CCL Industries Inc.

2019 ANNUAL REPORT

21,400
Employees

183
Production Facilities

42
Countries

6
Continents

CCL

CCL is the world's largest converter of pressure sensitive and specialty extruded film materials for a wide range of decorative, instructional, functional and security applications for government institutions and large global customers in the consumer packaging, healthcare & chemicals, consumer electronic device and automotive markets. Extruded & laminated plastic tubes, aluminum aerosols & specialty bottles, folded instructional leaflets, precision decorated & die cut components, electronic displays, polymer banknote substrate and other complementary products and services are sold in parallel to specific end-use markets.

Avery

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

Innovia

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

Checkpoint

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

NORTH AMERICA REPRESENTS

43% of total sales

EUROPE REPRESENTS

31% of total sales

EMERGING MARKETS REPRESENTS

26% of total sales

CAUTION ABOUT FORWARD-LOOKING INFORMATION This annual report contains forward-looking information and forward-looking statements, as defined under applicable securities laws, (hereinafter collectively referred to as "forward-looking statements") that involve a number of risks and uncertainties. Forward-looking statements include all statements that are predictive in nature or depend on future events or conditions. Forward-looking statements are typically identified by, but not limited to, the words "believes," "expects," "anticipates," "estimates," "intends," "plans" or similar expressions. Statements regarding the operations, business, financial condition, priorities, ongoing objectives, strategies and outlook of the Company, other than statements of historical fact, are forward-looking statements. Specifically, this annual report contains forward-looking statements regarding the anticipated growth in sales, income and profitability of the Company's segments; the Company's improvement in market share; the Company's capital spending levels and planned capital expenditures in 2020; the adequacy of the Company's financial liquidity; the Company's targeted return on equity, improved return on total capital, adjusted earnings per share, EBITDA growth rates and dividend payout; the Company's effective tax rate; the Company's ongoing business strategy; the Company's expectations regarding general business and economic conditions; the Company's expectation to successfully divert waste from landfill, reducing costs and having a positive sustainability impact for its customer; the Innovia segment success regarding a multi-year period renegotiating pass-through pricing mechanisms in customer contracts; the impact the coronavirus will have on the economy in China and potentially the global supply chain; the Company's success in passing on foreign exchange movements and input cost changes to its customer base; the Company's success in quickly initiating actions to reduce variable costs if the economic environment weakens; CCL Secure's success in developing market leading security technology to pursue long-term widespread adoption of polymer banknotes; the Company's expectations that Avery will have sustainable growth in its direct-to-consumer offering including incremental acquisitions; the Company's expectation that Avery will develop new products and have stable margins for its legacy OPG product group; Checkpoint's capture of sales and profit growth from the evolving radio-frequency identification ("RFID") market and will consider complimentary and tuck-in business acquisitions; Innovia's success in filling the capacity of its new manufacturing line in Mexico; and Innovia's success at improving profitability at its pending Flexpol acquisition.

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

Forward-looking statements are also based on a number of assumptions, which may prove to be incorrect, including, but not limited to, assumptions about the following: higher consumer spending; improved customer demand for the Company's products; continued historical growth trends, market growth in specific segments and entering into new segments; the Company's ability to provide a wide range of products to multinational customers on a global basis; the benefits of the Company's focused strategies and operational approach; the Company's ability to implement its acquisition strategy and successfully integrate acquired businesses; the achievement of the Company's plans for improved efficiency and lower costs, including the ability to pass on polypropylene resin cost increases to its customers; the availability of cash and credit; fluctuations of currency exchange rates; the Company's continued relations with its customers; and general business and economic conditions. Should one or more risks materialize or should any assumptions prove incorrect, then actual results could vary materially from those expressed or implied in the forward-looking statements. Further details on key risks can be found throughout this report and particularly in Section 4: "Risks and Uncertainties."

