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

CCL INDUSTRIES INC.

Interim periods ended March 31, 2018 and 2017
Unaudited

CCL Industries Inc.

Consolidated condensed interim statements of financial position

Unaudited

In millions of Canadian dollars

		As at March 31		As at December 31
		2018		**2017**
Assets				
Current assets				
Cash and cash equivalents	$	516.5	$	557.5
Trade and other receivables		894.3		821.3
Inventories		482.8		425.1
Prepaid expenses		34.0		33.6
Income tax recoverable		7.4		13.1
Derivative instruments		0.8		1.0
Total current assets		1,935.8		1,851.6
Non-current assets				
Property, plant and equipment		1,636.5		1,514.7
Goodwill		1,646.5		1,580.7
Intangible assets		1,114.8		1,082.7
Deferred tax assets		33.7		28.8
Equity accounted investments		60.4		54.0
Other assets		30.8		31.5
Total non-current assets		4,522.7		4,292.4
Total assets	**$**	**6,458.5**	**$**	**6,144.0**
Liabilities				
Current liabilities				
Trade and other payables	$	1,011.5	$	1,018.4
Current portion of long-term debt		230.6		230.6
Income taxes payable		57.3		50.7
Total current liabilities		1,299.4		1,299.7
Non-current liabilities				
Long-term debt (note 8)		2,142.2		2,100.8
Deferred tax liabilities		186.3		183.5
Employee benefits		335.5		333.6
Provisions and other long-term liabilities		19.9		17.8
Derivative instruments		69.5		50.7
Total non-current liabilities		2,753.4		2,686.4
Total liabilities		4,052.8		3,986.1
Equity				
Share capital		299.4		279.4
Contributed surplus		78.1		78.0
Retained earnings		1,949.1		1,853.4
Accumulated other comprehensive income (loss) (note 5)		79.1		(52.9)
Total equity attributable to shareholders of the Company		2,405.7		2,157.9
Acquisitions (note 3)				
Subsequent events (note 9)				
Total liabilities and equity	**$**	**6,458.5**	**$**	**6,144.0**

CCL Industries Inc.

Consolidated condensed interim income statements

Unaudited

In millions of Canadian dollars, except per share data

	Three Months Ended March 31	
	2018	**2017**
Sales	$ 1,227.1	$ 1,061.5
Cost of sales	849.9	750.0
Gross profit	377.2	311.5
Selling, general and administrative	195.7	166.1
Restructuring and other items (note 6)	3.3	7.4
Earnings in equity accounted investments	(0.9)	(0.6)
	179.1	**138.6**
Finance cost	19.9	16.6
Finance income	(0.9)	(2.0)
Net finance cost	19.0	14.6
Earnings before income taxes	**160.1**	**124.0**
Income tax expense	41.4	36.2
Net earnings for the period	**$ 118.7**	**$ 87.8**
Basic earnings per Class B share (note 2(d))	**$ 0.67**	**$ 0.50**
Diluted earnings per Class B share (note 2(d))	**$ 0.66**	**$ 0.49**

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

CCL Industries Inc.

Consolidated condensed interim statements of comprehensive income

Unaudited

In millions of Canadian dollars

	Three Months Ended March 31	
	2018	2017
Net earnings	**$ 118.7**	**$ 87.8**
Other comprehensive income (loss), net of tax:		
Items that may subsequently be reclassified to income:		
Foreign currency translation adjustment for foreign operations, net of tax expense of $5.8 for the three-month period ending March 31, 2018 (2017 - tax expense of $0.6)	198.8	(3.6)
Net losses on hedges of net investment in foreign operations, net of tax recovery of $6.6 for the three-month period ending March 31, 2018 (2017 - tax recovery of $0.8)	(67.0)	(5.8)
Effective portion of changes in fair value of cash flow hedges, net of tax expense of $0.1 for the three-month period ending March 31, 2018 (2017 - tax expense of $0.4)	0.5	0.8
Net change in the fair value of cash flow hedges transferred to the income statement, net of tax expense of $0.1 for the three-month periond ending March 31, 2018 (2017 - tax expense of $0.1)	(0.3)	(0.3)
Other comprehensive income (loss), net of tax	**$ 132.0**	**$ (8.9)**
Total comprehensive income	**$ 250.7**	**$ 78.9**

CCL Industries Inc.

Consolidated condensed interim statements of changes in equity

Unaudited

In millions of Canadian dollars

	Class A shares	Class B shares	Shares held in trust	Total share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total equity
Balances, January 1, 2017	$ 4.5	$ 286.6	$ (29.7)	$ 261.4	$ 64.2	$ 1,450.5	$ (0.9)	1,775.2
Net earnings	-	-	-	-	-	87.8	-	87.8
Dividends declared								
Class A	-	-	-	-	-	(1.3)	-	(1.3)
Class B	-	-	-	-	-	(19.0)	-	(19.0)
Stock-based compensation plan	-	-	-	-	2.6	-	-	2.6
Shares purchased and held in trust	-	-	(0.1)	(0.1)	0.1	-	-	-
Stock option expense	-	-	-	-	2.0	-	-	2.0
Stock options exercised	-	11.9	-	11.9	(2.1)	-	-	9.8
Income tax effect related to stock options	-	-	-	-	3.2	-	-	3.2
Other comprehensive loss	-	-	-	-	-	-	(8.9)	(8.9)
Balances, March 31, 2017	$ 4.5	$ 298.5	$ (29.8)	$ 273.2	$ 70.0	$ 1,518.0	$ (9.8)	$ 1,851.4

	Class A shares	Class B shares	Shares held in trust	Total share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total equity
Balances, January 1, 2018	$ 4.5	$ 304.6	$ (29.7)	$ 279.4	$ 78.0	$ 1,853.4	$ (52.9)	$ 2,157.9
Net earnings	-	-	-	-	-	118.7	-	118.7
Dividends declared								
Class A	-	-	-	-	-	(1.5)	-	(1.5)
Class B	-	-	-	-	-	(21.5)	-	(21.5)
Stock-based compensation plan	-	4.3	-	4.3	(1.1)	-	-	3.2
Shares purchased and held in trust	-	-	(0.1)	(0.1)	0.1	-	-	-
Stock option expense	-	-	-	-	2.4	-	-	2.4
Stock options exercised	-	15.8	-	15.8	(2.7)	-	-	13.1
Income tax effect related to stock options	-	-	-	-	1.4	-	-	1.4
Other comprehensive income	-	-	-	-	-	-	132.0	132.0
Balances, March 31, 2018	$ 4.5	$ 324.7	$ (29.8)	$ 299.4	$ 78.1	$ 1,949.1	$ 79.1	$ 2,405.7

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

CCL Industries Inc.

