debts and other long-term items. The contractual maturity of trade payables is six months or less. Long-term debts have varying maturities extending to 2026. The Company has capacity to discharge its current liabilities from the continued cash flows from operations of the business, and an additional \$557.5 million of cash-on-hand and \$500.0 million of available capacity within its syndicated bank credit facility at December 31, 2017.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2017 and 2016 (In millions of Canadian dollars, except per share information)

### (c) Market risk

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

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

#### (i) Currency risk

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

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

#### (ii) Interest rate risk

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

#### (iii) Commodity price risk

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

Aluminum is the major raw material used in the Container Segment. Prices for aluminum fluctuate in response to changes in supply and demand, market uncertainty and a variety of other factors beyond the Company's control. The Company uses customer-specific aluminum derivative instruments (hedging items) along with fixed price contracts (hedged items) to minimize the impact of aluminum price fluctuations.

Aluminum derivative contracts are accounted for as cash flow hedges and changes in value are recorded on the statement of financial position in other comprehensive income. Any ineffective portion is recorded in selling, general and administrative expenses. Payments made or proceeds received upon the settlement of these contracts are recorded in cost of goods sold.

### (d) Capital management

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

The Company defines capital as total equity and measures the return on capital (or return on equity) by dividing annual net earnings before goodwill impairment loss and restructuring and other items by the average of the beginning and the end-of-year shareholders' equity. In 2017, the return on capital was 24.0% (2016 – 23.5%) and was well within the range of the Company's leading specialty packaging peers.

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

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

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

The Company is subject to certain financial covenants on its unsecured senior notes, unsecured notes, and its unsecured syndicated bank credit facility. This includes a covenant requiring a minimum consolidated net worth. The Company monitors the ratios on a quarterly basis and, at December 31, 2017, was in compliance with all its covenants.

## 25. COMMITMENTS AND CONTINGENCIES

### (i) Commitments

Non-cancellable operating lease rentals are payable as follows:

	2017	2016
Less than one year	\$ 37.2	\$ 28.6
Between one and five years	62.8	52.9
More than five years	39.1	21.0
	<b>\$ 139.1</b>	<b>\$ 102.5</b>

The Company enters into operating leases in the ordinary course of business, primarily for real property and equipment. Payments and other terms for these leases vary per agreement. During the year ended December 31, 2017, \$30.9 million was recognized as an expense in the income statement in respect of operating leases (2016 – \$26.8 million).

As at December 31, 2017, the Company had uncollateralized surety bonds of \$75.5 million primarily to the Brazilian Tax Authority in order to facilitate the appeal of tax reassessments. Based on the opinion of the Company's Brazilian legal advisor, no provision has been made in the financial statements for this reassessment.

### (ii) Contingencies

In the normal course of operations, the Company may be subject to lawsuits, investigations and other claims, including environmental, labour, product, customer disputes and other matters. Management believes that adequate provisions have been recorded in the accounts where required. Although it is not always possible to estimate the extent of potential costs, if any, management believes that the ultimate resolution of all such pending matters will not have a material adverse impact on our financial performance, financial position or liquidity.

## 26. RELATED PARTIES

### Beneficial ownership

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

### Loan guarantee

The Company has provided various loan guarantees for its joint ventures and associates totalling \$48.9 million.

## 27. KEY MANAGEMENT PERSONNEL COMPENSATION

	2017	2016
Short-term employee compensation and benefits	\$ 12.1	\$ 11.0
Share-based compensation	20.8	22.7
Post-employment benefits	0.9	0.5
	<b>\$ 33.8</b>	<b>\$ 34.2</b>

## 28. ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)

	2017	2016
Unrealized foreign currency translation losses, net of tax recovery of \$3.9 million (2016 – tax recovery of \$1.5 million)	\$ (58.3)	\$ (1.0)
Gains on derivatives designated as cash flow hedges, net of tax expense of \$1.1 million (2016 – tax expense of nil)	5.4	0.1
	<b>\$ (52.9)</b>	<b>\$ (0.9)</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2017 and 2016 (In millions of Canadian dollars, except per share information)

### 29. RESTRUCTURING AND OTHER ITEMS

	2017	2016
CCL Segment restructuring (i)	\$ 6.5	\$ 5.5
Avery Segment restructuring (ii)	—	(2.0)
Checkpoint Segment restructuring (iii)	14.8	20.7
Innovia Segment restructuring (iv)	3.0	—
Acquisition costs (v)	2.6	10.4
Other items (vi)	(15.6)	—
Total restructuring and other items	\$ 11.3	\$ 34.6

(i) In 2017, the CCL Segment recorded \$6.5 million (\$4.7 million, net of tax) in restructuring costs, primarily related to severance costs for Innovia. In 2016, the CCL Segment recorded \$5.5 million (\$4.5 million, net of tax) in restructuring costs, primarily related to severance costs for Worldmark.