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

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

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

Donald G. Lang
Executive Chairman

Geoffrey T. Martin
President and
Chief Executive Officer

In a more challenging global economy, with slower end-market growth, the Company made modest progress in 2019, reaching sales of $5.3 billion and adjusted net earnings of $497 million, slightly above the 2018 result. Organic sales growth for the CCL Segment moderated to 1.1% compared to 4.8% last year, while Checkpoint grew 2.6% on top of a strong prior year and Avery reported its first organic gain since 2015. Innovia's sales grew 15.7%, all driven by the first full year of the mid-2018 Treofan acquisition. Reported sales for the Company increased 3.1% and adjusted basic earnings per Class B share* improved from $2.73 in 2018 to $2.79 in 2019; foreign currency translation effects were nominal. Restructuring charges and other expenses were $25 million in 2019, compared to $15 million in 2018; this year included $13 million to settle a long-running legal matter at Checkpoint. The balance largely related to restructuring investments across our business segments to tighten our operations for a period of lower global growth. Free cash flow from operations* (operating cash flows) was another record at $444 million.

CCL Segment

This part of the Company made slower progress in 2019, with sales again reaching $3.3 billion, with 1.1% organic growth, compared to 4.8% in 2018 and 6.2% in 2017. Geographically, we delivered modest progress in North America and Europe, better in Emerging Markets, especially China, moderated by a down year in Australia and South Africa. Excluding the impact of currency translation, worldwide sales increased 1.8%, operating income* fell 3.0% while EBITDA* improved slightly to $716 million on IFRS lease accounting changes, a flat margin of 21.7% compared to 2018.

Home & Personal Care operations delivered low-single-digit organic growth for labels and tubes in both North America and Asia, but Europe was flat, while Latin America declined due to pricing challenges and share loss in Brazil. We had a solid year at our joint venture in the Middle East. Overall results for labels globally were broadly in line with the volume increases experienced by large global customers. This was not the case for aerosols in the USMCA zone, where sales decreased in the high teens as customers worked through excess inventory built in 2018 during an industry capacity crunch. Demand has returned to normal levels in early 2020. Our aluminum slug joint venture restarted production late in the year after a fire in 2018; the plant should reach profitability by 2021. Sales in the sector again passed $1 billion but were down modestly on a very strong 2018, largely due to the soft year at CCL Container, which was also entirely responsible for the profit decline in the sector.

Healthcare & Specialty sales decreased by a low single-digit rate as tough market conditions for generic drugs, especially in the United States, and challenges from customer consolidation in the agricultural chemicals industry persisted. Our European business grew modestly on much improved results in Germany, and we posted strong performances in China and Brazil while continuing to turn around performance in Australia. Profitability overall fell, largely due to the situation in the generics drug market, particularly affecting our Canadian label operation in Toronto.

Food & Beverage 2019 organic sales growth moderated to a mid-single-digit rate, compared to a record 18% in 2018. Consumer focus on sustainability somewhat affected the new project pipeline, as metal cans were occasionally preferred over glass and PET bottles with labels, and transitions from paper wet-glue decoration sometimes delayed. Certain end markets slowed, and we faced competitive pricing pressures in the tobacco, mass beer and wine spaces, with some share loss. However, we completed major new plant projects in South Africa and Brazil while developing exciting new technologies to aid customers with their bottle-to-bottle recycling initiatives. Sleeve sales were again up double digits, pressure sensitive labels grew moderately for glass bottles in Wine & Spirits, waters and beer, but the closure label business declined double digits on large 2018 product launches absent in 2019. Profitability overall declined on mix changes, some margin pressure and lower growth rates. Our joint venture in Russia grew but profitability declined on challenges with adding capacity for Sleeves.

CCL Design sales to Electronics customers increased high single digit, despite slowing global cell phone growth, on share gains and new products. Results were strong in all regions, especially China, and we successfully integrated an acquisition in Vietnam giving us a footprint in a strategically important country for this industry. Profitability improved significantly and passed the Segment average for CCL for the first time. Automotive struggled on slower industry growth globally, especially for labels broadly sold in the market. Our Mexican metal converting plant improved but remains loss-making as volume builds for this relatively new operation were less than anticipated. However, new label plants in both China and Brazil made good progress. A greenfield metal converting facility in China comes on stream in the second half of 2020 on the back of new program awards for global OEMs that stretch out for multiple years. Margins in Automotive remain subpar, but we are determined to improve the situation in 2020. Sales to alkaline battery producers declined in 2019, and our Olympic Tapes acquisition remained loss-making in advance of expected customer qualification approvals. Overall profitability at CCL Design improved on 2018.