Consolidated condensed interim statements of cash flows

Unaudited

In millions of Canadian dollars

	Three Months Ended March 31 2018	2017
Cash provided by (used for)		
Operating activities		
Net earnings	$ 118.7	$ 87.8
Adjustments for:		
Depreciation and amortization	67.9	57.4
Earnings in equity accounted investments, net of dividends received	(0.9)	(0.6)
Net finance cost	19.0	14.6
Current income tax expense	40.0	31.1
Deferred taxes	1.4	5.1
Equity-settled share-based payment transactions	7.1	7.9
Gain on sale of property, plant and equipment	(1.1)	(2.5)
	252.1	200.8
Change in inventories	(57.2)	(12.1)
Change in trade and other receivables	(71.7)	(31.5)
Change in prepaid expenses	(0.4)	(7.9)
Change in trade and other payables	(14.3)	(84.5)
Change in income taxes receivable and payable	3.1	15.8
Change in employee benefits	1.9	11.6
Change in other assets and liabilities	4.0	6.0
	117.5	98.2
Net interest paid	(17.3)	(11.6)
Income taxes paid	(25.9)	(32.6)
Cash provided by operating activities	**74.3**	**54.0**
Financing activities		
Proceeds on issuance of long-term debt	41.2	1,185.9
Repayment of debt	(57.5)	(38.1)
Proceeds from issuance of shares	13.1	9.9
Dividends paid	(23.0)	(20.3)
Cash provided by (used for) financing activities	**(26.2)**	**1,137.4**
Investing activities		
Additions to property, plant and equipment	(109.1)	(111.8)
Proceeds on disposal of property, plant and equipment	3.8	3.1
Business acquisitions and other long-term investments (note 3)	(8.0)	(1,153.1)
Cash used for investing activities	**(113.3)**	**(1,261.8)**
Net decrease in cash and cash equivalents	(65.2)	(70.4)
Cash and cash equivalents at beginning of period	557.5	585.1
Translation adjustment on cash and cash equivalents	24.2	4.3
Cash and cash equivalents at end of period	**$ 516.5**	**$ 519.0**

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

In millions of Canadian dollars, unless otherwise noted

1. Reporting entity

CCL Industries Inc. ("Company") is a public company, listed on the Toronto Stock Exchange, and is incorporated and domiciled in Canada. These consolidated condensed interim financial statements of the Company as at and for the interim period ended March 31, 2018 and 2017, comprise the Company, its subsidiaries and its interest in joint ventures and associates. The Company has manufacturing facilities around the world and is primarily involved in the manufacture of labels, consumer printable media products, technology driven label solutions, polymer banknote substrates and specialty films.

2. Basis of preparation and presentation

(a) Statement of compliance

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

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

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

These consolidated condensed interim financial statements were authorized for issue by the Board of Directors on May 7, 2018.

(b) Basis of measurement

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

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

(c) Functional and presentation currency

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

(d) Stock split

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

(e) New standards effective in 2018

IFRS 9 *Financial Instruments* ("IFRS 9")

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

i Classification and measurement of financial assets and financial liabilities

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

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

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

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

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

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

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

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

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

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

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

In millions of Canadian dollars, unless otherwise noted

2. Basis of preparation and presentation (continued)

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

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

ii *Impairment of financial assets*

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

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

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

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

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

iii *Hedge accounting*

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

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

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

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

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

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

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

(f) New standards and interpretations not yet effective

IFRS 16 *Leases* ("IFRS 16")

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

The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019, using the modified retrospective approach. Under this approach the Company will recognize transitional adjustments in retained earnings on the date of initial application (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 condensed interim financial statements.

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

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

3. Acquisitions

(a) In January 2018, the Company acquired Fascia Graphics Ltd ("Fascia") for approximately $9.3 million, net of cash acquired. On close, the Company paid approximately $6.7 million with the remainder to be settled post close. Fascia is a U.K. based producer of graphic overlays, membrane switch control panels and nameplates for large European OEM customers in the Electronics and Durables sector and will bring expertise in printed electronics to CCL product lines. Fascia is included within the CCL segment.

(b) In February 2018, the Company and its joint-venture partner invested an additional $1.3 million in Rheinfelden Americas, LLC, a supplier of aluminum slugs for aerosol cans.

(c) In March 2018, the Company announced that it had signed a binding agreement to acquire the Treofan America Inc. and Trespaphan Mexico Holdings GmbH ("Treofan") from their ultimate parent, M&C S.p.A., an Italian public company listed on the Milan stock exchange. Treofan is a leading producer of biaxially oriented polypropylene ("BOPP") film for the North American market based in Zacapu, Mexico. The acquisition will give Innovia a solid strategic presence for BOPP films in both North America and Europe with highly complementary technologies and products. The purchase price, net of cash and debt assumed, is approximately $255.0 million plus the costs incurred to the closing date for the construction of its new film line which are estimated at $33.0 million. Closing is expected in the second quarter of 2018 subject to regulatory approvals and customary completion procedures.

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

In millions of Canadian dollars, unless otherwise noted

3. Acquisitions (continued)

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

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

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

(f) 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.

(g) 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.

(h) 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.

4. Segment reporting and disaggregation of revenue

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

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

The Company's reportable segments are:

- CCL is a converter of pressure sensitive and specialty extruded film materials for a wide range of decorative, instructional, functional and security applications for government institutions and large global customers in the consumer packaging, healthcare & chemicals, consumer electronic device and automotive markets. Extruded & laminated plastic tubes, aluminum aerosols & specialty bottles, folded instructional leaflets, precision decorated & die cut components, electronic displays, polymer bank note substrate and other complementary products and services are sold in parallel to specific end-use markets.
- Avery is a supplier of labels, specialty converted media and software solutions for short-run digital printing applications for businesses and consumers available alongside complementary products sold through distributors, mass market stores and e-commerce retailers.
- Checkpoint is a developer of radio-frequency and radio-frenquency indentification based technology systems for loss prevention and inventory management applications, including labeling and tagging solutions, for the retail and apparel industries worldwide.
- Innovia is a global producer of specialty, high performance, multi-layer, surface engineered films for label, packaging and security applications.

	Three Months Ended March 31			
	Sales		Operating income (loss)	
	2018	2017	2018	2017
CCL	$ 807.7	$ 721.6	$ 146.3	$ 116.4
Avery	146.3	160.8	24.0	28.5
Checkpoint	177.4	149.3	22.8	15.3
Innovia	95.7	29.8	7.5	(1.3)
Total operations	$ 1,227.1	$ 1,061.5	$ 200.6	$ 158.9
Corporate expense			(19.1)	(13.5)
Restructuring and other items			(3.3)	(7.4)
Earnings in equity accounted investments			0.9	0.6
Finance cost			(19.9)	(16.6)
Finance income			0.9	2.0
Income tax expense			(41.4)	(36.2)
Net earnings			$ 118.7	$ 87.8