(ii) In 2016, the Avery Segment reversed \$2.0 million (\$1.2 million, net of tax) of the restructuring reserve for the previously announced closure of the Avery Meridian, Mississippi, binder manufacturing facility, which was repurposed and continue to operate as a distribution facility only.

(iii) In 2017, the Checkpoint Segment recorded \$14.8 million (\$11.8 million, net of tax) in restructuring costs, primarily related to severance costs. In 2016, the Checkpoint Segment recorded \$20.7 million (\$14.0 million, net of tax) in restructuring costs, primarily related to severance costs.

(iv) In 2017, the Innovia Segment recorded \$3.0 million (\$2.1 million, net of tax) in restructuring costs, primarily related to severance costs.

(v) In 2017, acquisition costs of \$2.6 million (\$2.6 million, net of tax) were recorded primarily for the Innovia acquisition. In 2016, acquisition costs of \$10.4 million (\$10.4 million, net of tax) were recorded primarily for the Checkpoint and 2015 Worldmark acquisitions.

(vi) In 2017, Checkpoint recognized \$15.6 million (\$9.6 million, net of tax) of income due to the reversal of a pre-acquisition legal accrual.

### 30. SUBSEQUENT EVENTS

The Board of Directors has declared a dividend of \$0.13 per Class B non-voting share and \$0.1275 per Class A voting share, which will be payable to shareholders of record at the close of business on March 16, 2018, to be paid on March 30, 2018.

## SIX YEAR FINANCIAL SUMMARY

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

	2017	2016	2015	2014	2013	2012
<b>Sales and Net Earnings</b>						
Sales	\$ 4,755.7	\$ 3,974.7	\$ 3,039.1	\$ 2,585.6	\$ 1,889.4	\$ 1,308.6
Depreciation and amortization	259.2	203.7	164.1	146.4	120.2	102.6
Finance cost/ Interest expense	75.2	37.9	25.6	25.6	25.6	20.9
Net earnings	\$ 474.1 <sup>1</sup>	\$ 346.3 <sup>2</sup>	\$ 295.1 <sup>3</sup>	\$ 216.6 <sup>4</sup>	\$ 103.6 <sup>5</sup>	\$ 97.5
Basic net earnings per Class B share	\$ 2.70 <sup>1</sup>	\$ 1.98 <sup>2</sup>	\$ 1.70 <sup>3</sup>	\$ 1.26 <sup>4</sup>	\$ 0.61 <sup>5</sup>	\$ 0.58
<b>Financial Position</b>						
Current assets	\$ 1,851.6	\$ 1,660.9	\$ 1,229.9	\$ 821.9	\$ 770.2	\$ 476.9
Current liabilities	1,299.7	907.0	912.8	600.2	544.5	322.2
Working capital <sup>6</sup>	551.9	753.9	317.1	221.7	225.7	154.7
Total assets	6,144.0	4,678.8	3,582.3	2,618.4	2,401.6	1,602.4
Net debt	1,773.9	1,016.2	599.8	437.2	503.0	140.1
Shareholders' equity	\$ 2,157.9	\$ 1,775.2	\$ 1,621.9	\$ 1,216.2	\$ 1,018.1	\$ 887.2
Net debt to equity ratio	0.82	0.57	0.37	0.36	0.49	0.16
Net debt to total book capitalization	45.1%	36.4%	27.0%	26.4%	33.1%	13.6%
<b>Number of Shares</b> (000,000s)						
Class A – Dec. 31	11.8	11.8	11.8	11.8	11.8	11.8
Class B – Dec. 31	165.0	164.1	163.6	161.6	160.1	157.3
Weighted average for the year	175.8	175.2	173.6	171.8	170.8	167.4
<b>Cash Flow</b>						
Cash provided by operations	\$ 711.2	\$ 564.0	\$ 475.3	\$ 403.5	\$ 333.7	\$ 199.3
Additions to plant, property and equipment	285.7	234.7	172.2	153.7	116.1	93.6
Business acquisitions	1,191.4	571.5	356.7	115.9	528.3	11.6
Dividends	81.2	70.2	52.3	37.9	29.4	32.1
Dividends per Class B share	\$ 0.46	\$ 0.40	\$ 0.30	\$ 0.22	\$ 0.17	\$ 0.16