CCL Secure posted a strong year, with sales up double digit driving a significant increase in profits and operating margins. Results were strong across the board. In the United States, new stamp orders and regained share in security documents, ID cards and passport components drove very good performance. Polymer currency operations also posted improved results on higher volumes with a long project pipeline in place. Quarterly volatility based on large order timing and a long sales cycle remain notable characteristics of this business.

Avery

After a slow 2018, we were pleased to see Avery deliver meaningful profit improvement, outstanding cash flow and 3.8% sales growth including our first organic gain since 2015. The key driver was double-digit growth, with e-commerce retailers and our own direct-to-consumer product lines exceeding $130 million in sales including first-time contributions from the small “kids’ labels” acquisitions in the U.K., Quebec and Australia. Legacy product lines posted modest gains as tariff threats discouraged some retailers from moving further back-to-school volumes offshore. Our European business made solid progress but the much smaller operations in Latin America and Australia declined. Operating income increased $11 million to $157 million on sales of $739 million, a return on sales* of 21.2%, up 80 basis points. We hope to see mix-based margin expansion in 2020 coupled with modest organic growth, supplemented by further acquisitions in the direct-to-consumer space. Avery continues to deliver the highest return on capital and operating cash flow* as a percentage of sales in the Company.

Checkpoint

Checkpoint did not quite match the record prior-year performance but had significantly improved cash flow, far surpassing the prior year on lower capital investments and much improved working capital results. Sales increased 2.6% on an organic basis to $724 million and profits reached $96 million. Innovation in electronic article surveillance technologies augmented by new concepts in RFID deployment drove new business wins with global retailers. Our new RFID inlay plant in China had one of the quickest start-up to profitability cycles in our long history of investing in greenfield facilities and technologies. We also engineered many improvements to our HALO software product line to aid retailer RFID deployment and reduced the gap to move into profitability. Our apparel labeling business declined on share loss in the United States but held its important market positions in Europe and Asia Pacific. Operating margin was up slightly, but still has considerable room to improve.

Innovia

Results included a first full-year contribution from the Treofan transaction closed in mid-2018. Sales increased 15.7% on the acquisition to $557 million, with a 15.2% EBITDA* margin, compared to 12.1% in 2018 and 15.9% in 2017. Better commercial controls, increased production of security films, lower resin and overhead costs, plus strong performances in Belgium and Australia drove the improvement. However, our large U.K. operation continued to struggle as cost savings could only offset declining sales. We appointed a new Managing Director in early 2020 to drive improvements both internally and externally. Foreign exchange gains on U.K. exports to the United States aided results, as did a non-cash accounting gain related to our decision to close the U.K. defined benefit pension scheme from further benefit accruals beyond April 2019. These events largely drove the profitability gains at this operation year on year. In Mexico, we made good strides to improve operations and the start-up of our new capacity, the largest BOPP extrusion line in the world, went smoothly. While the legacy Treofan business met sales expectations, EBITDA margins fell below pre-acquisition levels but increased over the poor second half of 2018, aided by lower resin costs, improved controls and operational gains. In the coming year, we look forward to the addition of our new plant in Poland, bringing us a value proposition to compete for higher volume products in the label industry, while our U.K. operation focuses on developing specialty films that match its unique technology platform.

Delivering to Shareholders

Following our February 2020 Board meeting, we announced a 5.9% increase in the dividend in keeping with modest earnings growth. The annualized payout now stands at $0.72 per Class B share and $0.71 per Class A share, up 140% over the last five years. The Company has paid dividends without omission or reduction for more than three decades. Despite spending $40 million on acquisitions and $336 million on capital expenditures (net of disposals), the Company's net debt to EBITDA ratio ended 2019 comfortably inside investment-grade territory and down 0.3 turns from last year to 1.6 times. Priorities for 2020 include building on the improved performance of Innovia, sustaining organic growth in our other businesses, adding bolt-on transactions that meet our disciplined valuation metrics while paying down debt to build capacity for the future. Working capital performance remains at the top end of our peer group. We plan to invest $350 million in 2020, compared to an expected $291 million depreciation and amortization expense excluding right-of-use assets. With 97% of sales outside Canada, CCL continues to provide domestic shareholders considerable geographic risk diversification.