	Total Assets		Total Liabilities		Depreciation and Amortization		Capital Expenditures	
	March 31	December 31	March 31	December 31	Three Months Ended March 31		Three Months Ended March 31	
	2018	2017	2018	2017	2018	2017	2018	2017
CCL	$ 3,537.7	$ 3,313.0	$ 819.8	$ 821.6	$ 48.3	$ 43.2	$ 89.1	$ 100.9
Avery	619.2	593.4	176.3	197.1	3.9	3.9	2.6	7.2
Checkpoint	987.6	941.0	423.3	417.4	7.5	7.4	11.6	2.9
Innovia	794.5	751.5	164.5	160.5	7.9	2.7	4.7	0.8
Equity accounted investments	60.4	54.0	-	-	-	-	-	-
Corporate	459.1	491.1	2,468.9	2,389.5	0.3	0.2	1.1	-
Total	$ 6,458.5	$ 6,144.0	$ 4,052.8	$ 3,986.1	$ 67.9	$ 57.4	$ 109.1	$ 111.8

Due to the seasonality of the business, the Company's operating results for the three months ended March 31, 2018, are not necessarily indicative of the results that may be expected for the full year ending December 31, 2018. The first and second quarters are traditionally higher sales periods for the CCL and Innovia Segments as a result of the greater number of work days and various customer activities undertaken during this period versus the third and fourth quarters of the year. For Avery, the third quarter has historically been its strongest, as it benefits from the increased demand related to back-to-school activities in North America. For the Checkpoint Segment, in its recurring revenue streams, the second half of the calendar year is typically healthier as the business substantially follows the retail cycle of its customers, which traditionally experiences more consumer activity from September through the end of the year and prepares for the same in its supply chain from mid-year on.

All revenues are from products and services transferred at a point in time, except $19.6 million (March 31, 2017 - $14.3 million), which are for installation and maintenance service arrangements within the Checkpoint Segment.

In millions of Canadian dollars, unless otherwise noted

5. Accumulated other comprehensive income (loss)

	March 31 2018	December 31 2017
Unrealized foreign currency translation gains (losses), net of tax recovery of $7.8 (2017 – tax recovery of $3.9)	$ 73.5	$ (58.3)
Gains on derivatives designated as cash flow hedges, net of tax expense of $1.2 (2017 – tax expense of $1.1)	5.6	5.4
	$ 79.1	$ (52.9)

6. Restructuring and other items

	Three months ended March 31 2018	2017
CCL Segment restructuring	$ 0.5	$ 0.9
Checkpoint Segment restructuring	1.9	3.6
Innovia Segment restructuring	-	1.6
Acquisition costs	0.9	1.3
Total restructuring and other items	$ 3.3	$ 7.4

In 2018, the CCL Segment recorded $0.5 million ($0.4 million, net of tax) and the Checkpoint Segment recorded 1.9 million ($1.7 million, net of tax) in restructuring expense primarily related to severance costs.

The first quarter of 2017 included severance related restructuring costs of $3.6 million for the 2016 Checkpoint acquisition and $3.8 million severance and transaction costs associated with the 2017 Innovia acquisition.

7. Financial instruments

(a) Fair value hierarchy

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

The different levels have been defined as follows:

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

	Level 1	Level 2	Level 3	Total
March 31, 2018				
Other assets measured at FVTOCI	$ -	$ 16.8	$ -	$ 16.8
Derivative financial assets	-	0.8	-	0.8
Derivative financial liabilities	-	(69.5)	-	(69.5)
	$ -	$ (51.9)	$ -	$ (51.9)
December 31, 2017				
Other assets measured at FVTOCI	$ -	$ 15.5	$ -	$ 15.5
Derivative financial assets	-	1.0	-	1.0
Derivative financial liabilities	-	(50.7)	-	(50.7)
	$ -	$ (34.2)	$ -	$ (34.2)

(b) Fair values versus carrying amounts

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

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

	March 31, 2018		December 31, 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	$ 2,372.8	$ 2,329.1	$ 2,331.4	$ 2,309.2

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

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

8. Long-term debt

During the first quarter of 2018, the Company amended its syndicated credit facilities extending the maturity of its US$450.0 term loan facility from February 2019 to February 2020 and its US$1.2 billion revolving facility from December 2020 to March 2023. The term loan facility continues to bear principal repayments of US$12.0 million per quarter.

In March 2018, the Company signed a bi-lateral credit commitment for US$100.0 million, which expires April 2, 2019. This bi-lateral term loan will incur interest at the applicable domestic rate plus an interest rate margin linked to the Company's net debt to EBITDA. As at March 31, 2018 the amount was undrawn.

9. Subsequent events

The Board of Directors has declared a dividend of $0.13 per Class B non-voting share and $0.1275 per Class A voting share, which will be payable to shareholders of record at the close of business on June 15, 2018, to be paid on June 29, 2018.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
First Quarters Ended March 31, 2018 and 2017

This Management's Discussion and Analysis of the financial condition and results of operations ("MD&A") of CCL Industries Inc. ("Company") relates to the first quarters ended March 31, 2018 and 2017. The information in this interim MD&A is current May 7, 2018, and should be read in conjunction with the Company's May 7, 2018, unaudited first quarter consolidated condensed interim financial statements released on May 8, 2018, and the 2017 Annual MD&A and consolidated financial statements, which form part of the CCL Industries Inc.'s 2017 Annual Report, dated February 21, 2018.

Basis of Presentation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and unless otherwise noted, both the financial statements and this interim MD&A are expressed in Canadian dollars as the reporting currency. The 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 wan, Swiss franc, Thai baht, Turkish lira, U.K. pound sterling and Vietnamese dong. All per Class B non-voting share ("Class B share") amounts in this document are expressed on an undiluted basis, unless otherwise indicated. The Company's Audit Committee and its Board of Directors have reviewed this interim MD&A to ensure consistency with the approved strategy and the financial results of the Company.

Cautionary Statement Regarding Forward-Looking Statements

This MD&A contains forward-looking information and forward-looking statements, as defined under applicable securities laws, (hereinafter collectively referred to as "forward-looking statements") that involve a number of risks and uncertainties. Forward-looking statements include all statements that are predictive in nature or depend on future events or conditions. Forward-looking statements are typically identified by the words "believes," "expects," "anticipates," "estimates," "intends," "plans" or similar expressions. Statements regarding the operations, business, financial condition, priorities, ongoing objectives, strategies and outlook of the Company, other than statements of historical fact, are forward-looking statements. Specifically, this MD&A contains forward-looking statements regarding the anticipated growth in sales, income and profitability of the Company's segments; the Company's anticipated improvement in market share; the Company's capital spending levels and planned capital expenditures in 2018; the adequacy of the Company's financial liquidity; earnings per share and EBITDA growth rates; the Company's effective tax rate; the Company's ongoing business strategy; the Company's planned restructuring expenditures; the Company's expectations regarding general business and economic conditions; the Company's outlook for strong cash flows in 2018 will be sufficient to fund its expected quarterly dividends; the Company's expectation that available credit capacity will be sufficient to close the Treofan acquisition and that the Treofan acquisition will receive all required regulatory approvals and close by June 2018; the Company's expectation that the Rheinfelden joint venture will be profitable in 2019; the Company's expectation that long term organic growth rate for the CCL Segment will be between 3% to 5%; the Company's expectation that emerging market growth rates will outpace mature markets; the Company's expectation that the Avery Segment will benefit from the acquisition of Imprint Plus; the Company's expectation that 2018 back-to-school demand will be below 2017 levels; the Company's expectation the Checkpoint restructuring initiative will complete in the second quarter of 2018 and achieve annual cost savings of $40 million; and, the Company's expectation that resin costs will remain high and Innovia will be able to raise prices to its customers.