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

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

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

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

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

6 Current assets less current liabilities

## 2017 BUSINESS LEADERSHIP

### North America

**Mark Cooper**

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

**John Dargan**

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

**Ben Rubino**

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

**Stephan Finke**

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

**Eric Frantz**

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

**Bill Goldsmith**

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

**Al Green**

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

**Andy Iseli**

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

**Allison Phillips**

Vice President & General Manager,  
Avery North America Printable Media  
*Brea, California, U.S.A.*

**Lee Pretsell**

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

### Europe

**Günther Birkner**

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

**Peter Fleissner**

President,  
CCL Design Worldwide  
*Solingen, Germany*

**Scott Mitchell-Harris**

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

**Erik Cardinaal**

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

**Derek Cumming**

Vice President & Managing Director,  
CCL Design Electronics  
*East Kilbride, Scotland*

**Werner Ehrmann**

Vice President,  
Technology Development  
*Holzkirchen, Germany*

**Mathias Maennel**

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

**Jamie Robinson**

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

**Reinhard Streit**

Vice President & Managing Director,  
Food & Beverage Europe  
*Volkermarkt, Austria*

**Thomas Summer**

Vice President & Managing Director,  
Sleeves Europe  
*Hohenems, Austria*

### Asia Pacific

**Jim Anzai**

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

**Da Gang Li**

Vice President,  
CCL Industries China  
*Shanghai, PR China*

**Kittipong Kulratanasinsuk**

Managing Director,  
CCL Label ASEAN  
*Bangkok, Thailand*

**Mark Gentle**

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

**Bernhard Imbach**

Vice President & Managing Director,  
CCL Secure  
*Melbourne, Australia*

**John O'Brien**

Managing Director,  
CCL Label Australia & New Zealand  
*Adelaide, Australia*

### Latin America

**Luis Jocionis**

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

**Ben Lilienthal**

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

## 2017 CORPORATE EXECUTIVES

**Donald G. Lang**  
*Executive Chairman*

**Geoffrey T. Martin**  
*President and  
Chief Executive Officer*

**Anne Brayley**  
*Vice President, Internal Audit*

**Kamal Kotecha**  
*Vice President, Taxation*

**Mark McClendon**  
*Vice President and  
General Counsel*

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

**Susan V. Snelgrove**  
*Vice President,  
Risk and Environmental Management*

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

**Nick Vecchiarelli**  
*Vice President,  
Corporate Accounting*

**Monika Vodermaier**  
*Vice President,  
Corporate Finance  
Europe and Asia*

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

## 2017 BOARD OF DIRECTORS

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

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

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

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

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

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

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

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

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

**Mandy Shapansky**  
Director since 2014  
Corporate Director  
Ontario, Canada

## SHAREHOLDERS' INFORMATION

### Auditors

KPMG LLP  
Chartered Accountants

### Legal Counsel

McMillan LLP

### Transfer Agent

AST Trust Company (Canada)  
P.O. Box 700  
Postal Station B  
Montreal, QC H3B 3K3  
Email: [inquiries@astfinancial.com](mailto:inquiries@astfinancial.com)  
Investor Services: (416) 682-3860 or  
(800) 387-0825  
Fax: (888) 249-6189  
Website: [www.astfinancial.com/ca-en](http://www.astfinancial.com/ca-en)

### Financial Information

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

Sean Washchuk  
Senior Vice President and CFO  
(416) 756-8526

### Additional copies of this report can be obtained from:

CCL Industries Inc.  
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111 Gordon Baker Road  
Suite 801  
Toronto, ON M2H 3R1  
Tel: (416) 756-8500  
Fax: (416) 756-8355  
Email: [ccl@cclind.com](mailto:ccl@cclind.com)  
Website: [www.cclind.com](http://www.cclind.com)

### Annual and Special Meeting of Shareholders

The Annual and Special Meeting of Shareholders will be held on:  
May 8, 2018 at 1:00 p.m.  
CCL Industries Inc.  
111 Gordon Baker Road  
Suite 801  
Toronto, ON M2H 3R1

### Class B Share Information

Stock Symbol CCL.B

### Listed TSX

Opening price 2017	\$52.69
Closing price 2017	\$58.08
Number of trades	357,368
Trading volume (shares)	61,750,209
Trading value	\$5,192,425,534
Annual dividends declared	\$0.46

### Shares Outstanding at December 31, 2017

Class A voting shares	11,837,250
Class B non-voting shares	164,951,412