Leadership and Governance

CCL's breadth of operations spanning 183 manufacturing facilities in 42 countries around the world requires a cadre of leaders reflecting the cultural diversity of the geographies where we do business. Our creed has always been to have local people lead our Company across international markets. This is especially true in emerging markets where we have strong regional heads with deep experience in the countries they oversee. Global business heads direct strategically, bringing the mindset of large multinational customers and our latest technologies and product innovations to businesses around the world. While our team comes from many diverse backgrounds and cultures, there is one bonding characteristic: a universal understanding of our industry borne from spending all their formative years at its coalface. We have small, agile and technically efficient corporate offices in Toronto, Framingham, near Boston, in the United States and Singapore, along with some resources scattered around our operations in a connected world. We continue to run our corporate organization with all of its resources and costs, including incentive compensation, for approximately 1% of sales and watch that benchmark closely as the Company grows.

Ned Guillet, Director and Chair of the Company's Human Resources Committee, stepped down at the 2019 annual shareholders' meeting and was replaced by Doug Muzyka, one of our longstanding, internationally experienced Directors. Tom Peddie, another of our long-serving Directors handed over the Chair of the Audit Committee to Vincent Galifi, Chief Financial Officer of Magna International, who joined the Board in 2016. We are very pleased that Tom remains with us as a Director on the Audit Committee, ensuring we have a smooth transition. Finally, we welcomed back Alan Horn to the Board, who had previously served nine years with us from 2008 to 2017. Alan is President and Chief Executive of Rogers Telecommunications Limited. Our Board continues to provide strong governance on behalf of all shareholders, along with wise counsel to management.

Sustainability

Sustainability remains top of mind across our stakeholders as the world confronts climate change, population growth and declining natural resources. In 2020, we will set up a system to collect data that accurately measures the carbon footprint and waste generated by our widely dispersed operations and expect to publish our first annual Sustainability Report in 2021. Many international operations have ISO 14001 and 16001 environmental certifications and a number no longer send waste to landfill sites. Some eliminated the use of corrugated boxes and wooden pallets in their operations, replacing them with multi-trip reusable transit packaging. New plants also optimize energy and use the latest technologies to handle hazardous waste. We continue to be a world leader in digitizing our printing plants, allowing customers to order any quantity avoiding obsolescence waste. However, our most important sustainability strategy remains bringing new ideas to customers to integrate into supply chains and consumer propositions to reach their own sustainability goals. For many years, our patented wash-off pressure sensitive labels have enabled customers to adopt multiple-trip glass bottles. Many believe plastics have a lower carbon footprint than metal or glass, but it needs to be as easily recycled for the new circular economy. Customers now want the same advantages for shrink sleeves for PET bottles. In 2020, we will invest in a new hybrid film line in Europe that will allow easy separation of label and PET flakes in the recycling process. The new line comes on stream in 2021.

2020 Outlook

We enter 2020 with the outbreak of the coronavirus in China. Its impact, although contained, remains uncertain. It adds to concerns about economic growth this year. Our industry grew at a subdued, slower pace in 2019, and history suggests such drops in activity usually continue for a longer period. The world may be due for a pause, hopefully not a contraction, and we are preparing ourselves for that. In the year ahead, we will invest part of our free cash flow into restructuring activity to make sure operations that are underperforming are improved. When times are tougher, the best investment opportunities often arise. We will take advantage of such opportunities around the world: organically and to acquire within our field of endeavor as the best use of the Company's excess cash flow.

We would like to take the opportunity as always to appreciate the hard work, ingenuity and passionate dedication of our people to the cause. We are now 21,400 and without them we are nothing. To our customer and supplier partners, we appreciate your support in this highly connected world in which we have all become so interdependent.