Forward-looking statements are not guarantees of future performance. They involve known and unknown risks and uncertainties relating to future events and conditions including, but not limited to, the uncertainty of the recovery from the global financial crisis and its impact on the world economy and capital markets; the impact of competition; consumer confidence and spending preferences; general economic and geopolitical conditions; currency exchange rates; interest rates and credit availability; technological changes; changes in government regulations; risks associated with operating and product hazards; and the Company's ability to attract and retain qualified employees. Do not unduly rely on forward-looking statements as the Company's actual results could differ materially from those anticipated in these forward-looking statements. Forward-looking statements are also based on a number of assumptions, which may prove to be incorrect, including, but not limited to, assumptions about the following: consumer spending; improved customer demand for the Company's products; continued historical growth trends, market growth in specific sectors and entering into new markets; the Company's ability to provide a wide range of products to multinational customers on a global basis; the benefits of the Company's focused strategies and operational approach; the achievement of the Company's plans for improved efficiency and lower costs, including stable aluminum and resin costs; the availability of cash and credit; fluctuations of currency exchange rates; the Company's continued relations with its customers; consumer digital e-commerce opportunities and cross selling programs with recent acquisitions will provide incremental growth opportunities. Should one or more risks materialize or should any assumption prove incorrect, then actual results could vary materially from those expressed or implied in the forward-looking statements. Further details on key risks can be found throughout this report and particularly in Section 4: "Risks and Uncertainties" of the 2017 Annual MD&A.

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

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

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

1. Overview

First quarter 2018, sales for the Company were solid including modest negative impact from the comparative timing of Easter, versus the first quarter of 2017. 3.8% organic growth from the redefined CCL Segment was augmented by surprisingly strong performance from the acquired CCL Secure operations. Checkpoint posted substantial improvement in sales and profitability on chain-wide technology roll outs at two large retailers in Europe and the United States. Avery posted higher than expected organic sales decline in North America on challenges in traditional office supply channels aggravated by accelerated purchases in the fourth quarter of 2017, in advance of a January 1, 2018, price increase. Results for Innovia, although sequentially improved from the fourth quarter of 2017, were impacted by higher resin costs, a weaker U.S. dollar and a significant power interruption at the large U.K. site in March. Consolidated, the Company posted strong first quarter basic earnings per Class B share of $0.67 compared to basic earnings per Class B share $0.50 for the 2017 first quarter. Adjusted basic earnings per Class B share (a non-IFRS financial measure; refer to definition in Section 14) for the first quarters of 2018 and 2017 were $0.69 and $0.57, respectively.

2. Review of Consolidated Financial Results

The following acquisitions affected the financial comparisons to 2017 or were announced during the first quarter of 2018:

- In March 2018, the Company announced that it had signed a binding agreement to acquire the Treofan America Inc. and Trespaphan Mexico Holdings GmbH (“Treofan”) from their ultimate parent, M&C S.p.A., an Italian public company listed on the Milan stock exchange. Treofan is a leading producer of biaxially oriented polypropylene (“BOPP”) film for the North American market based in Zacapu, Mexico. The purchase price, net of cash and debt assumed, is approximately $255 million plus the costs incurred to the closing date for the construction of its new film line which, are estimated at $33 million. Closing is expected late in the second quarter of 2018, subject to regulatory approvals and customary completion procedures.

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

- In October 2017, acquired the final 37.5% stake in the Acrus-CCL wine label joint venture in Chile from its partner for $6.3 million. As a result of the change in control the financial results were no longer included in equity investments but fully consolidated with CCL’s Food & Beverage business, without a portion of the earnings attributable to a non-controlling interest effective October 2017.

- In April 2017, badgepoint GmbH, badgetech GmbH and Name Tag Systems Inc. (“Badgepoint”), privately owned companies with common shareholders, based near Hamburg, Germany, for approximately $5.6 million. Badgepoint expanded Avery’s printable media offering with patented, premium name tag systems and accessories for the German market.

- In April 2017, Goed Gemerkt B.V. and Goed Gewerkt B.V. (“GGW”), privately owned companies with common shareholders, based near Utrecht in the Netherlands for approximately $23.0 million. GGW is a manufacturer of durable, personalized “kids’ labels” for the Benelux and German markets, expanding Avery’s printable media platform.

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

Sales for the first quarter of 2018 were $1,227.1 million, an increase of 15.6% compared to $1,061.5 million recorded in the first quarter of 2017. The increase in sales can be attributed to organic growth of 3.4%, acquisition-related growth of 11.2% and the positive impact from foreign currency translation of 1.0%.

Selling, general and administrative expenses (“SG&A”) were $195.7 million for the first quarter of 2018 compared to $166.1 million for the 2017 first quarter. The increases in SG&A for the comparative period can be primarily attributed to additional SG&A expenses associated with the Innovia acquisition as well as an additional $1.6 million in executive equity compensation expense.

The Company recorded an expense of $3.3 million ($3.0 million after tax) for restructuring and other items in the first quarter of 2018 compared to $7.4 million ($5.9 million after tax) for the first quarter of 2017. The first quarter of 2018 included severance related restructuring costs of $2.4 million principally for the 2016 Checkpoint acquisition, plus other transaction costs of $0.9 million. Restructuring and other expenses for the 2017 first quarter were primarily restructuring and transaction costs were related to the 2016 acquisition of Checkpoint and the 2017 acquisition of Innovia.

Operating income (a non-IFRS financial measure; refer to definition in Section 14) for the first quarter of 2018 was $200.6 million, compared to $158.9 million for the first quarter of 2017. However, 2017 first quarter operating income included an $8.8 million non-cash acquisition accounting adjustment to fair value the finished goods inventory related to the Innovia acquisition; therefore comparatively, adjusted operating income was $167.7 million. This increase was primarily driven by organic improvements in the CCL and Checkpoint Segments, as well as the results for the recently acquired Innovia Segment, partially offset by a decline in the Avery Segment.

Earnings before net finance cost, taxes, earnings in equity accounted investments, depreciation and amortization, non-cash acquisition accounting adjustments to finished goods inventory expensed to cost of goods sold, restructuring and other items (“EBITDA,” a non-IFRS financial measure; refer to definition in Section 14) was $249.4 million for the first quarter of 2018, an increase of 17.9% compared to $211.6 million for the first quarter of 2017. Foreign currency translation had a 0.8% positive impact on EBITDA for the comparative first quarters.