Donald G. Lang
Executive Chairman

Geoffrey T. Martin
President and Chief Executive Officer

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

FINANCIAL HIGHLIGHTS

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

		2019		2018	%
Sales	$	**5,321.3**	$	5,161.5	3.1%
EBITDA	$	**1,067.2**	$	995.3	7.2%
% of sales		**20.1%**		19.3%	
Restructuring and other items	$	**25.0**	$	14.8	
Net earnings	$	**477.1**	$	466.8	2.2%
% of sales		**9.0%**		9.0%	
Basic earnings per Class B share					
Net earnings	$	**2.68**	$	2.64	1.5%
Diluted earnings	$	**2.66**	$	2.61	1.9%
Adjusted basic earnings per Class B share	$	**2.79**	$	2.73	2.2%
Dividends	$	**0.68**	$	0.52	30.8%
As at December 31					
Total assets	$	**7,038.0**	$	7,027.6	0.1%
Net debt*	$	**1,716.2**	$	1,902.5	(9.8%)
Total equity	$	**2,897.7**	$	2,673.1	8.4%
Net debt to EBITDA*		**1.61**		1.91	
Return on equity (before other expenses)*		**17.8%**		20.0%	
Number of employees (approximately)		**21,400**		21,000	1.9%

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

This Management's Discussion and Analysis of the financial condition and results of operations ("MD&A") of CCL Industries Inc. ("the Company") relates to the years ended December 31, 2019 and 2018. In preparing this MD&A, the Company has taken into account information available until February 21, 2020, unless otherwise noted. This MD&A should be read in conjunction with the Company's December 31, 2019, annual consolidated financial statements, which form part of the CCL Industries Inc. 2019 Annual Report dated February 21, 2020. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and, unless otherwise noted, both the financial statements and this MD&A are expressed in Canadian dollars as the reporting currency. The major measurement currencies of the Company's operations are the Canadian dollar, U.S. dollar, euro, Argentine peso, Australian dollar, Bangladeshi taka, Brazilian real, Chilean peso, Chinese renminbi, Danish krone, Hong Kong dollar, Hungarian forint, Indian rupee, Israeli shekel, Japanese yen, Malaysian ringgit, Mexican peso, New Zealand dollar, Philippine peso, Polish zloty, Russian ruble, Singaporean dollar, South African rand, South Korean won, Swiss franc, Thai baht, Turkish lira, U.K. pound sterling and Vietnamese dong. All per Class B non-voting share ("Class B share") amounts in this document are expressed on an undiluted basis, unless otherwise indicated. The Company's Audit Committee and its Board of Directors (the "Board") have reviewed this MD&A to ensure consistency with the approved strategy and results of the business.

INDEX

8 1. Corporate Overview
8 A) The Company
8 B) Customers and Markets
8 C) Strategy and Financial Targets
11 D) Recent Acquisitions and Dispositions
12 E) Subsequent Events
13 F) Consolidated Annual Financial Results
15 G) Seasonality and Fourth Quarter Financial Results

18 2. Business Segment Review
18 A) General
20 B) CCL Segment
22 C) Avery Segment
23 D) Checkpoint Segment
24 E) Innovia Segment
25 F) Joint Ventures

26 3. Financing and Risk Management
26 A) Liquidity and Capital Resources
27 B) Cash Flow
28 C) Interest Rate, Foreign Exchange Management and Other Hedges
28 D) Equity and Dividends
29 E) Commitments and Other Contractual Obligations
30 F) Controls and Procedures

30 4. Risks and Uncertainties

40 5. Accounting Policies and Non-IFRS Measures
40 A) Key Performance Indicators and Non-IFRS Measures
44 B) Accounting Policies and New Standards
45 C) Critical Accounting Estimates
45 D) Related Party Transactions

46 6. Outlook

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

FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking information and forward-looking statements, as defined under applicable securities laws, (hereinafter collectively referred to as "forward-looking statements") that involve a number of risks and uncertainties. Forward-looking statements include all statements that are predictive in nature or depend on future events or conditions. Forward-looking statements are typically identified by, but not limited to, the words "believes," "expects," "anticipates," "estimates," "intends," "plans" or similar expressions. Statements regarding the operations, business, financial condition, priorities, ongoing objectives, strategies and outlook of the Company, other than statements of historical fact, are forward-looking statements. Specifically, this MD&A contains forward-looking statements regarding the anticipated growth in sales, income and profitability of the Company's segments; the Company's improvement in market share; the Company's capital spending levels and planned capital expenditures in 2020; the adequacy of the Company's financial liquidity; the Company's targeted return on equity, improved return on total capital, adjusted earnings per share, EBITDA growth rates and dividend payout; the Company's effective tax rate; the Company's ongoing business strategy; the Company's expectations regarding general business and economic conditions; the Company's expectation to successfully divert waste from landfill, reducing costs and having a positive sustainability impact for its customer; the Innovia segment success regarding a multi-year period renegotiating pass-through pricing mechanisms in customer contracts; the impact the coronavirus will have

on the economy in China and potentially the global supply chain; the Company's success in passing on foreign exchange movements and input cost changes to its customer base; the Company's success in quickly initiating actions to reduce variable costs if the economic environment weakens; CCL Secure's success in developing market leading security technology to pursue long-term widespread adoption of polymer banknotes; the Company's expectations that Avery will have sustainable growth in its direct-to-consumer offering including incremental acquisitions; the Company's expectation that Avery will develop new products and have stable margins for its legacy OPG product group; Checkpoint's capture of sales and profit growth from the evolving radio-frequency identification ("RFID") market and will consider complimentary and tuck-in business acquisitions; Innovia's success in filling the capacity of its new manufacturing line in Mexico; and Innovia's success at improving profitability at its pending Flexpol acquisition.

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

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

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

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

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

1. CORPORATE OVERVIEW

A) The Company

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

Founded in 1951, and publicly listed under its current name since 1980, the Company's corporate offices are located in Toronto, Ontario, Canada, and Framingham, Massachusetts, United States, with a regional center for Asia Pacific in Singapore. The corporate offices provide executive and centralized services such as finance, accounting, internal audit, treasury, risk management, legal, tax, human resources, information technology, environmental, health and safety and oversight of operations. The Company employs approximately 21,400 people in 183 production facilities located in North America, Latin America, Europe, Australia, Africa and Asia including equity investments in Russia operating six facilities, the Middle East operating five facilities and in the United States operating an aluminum slug facility.

B) Customers and Markets

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

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

C) Strategy and Financial Targets

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

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

The Company's financial strategy is to be fiscally prudent and conservative. The 2019 financial results delivered strong cash flow and a solid balance sheet after investing $40.4 million in acquisitions and $335.7 in net capital expenditures to execute the global growth initiatives. During good and difficult economic times, the Company has maintained high levels of cash on hand and unused lines of credit to reduce its financial risk and to provide flexibility when acquisition opportunities are available. As at December 31, 2019, the Company had $703.6 million of cash-on-hand with US$595.7 million of undrawn capacity on the Company's unsecured revolving credit facility.

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

A key financial target is return on equity before goodwill impairment loss, restructuring and other items, tax adjustments, gains on business dispositions and non-cash acquisition accounting adjustments ("ROE," a non-IFRS measure; see "Key Performance Indicators and Non-IFRS Measures" in Section 5A). The Company continues to execute its strategy with a goal of achieving a comparable ROE level to its leading peers in specialty packaging. 2019 ROE of 17.8%, although still strong, was down due to substantial increases in the Company's equity base, largely from retained earnings over the last five years compounded by a modest increase in adjusted net earnings for the last three years, partially offset by challenges at Innovia:

	2019	2018	2017	2016	2015	2014
Return on Equity	**17.8%**	20.0%	24.0%	23.5%	21.1%	20.1%

Another metric used by the investment community as a comparative measure is return on total capital before goodwill impairment loss, restructuring and other items, tax adjustments, gains on business dispositions and non-cash acquisition accounting adjustments ("ROTC," a non-IFRS measure; see "Key Performance Indicators and Non-IFRS Measures" in Section 5A). The chart below details performance since 2014. The Company targets delivering returns in excess of its cost of capital. ROTC of 10.8% for 2019 declined compared to 2018 due to the significant capital deployed for acquisitions and capital expenditures over the past three years with only a modest increase in adjusted net earnings for the same period:

	2019	2018	2017	2016	2015	2014
Return on Total Capital	**10.8%**	11.3%	14.0%	15.9%	15.4%	14.1%

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

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

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

	2019	2018	2017	2016	2015	2014
Adjusted Basic EPS Growth Rate	**2.2%**	1.5%	17.9%	32.5%	31.9%	47.4%
Basic EPS Growth Rate	**1.5%**	(2.2%)	36.4%	16.5%	34.7%	107.6%

In 2019, adjusted basic earnings increased by 2.2% to $2.79 per Class B share. Improved profitability from the Avery and Innovia Segments, and reduced corporate costs largely offset reduced earnings for the CCL and Checkpoint Segments. The Company believes continuing growth in earnings per share is achievable in the future as initiatives in the Innovia Segment to improve earnings take hold, and the Company executes its global business strategies for the CCL, Avery, Checkpoint and Innovia Segments.

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

	2019	2018	2017	2016	2015	2014
EBITDA	**$ 1,067.2**	$ 995.3	$ 959.2	$ 792.7	$ 608.4	$ 481.6
% of sales	**20%**	19%	20%	20%	20%	19%

In 2019, EBITDA increased by approximately 3.0% from 2018, excluding the impacts of negative foreign currency translation and IFRS 16, Leases ("IFRS 16"), improving to 20% of sales. The Company's EBITDA margins remain at the top end of the range of its peers. The Company expects growth in EBITDA in the future as global growth initiatives are implemented.

The framework supporting the above performance indicators is an appropriate level of financial leverage. Based on the dynamics within the specialty packaging industry and the risks that higher leverage may bring, the Company has a comfort level up to a target of approximately 3.5 times net debt to EBITDA with an appropriate deleveraging and liquidity profile to maintain its investment-grade ratings with Moody's Investor Service ("Moody's") and S&P Global ("S&P"). As at December 31, 2019, net debt (a non-IFRS measure; see "Key Performance Indicators and Non-IFRS Measures" in Section 5A) to EBITDA was 1.61 times, 0.3 turns lower than the 1.91 times at December 31, 2018, reflecting increased EBITDA and a reduction in net debt. This leverage level is consistent with management's conservative approach to financial risk and the Company's ability to generate strong levels of free cash flow from operations (a non-IFRS measure; see "Key Performance Indicators and Non-IFRS Measures" in Section 5A). This leverage level also allows the Company the flexibility to quickly execute its acquisition growth strategy without significantly exposing its credit quality.

The Board does not have a target dividend payout ratio (a non-IFRS measure; see "Key Performance Indicators and Non-IFRS Measures" in Section 5A). However, the Company has paid dividends quarterly for over thirty years without an omission or reduction and has more than doubled the annualized rate since March 2015. The Board views this consistency and dividend growth as important factors in enhancing shareholder value. For 2019, the dividend payout ratio was 24% of adjusted earnings. This dividend payout ratio reflects the strong cash flows generated by the Company with only a modest increase in adjusted earnings in 2019 compared to the 2018. Therefore, after careful review of the current year results, budgeted cash flow and income for 2020, the Board has declared a 5.9% increase in the annual dividend: an increase of $0.01 per Class B share per quarter, from $0.17 to $0.18 per Class B share per quarter ($0.72 per Class B share annualized).

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

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

The Company has always updated its financial strategies and performance against internal benchmarks without forsaking obligations to social, environmental and governance concerns. Environmental, Social and Governance initiatives are in place to enhance the integration of social and environmental concerns into our business operations and interactions with stakeholders. CCL identified five pillars under this program that align with previous and existing CCL corporate initiatives: Sustainability, Ethics, Health & Safety, Innovation for Good, and Responsible Supply Chains.