Net finance cost was $19.0 million for the first quarter of 2018 compared to $14.6 million for same quarter a year ago. The increase in net finance cost for the first quarter was attributable to higher total debt balances which resulted from the primarily debt-financed acquisition of Innovia on February 28, 2017, partially offset by the effect of cross-currency interest rate swap agreements.

The overall effective income tax rate was 26.0% for the first quarter of 2018 compared to 29.3% for the first quarter of 2017. The decrease in the 2018 first quarter effective tax rate compared to the prior year first quarter effective tax rate was driven by the impact of U.S. Tax Cuts and Jobs Act which reduced the overall consolidated effective tax rate for the 2018 quarter by approximately 3.0%. The effective tax rate may increase in future periods if a higher portion of the Company's taxable income is earned in higher tax jurisdictions.

Net earnings for the first quarter of 2018 were $118.7 million compared to $87.8 million for the first quarter of 2017. This resulted in basic and diluted earnings of $0.67 and $0.66 per Class B share, respectively, for the 2018 first quarter compared to basic and diluted earnings of $0.50 and $0.49, per Class B share, respectively, for the prior year first quarter. The weighted average number of shares for the 2018 first quarter were 176.2 million basic and 178.4 million diluted shares compared to 175.4 million basic and 177.7 million diluted shares for the comparable quarter of 2017. Diluted shares include weighted average in-the-money equity compensation totaling 2.1 million shares.

Adjusted basic earnings per Class B share were $0.69 for the first quarter of 2018, compared to $0.57 for the same period of 2017.

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

(in Canadian dollars)

	First Quarter	
Adjusted Basic Earnings per Class B Share	**2018**	**2017**
Basic earnings per Class B share	$ 0.67	$ 0.50
Restructuring and other items	0.02	0.03
Non-cash acquisition accounting adjustment related to finished goods inventory	-	0.04
Adjusted basic earnings [(1)] per class B share	$ 0.69	$ 0.57

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

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

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

	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Total
Sales					
2018	$ 1,227.1	$ -	$ -	$ -	$ 1,227.1
2017	1,061.5	1,252.9	1,206.8	1,234.5	4,755.7
2016	866.8	960.2	1,089.3	1,058.4	3,974.7
Net earnings					
2018	118.7	-	-	-	118.7
2017	87.9	109.9	106.9	169.4	474.1
2016	89.7	72.2	86.1	98.3	346.3
Net earnings per Class B share					
Basic					
2018	0.67	-	-	-	0.67
2017	0.50	0.63	0.60	0.97	2.70
2016	0.51	0.42	0.49	0.56	1.98
Adjusted basic net earnings(1) per Class B share					
2018	0.69	-	-	-	0.69
2017	0.57	0.68	0.61	0.83	2.69
2016	0.53	0.56	0.60	0.59	2.28

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

3. Business Segment Review

CCL Segment ("CCL")

($ millions)	First Quarter		
	2018	2017	+/-
Sales	$ 807.7	$ 721.6	11.9%
Operating Income (1)	$ 146.3	$ 116.4	25.7%
Return on Sales (1)	18.1%	16.1%	
Capital Spending	$ 89.1	$ 100.9	(11.7%)
Depreciation and Amortization	$ 48.3	$ 43.2	11.8%

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

CCL is made up of five customer sectors. The Company trades in three of them as CCL Label (and CCL Container or CCL Tube to recognize product differentiation where relevant) and one each as CCL Design and CCL Secure. The differentiated CCL sub branding, points to the nature of the application for the final product. The sectors have many common or overlapping customers, process technologies, information technology systems, raw material suppliers and operational infrastructures. CCL supplies innovative labels, aluminum aerosols and tube solutions to Home & Personal Care customers; decorative and functional labels for Food & Beverage companies to premiumize brands, 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 OEMs. CCL Secure supplies polymer bank note substrate, pressure sensitive stamps, passport components and other security products to government institutions and to corporations for brand protection.

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

Sales for CCL were $807.7 million for the first quarter of 2018, compared to $721.6 million for the same quarter last year. The 11.9% increase in sales can be attributed to organic growth of 3.8%, the impact from the Innovia Security, Acrus-CCL and Fascia acquisitions of 6.9% and a 1.2% positive impact from foreign currency translation. Sales were modestly impacted comparatively by the timing of Easter.

North American sales were up low single digit for the first quarter of 2018, excluding currency translation compared to the first quarter of 2017. Home & Personal Care sales and profitability increased on market share wins in labels and tubes and an improved operating environment for aluminum aerosols. Healthcare & Specialty sales and profitability were down compared to a strong prior year period, especially in Canada. CCL Design sales were down slightly on slower automotive markets but improved mix increased profitability. Food & Beverage posted strong growth and profitability improvement driven principally by market share gains in Sleeves. North American profitability, excluding the negative impact of currency translation, increased and return on sales equaled the prior year first quarter.

Sales in **Europe** were up low single digit for the first quarter of 2018, excluding currency translation and acquisitions, compared to the first quarter of 2017. Home & Personal Care sales and profits increased, despite challenging market conditions. Healthcare & Specialty sales were up modestly and profitability improved, including better results in Scandinavia following restructuring actions. Food & Beverage sales and profitability increased modestly versus a very strong prior year first quarter. CCL Design sales and profitability gains in German automotive and industrial markets were offset by weaker electronics demand. CCL Secure, representing the acquired Innovia security operation posted stronger results than expected for the first quarter of 2018. Overall, European operating income, excluding currency translation, was up compared to the prior year first quarter, driving solid improvement in return on sales.

Sales in **Latin America**, excluding acquisitions and currency translation, improved double digit compared to the first quarter of 2017. Strong sales growth in Mexico drove increased profitability despite the negative impact of U.S. dollar exchange rates. Modest signs of recovery in Brazil in all lines of business bolstered profitability for the region. CCL Secure in Mexico, representing the acquired Innovia security business, posted stronger results for the first quarter of 2018 than expected. Excluding the impact of acquisitions and the impact of currency translation, underlying operating income increased significantly and return on sales improved.

Asia Pacific sales, excluding acquisitions and currency translation, were up mid-single digit for the first quarter of 2018, compared to the corresponding quarter in 2017. CCL Label sales in China increased, partly offset by reduced demand at CCL Design in electronics end markets. Sales and profits increased in the ASEAN region while start-up losses reduced in Korea. Australian results for labels were up on progress in Wine & Spirits and reduced losses in Healthcare, while CCL Secure, representing the acquired Innovia security business, posted much stronger performance for the quarter than expected. Operating income and return on sales for the first quarter of 2018 improved in the Asia Pacific region compared to the first quarter of 2017.

Operating income for the first quarter of 2018 was $146.3 million, compared to $116.4 million for the first quarter of 2017. Return on sales was 18.1% compared to the 16.1% recorded for the same period in 2017. The improvement is largely due to the impact of strong demand for polymer bank note substrate at CCL Secure in first quarter of 2018.

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

CCL invested $89.1 million in capital spending for the first quarter of 2018, compared to $100.9 million in the same period in 2017. The investments for the first quarter are in line with planned capital expenditures for 2018. Major expenditures for the first quarter related to capacity additions to support the Home & Personal Care, Food & Beverage and Healthcare & Specialty businesses globally. Investments are expected to continue in order to add capacity, broaden capabilities, expand geographically, and replace or upgrade existing plants and equipment. Depreciation and amortization was $48.3 million for the first quarter of 2018, compared to $43.2 million for the same period of 2017.

Avery Segment ("Avery")

($ millions)	First Quarter				
		2018		**2017**	**+/-**
Sales	$	146.3	$	160.8	(9.0%)
Operating Income (1)	$	24.0	$	28.5	(15.8%)
Return on Sales (1)		16.4%		17.7%	
Capital Spending	$	2.6	$	7.2	(63.9%)
Depreciation and Amortization	$	3.9	$	3.9	-

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

Avery sales were $146.3 million for the first quarter of 2018, compared to $160.8 million for the same quarter last year. The 9.0% decrease in sales can be attributed to the 1.4% negative effect from foreign currency translation and 10.1% organic decline in sales partially offset by the 2.5% impact from the Badgepoint and GGW acquisitions.

Sales in **North America** for the first quarter of 2018 were down double digits compared to the first quarter of 2017. A January 2018 price increase announced in the fourth quarter of 2017, motivated some customers to accelerate purchases to late 2017 for the Printable Media product lines, aggravating weak and seasonally slow conditions in traditional office supply channels. Only partially offsetting this were modestly improved Mass Market sales, and Direct to Consumer product lines which continued to post double digit gains. North American operating income and return on sales declined for the first quarter of 2018 compared to the first quarter of 2017 and was negatively impacted by currency translation.

International sales, largely generated in the Printable Media category, represented approximately 31% of Avery sales for the quarter. Excluding currency translation and acquisitions, sales in Europe and Latin America were down slightly and Australia was flat to the prior year first quarter. The recently acquired Badgepoint and GGW businesses continued to post strong results since being acquired in the early part of the second quarter of 2017. Overall profitability increased due to acquisitions and currency translation.

Operating income for the first quarter of 2018 was $24.0 million compared to $28.5 million for the first quarter of 2017. Return on sales was 16.4%, compared to 17.7% recorded for the same quarter in 2017.

Avery invested $2.6 million in capital spending in the first quarter of 2018, compared to $7.2 million in the same period a year ago. The majority of the expenditures were for capacity additions in the Direct to Consumer operations in North America. Depreciation and amortization was $3.9 million for both the first quarters of 2018 and 2017.

Checkpoint Segment (“Checkpoint”)

($ millions)	First Quarter				
		2018		**2017**	**+/-**
Sales	$	177.4	$	149.3	18.8%
Operating Income (1)	$	22.8	$	15.3	49.0%
Return on Sales (1)		12.9%		10.2%	
Capital Spending	$	11.6	$	2.9	300.0%
Depreciation and Amortization	$	7.5	$	7.4	1.4%

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

Checkpoint sales were $177.4 million for the first quarter of 2018 compared to $149.3 million for the first quarter of 2017 with 16.8% organic growth and 2.0% positive impact from foreign currency translation. MAS posted strong revenue and profitability improvement especially in the United States and Europe driven by significant chain wide technology roll outs for two large retailers on top of solid gains in the base business. ALS posted solid growth, largely at European end customers, with gains in profitability moderated by a weaker U.S. dollar in which some apparel manufacturers transact. The small Meto business posted increased profitability for the first quarter of 2018 compared to the same period in 2017.

Operating income increased 49.0% to $22.8 million for the first quarter of 2018 compared to $15.3 million for the first quarter of 2017; return on sales increased to 12.9% from 10.2%.

Checkpoint invested $11.6 million in capital spending for the first quarter of 2018, compared to $2.9 million for the first quarter of 2017. The majority of the expenditures were in the Asia Pacific region to enhance capacity and technology within the MAS and ALS manufacturing facilities. Depreciation and amortization was $7.5 million for the first quarter of 2018, compared to $7.4 million for the first quarter of 2017.

<u>Innovia Segment (“Innovia”)</u>

($ millions)	First Quarter				
		2018		2017	+/-
Sales	$	95.7	$	29.8	n.m.
Operating (loss) [1]	$	7.5	$	(1.3)	n.m.
Return on Sales [1]		7.8%		n/a	
Capital Spending	$	4.7	$	0.8	n.m.
Depreciation and Amortization	$	7.9	$	2.7	n.m.

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

Sales for Innovia were $95.7 million for the first quarter of 2018 compared to $29.8 million for the first quarter of 2017 that included a single month of acquisition impact. Operating income was $7.5 million compared to an operating loss of $1.3 million for the 2017 first quarter that included a $4.7 million non-cash acquisition accounting adjustment to fair value acquired finished goods inventory on February 28, 2017. Raw material cost pressures, a weaker U.S. dollar and a March power outage that interrupted manufacturing at the large UK site resulted in lower than planned profitability although sequentially stronger than fourth quarter of 2017.

Innovia invested $4.7 million in capital spending for the first quarter of 2018 compared to $0.8 million for the first quarter of 2017. Depreciation and amortization was $7.9 million for the first quarter of 2018 compared to $2.7 million for the first quarter of 2017.

Joint Ventures

($ millions)	First Quarter				
		2018		**2017**	**+/-**
Sales (at 100%)					
CCL Label joint ventures	$	28.5	$	31.3	(9.0%)
Rheinfelden*		1.3		2.8	(53.6%)
CCL Total	$	29.8	$	34.1	(12.6%)
Earnings (losses) in equity accounted investments					
CCL Label joint ventures	$	1.1	$	1.1	-
Rheinfelden		(0.2)		(0.5)	60.0%
CCL Total	$	0.9	$	0.6	50.0%

Results from the joint ventures in CCL-Kontur, Russia; Pacman-CCL, Middle East; CCL-Korsini and Rheinfelden in the United States, are not proportionately consolidated into a Segment but instead are accounted for as equity investments. The Company's share of the joint ventures' net earnings is disclosed in "Earnings in Equity Accounted Investments" in the consolidated condensed interim income statements. CCL-Kontur posted improved sales and profitability resulting from market share gains from the new sleeve plant. Sales and profits at Pacman-CCL improved for the 2018 first quarter. Rheinfelden and CCL-Korsini continued to incur expected start-up losses. 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 the first quarter that temporarily closed operations and postponed installation of the final tranche of capital investment. Earnings in equity accounted investments amounted to $0.9 million for the first quarter of 2018 compared to $0.6 million for the first quarter of 2017. Commencing October 2017, equity investments no longer include the financial results of the Acrus-CCL venture due to the Company's increase in ownership of the entity to 100%.

4. Currency Transaction Hedging and Currency Translation

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

The results of the first quarter of 2018 were impacted by the appreciation of the Canadian dollar against the U.S. dollar and Brazilian real by 4.5%, and 7.5%, respectively, compared to the rates in the same period in 2017. This negative impact was more than offset by a depreciation of the Canadian dollar relative to the euro, Mexican peso, U.K. pound, Chinese renminbi and Thai baht of 10.2%, 3.2%, 7.3%, 3.5% and 6.3%, respectively, when comparing the rates in the first quarters of 2018 and 2017. For the first quarter of 2018, currency translation had a $0.02 positive impact on earnings per Class B share compared to last year's first quarter. This positive effect was at least offset by the negative impact of the lower U.S. dollar in foreign jurisdictions where the Company does business in that currency.

5. Liquidity and Capital Resources

The Company's capital structure is as follows:

($ Millions)

		March 31, 2018		December 31, 2017
Current Debt	$	230.6	$	230.6
Long-term debt		2,142.2		2,100.8
Total debt		2,372.8		2,331.4
Cash and cash equivalents		(516.5)		(557.5)
Net debt [(1)]	$	1,856.3	$	1,773.9
EBITDA[(1)(2)]	$	997.0	$	959.2
Net debt to EBITDA [(1)]		1.86		1.85

(1) Net debt, EBITDA and net debt to EBITDA are non-IFRS financial measures. Refer to definitions in Section 14.
(2) EBITDA is calculated on a trailing twelve month basis. Refer to definitions in Section 14.

During the first quarter of 2018, the Company amended its syndicated credit facilities extending the maturity of its US$402.0 million term loan facility from February 2019 to February 2020 and its US$1.2 billion revolving facility from December 2020 to March 2023. The term loan facility continues to bear principal repayments of US$12.0 million per quarter. Both the term loan and revolving credit facilities incur interest at the applicable domestic rate plus an interest rate margin linked to the Company's net debt to EBITDA.

On March 30, 2018, the Company signed a bi-lateral credit commitment for US$100.0 million, which expires April 2, 2019. This bi-lateral term loan will incur interest at the applicable domestic rate plus an interest rate margin linked to the Company's net debt to EBITDA. As at March 31, 2018, the amount was undrawn.

The Company's debt structure at March 31, 2018, was primarily comprised of the 144A private bonds of US$500.0 million (C$644.2 million), two private debt placements completed in 1998 and 2008 for a total of US$129.0 million (C$166.2 million), outstanding debt totaling of $1.0 billion under the syndicated revolving credit facility and a term loan facility of US$402.0 million (C$518.0 million). The Company's debt structure at December 31, 2017, was comprised of the 144A private bonds of US$500.0 million (C$620.3 million), two private debt placements completed in 1998 and 2008 for a total of US$129.0 million (C$162.0 million) and outstanding debt under the syndicated revolving credit facility of $1.0 billion and the term loan facility of US$414.0 million (C$520.0 million).

During the first quarter of 2018, the Company drew down $41.2 million on its syndicated revolving credit facility. Payments on debt amounted to $57.5 million for the first quarter of 2018. The current portion of long-term debt primarily consists of US$12.0 million quarterly payments against the Company's new term loan facility and the two aforementioned private debt placements.

Net debt was $1,856.3 million at March 31, 2018, $82.4 million higher than the net debt of $1,773.9 million at December 31, 2017. The increase in net debt is due to a reduction in cash-on-hand and the impact of foreign currency translation on total debt when comparing the currency exchange rates that were in effect on March 31, 2018 versus December 31, 2018, partially offset by the quarterly repayment on the term loan facility.

Net debt to EBITDA, at March 31, 2018, was 1.86 times, compared to 1.85 times at December 31, 2017, reflecting the increase in net debt offset by record profitability over the past twelve months.

Including $3.5 million of outstanding letters of credit, the Company had approximately US$383 million of available capacity within its revolving credit facility as at March 31, 2018.

The Company's overall average finance rate was 2.8% as at March 31, 2018, compared to 2.9% as at December 31, 2017. The decrease in the average finance rate was primarily caused by the Company's swapping an additional $US111.5 million of 3.25% fixed rate debt to euro equivalent at 1.16%.

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

6. Cash Flow

	First Quarter	
Summary of Cash Flows	**2018**	**2017**
Cash provided by operating activities	$ 74.3	$ 54.0
Cash provided by (used in) financing activities	(26.2)	1,137.4
Cash used for investing activities	(113.3)	(1,261.8)
Translation adjustments on cash and cash equivalents	24.2	4.3
Increase (decrease) in cash and cash equivalents	$ (41.0)	$ (66.1)
Cash and cash equivalents – end of period	$ 516.5	$ 519.0
Free cash flow from operations (1)	$ (31.0)	$ (54.7)

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

During the first quarters of 2018 and 2017, the Company generated cash from operating activities of $74.3 million and $54.0 million, respectively. Free cash flow from operations was an outflow of $31.0 million in the 2018 first quarter compared to an outflow of $54.7 million in the prior year first quarter. The change in free cash flow from operations was primarily due to the increase in net earnings partially offset by working capital increase for the comparative quarters.

Capital spending in the first quarter of 2018 amounted to $109.1 million compared to $111.8 million in the 2017 first quarter. Depreciation and amortization for the first quarters of 2018 and 2017 were $67.9 million and $57.4 million, respectively. Plans for capital spending in 2018, excluding any capital spending associated with the Treofan acquisition, are expected to be approximately $325.0 million. The Company is continuing to seek investment opportunities to expand its business geographically, add capacity in its facilities and improve its competitiveness.

Dividends in the first quarters of 2018 and 2017 were $23.0 million and $20.3 million, respectively. The total number of shares issued and outstanding, after giving effect to the June 5, 2017, five-for-one share split, as at March 31, 2018 and 2017, were 177.5 million and 176.6 million, respectively. Since the Company's current cash flow and financial position are strong and its outlook for the remainder of 2018 continues to be positive, the Board of Directors has approved a dividend of $ 0.1275 per Class A share and $0.13 per Class B share to shareholders of record as of June 15, 2018, and payable June 29, 2018. The annualized dividend rate is $0.51 per Class A share and $0.52 per Class B share.

7. Interest rate and Foreign Exchange Management

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

As at March 31, 2018, the Company had US$1.3 billion, EUR139.0 million, GBP60.3 million and CA$357.0 million drawn under the private placement, 144A private bond, term loan and syndicated bank credit facility, which are hedging a portion of its US$-based, euro-based and GBP-based investments and cash flows.

As at March 31, 2018, the Company utilized cross-currency interest rate swap agreements ("CCIRSA") to effectively convert notional US$264.7 million 3.25% fixed rate debt into 1.23% fixed rate euro debt, and US$111.5 million 3.25% fixed rate debt into 1.16% fixed rate euro debt also hedging its euro-based assets and cash flows. The effect of the CCIRSA has been to decrease finance cost by $1.9 million for the first quarter of 2018.

8. Subsequent Events

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

9. Accounting Policies

A) Critical Accounting Estimates

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

The 2017 annual audited consolidated financial statements and notes thereto, as well as the 2017 annual MD&A, have identified the accounting policies and estimates that are critical to the understanding of the Company's business operations and results of operations. For the three months ended March 31, 2018, there are no changes to the critical accounting policies and estimates from those described in the 2017 annual MD&A, except as outlined below.

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

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

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

B) Inter-Company and Related Party Transactions

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

C) Recently Issued New Accounting Standards, Not Yet Effective

In January 2016, IFRS 16, *Leases* ("IFRS 16"), was issued by the IASB. This standard introduces a single-lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. The new standard is effective for annual periods beginning on or after January 1, 2019. The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019, using the modified retrospective approach. Under this approach the Company will recognize transitional adjustments in retained earnings on the date of initial application (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.

10. Commitments and Contingencies

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

11. Controls and Procedures

There were no material changes in disclosure controls and procedures and internal control over financial reporting in the three month period ended March 31, 2018.

12. Risks and Strategies

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

13. Outlook

The first quarter of 2018 was another strong period for the Company, with robust gains at Checkpoint on large new customer wins; CCL delivering another quarter of solid organic growth augmented by strong performance at CCL Secure exceeding expectations; and sequential quarterly improvement at Innovia despite higher resin costs, the impact of a weaker U.S. dollar and operational issues in the UK. Avery declined in profitability in its seasonally low quarter. Consolidated first quarter adjusted earnings were $0.69 per share.

CCL's organic growth of 3.8% for the first quarter tracked within the expected 3% to 5% long-run growth rate range; Easter timing impacted comparisons to the first quarter of 2017. Emerging Markets' results outpaced North America and Europe. The Home & Personal Care and Food & Beverage sectors were strong, Healthcare & Specialty up slightly and CCL Design down slightly on soft consumer electronics end markets. Overall these trends are expected to continue in the coming quarter. CCL Secure outperformed in the first quarter but this will not occur in the second quarter as volumes will be significantly below a prior year period that included a large launch for an important customer that will not repeat in 2018.

Avery will benefit from the April 2018 tuck-in acquisition of Imprint Plus in the direct-to-consumer channel in the coming quarters and the volume challenges of early 2018 are expected to ease in traditional channels as the impact of pre-buys ahead of the price increase fades. Back-to-school demand is anticipated to be slightly below the prior year period as Avery continues to give up share in low margin categories. Back to school shipments could be later this year based on current order patterns and are always difficult to predict around the cusp of late second quarter and early third quarter.

Checkpoint has now delivered seven consecutive quarters of outperformance to management expectations. The restructuring process is nearly complete, with total severance costs amounting to $37.4 million of a plan that expected to realize at least $40 million in annualized cost savings. Organic growth tailwinds will moderate as the two large technology roll out projects largely complete in the second quarter of 2018. Initiatives going forward will be more qualitative as manufacturing facilities are improved, the supply chain optimized, new products introduced and customers added.

Financial results for Innovia improved sequentially from the fourth quarter of 2017 but remain below pre-acquisition levels due to the prolonged spike in polypropylene resin costs and the recent weakening of the U.S. dollar. Recent moves in the price of oil support resin remaining at least at current levels for the coming quarter. Focus will be placed on improving operations, managing the cost-price equation and the integration of Treofan which is expected to close by June 2018.

As a whole, order levels going into the second quarter of 2018 remain stable compared to a formidable prior year period that benefited from the launch volume of a new polymer banknote and solid results from the Checkpoint and Avery Segments.

The Company finished the first quarter with $517 million of cash-on-hand and additional liquidity of US$383 million within its syndicated revolving credit facility. A new US$100 million bilateral credit commitment giving adequate capacity to close the pending Treofan acquisition and further comfort to maintain its global growth strategy. The Company remains focused on vigilantly managing working capital and prioritizing capital to higher-growth organic opportunities or unique acquisitions that are expected to enhance shareholder value. The Company's capital spending for the year, excluding the Treofan expansion initiative, is expected to be approximately $325 million.

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

14. Key Performance Indicators and Non-IFRS Financial Measures

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

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

impairment loss, non-cash acquisition accounting adjustments to finished goods inventory, restructuring and other items and tax adjustments.

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

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

(in millions of Canadian dollars)	First Quarter	
EBITDA	**2018**	**2017**
Net earnings	$ 118.7	$ 87.8
Corporate expense	19.1	13.5
Earnings in equity accounted investments	(0.9)	(0.6)
Finance cost, net	19.0	14.6
Restructuring and other items – net loss	3.3	7.4
Income taxes	41.4	36.2
Operating income (a non-IFRS measure)	$ 200.6	$ 158.9
Less: Corporate expense	(19.1)	(13.5)
Add: Depreciation and amortization	67.9	57.4
Add: Non-cash acquisition accounting adjustment to finished goods inventory	-	8.8
EBITDA (a non-IFRS measure)	$ 249.4	$ 211.6

	2018	**2017**
EBITDA for 12 months ended December 31, 2017 and 2016, respectively	$ 959.2	$ 792.7
less: EBITDA for three months ended March 31, 2017 and 2016, respectively	(211.6)	(185.9)
add: EBITDA for three months ended March 31, 2018 and 2017 respectively	$ 249.4	$ 211.6
EBITDA for 12 months ended March 31	$ 997.0	$ 818.4

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

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

(in millions of Canadian dollars)

Free Cash Flow from Operations	**First Quarter**	
	2018	**2017**
Cash provided by operating activities	$ 74.3	$ 54.0
Less: Additions to property, plant and equipment	(109.1)	(111.8)
Add: Proceeds on disposal of property, plant and equipment	3.8	3.1
Free Cash Flow from Operations	$ (31.0)	$ (54.7)

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

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

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

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

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

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

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

(in millions of Canadian dollars)

	Sales First Quarter		**Operating Income (Loss) First Quarter**		**Return on Sales First Quarter**	
Industry Segments	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
CCL	$ 807.7	$ 721.6	$ 146.3	$ 116.4	18.1%	16.1%
Avery	146.3	160.8	24.0	28.5	16.4%	17.7%
Checkpoint	177.4	149.3	22.8	15.3	12.9%	10.2%
Innovia	95.7	29.8	7.5	(1.3)	7.8%	-
Total Operations	$ 1,227.1	$ 1,061.5	$ 200.6	$ 158.9	16.3%	15.0%

<u>Supplemental Financial Information</u>

Sales Change Analysis
Revenue Growth Rates (%)

	Three Months Ended March 31, 2018			
	Organic Growth	**Acquisition Growth**	**FX Translation**	**Total**
CCL	3.8%	6.9%	1.2%	11.9%
Avery	(10.1%)	2.5%	(1.4%)	(9.0%)
Checkpoint	16.8%	-	2.0%	18.8%
Innovia	1.0%	216.1%	4.0%	221.1%
Total	3.4%	11.2%	1.0%	15.6%