Sustainability: The Company is committed to helping its customers meet their targets while reducing the environmental impact of its manufacturing processes. In 2019, the Company invested in greenhouse gas tracking software that will support the monitoring and reporting of greenhouse gas emissions for its global operations. Another area of focus will be waste reduction, which will prioritize not only diverting waste currently being sent to landfill to recycling and incineration, but also on reducing costs by minimizing waste generation, and reusing or selling manufacturing by-products.

Ethics: The Company maintains the Global Business Ethics Guide as its primary policy on ethical conduct and fair business practices for all of its employees.

Health & Safety: The health and safety of the Company's employees around the world is a top priority. The Company's current Environmental Health & Safety ("EHS") policy and robust safety reporting programs have oversight from the Board of Directors and meet all statutory requirements of each local regime.

Innovation for Good: The Company's divisional product innovation teams work directly with customers to create bespoke products that are directly applicable to their needs and market demand to be more socially responsible. For example, CCL Label created a line of products, including EcoStream, EcoSolve, and EcoSource, that help customers recycle single use packaging more effectively by facilitating easy removal of labels from plastic bottles.

Responsible Supply Chains: The Company continues to work with its supply chain partners to reduce the overall environmental and social impacts of its products including transportation, secondary packaging and material sourcing. In so doing, the Company has established near site distribution centres, developed innovative environmentally conscious products, and sourced environmentally and socially conscious materials.

D) Recent Acquisitions and Dispositions

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

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

- In November 2019, the Company acquired Stuck On You Holdings Pty Ltd and Stuck on You Trading Pty Ltd (collectively "SOY") based in Melbourne, Australia, for approximately $7.2 million, net of cash acquired. SOY is a direct-to-consumer online digital print business expanding Avery's presence in personalized "kids' labels" in Australasia.
- In June 2019, the Company acquired Say it Personally Limited ("STS"), a privately owned company based near East Grinstead in the UK for approximately $0.4 million, net of cash acquired. STS is a manufacturer of durable, personalized garment tags for the UK market and expands Avery's direct-to-consumer online product offerings.
- In May 2019, the Company acquired the shares of Colle a Moi Inc. ("CAM"), a privately owned company based in Quebec City, Canada, for approximately $3.1 million, net of cash acquired. CAM adds to Avery's direct-to-consumer online digital print capabilities in personalized "kids' labels."
- In April 2019, the Company acquired the shares of Hinsitsu Screen (Vietnam) Company Limited ("Hinsitsu"), based in Hanoi, Vietnam, for approximately $12.9 million, net of cash acquired. Hinsitsu is a leading supplier of durable and tamper evident labels and graphic overlays for the electronics industry in the ASEAN region and was added to CCL Design within the CCL Segment.
- In January 2019, the Company acquired Olympic Holding B.V. and its related subsidiaries ("Olympic"), a privately owned company based in Venray, Netherlands, for approximately $13.6 million, net of cash acquired. Olympic is a start-up technology company with a proprietary, patented process to produce high bond, acrylic foam tapes without the use of solvents for applications in the automotive, electronics and construction industries. Olympic was added to CCL Design within the CCL Segment.
- In January 2019, the Company acquired Easy2Name Limited ("E2N"), a privately owned company based near Newbury, U.K., for approximately $2.5 million, net of cash acquired. E2N expands Avery's direct-to-consumer online digital print offering of durable, personalized "kids' labels" to the U.K. market.
- In December 2018, the Company acquired the assets of Unilogo, based near Warsaw, Poland, for approximately $10.7 million. Unilogo is a supplier of digitally printed, pressure sensitive and sleeve labels for consumer products customers.
- In July 2018, the Company acquired Treofan from their ultimate parent, M&C S.p.A., an Italian public company listed on the Milan stock exchange. Treofan, based in Zacapu, Mexico, is a leading producer of BOPP film for the North American market. The purchase price, net of cash acquired was approximately $307.6 million inclusive of $43.6 million of capital additions incurred between announcement date and closing date for the construction of its new film line. Treofan immediately commenced operating as Innovia Films.

- In May 2018, the Company acquired the remaining 50.0% stake in the CCL-Korsini in-mould label joint venture in the United States from its partner for $3.1 million, net of cash acquired, and $6.7 million of assumed debt. As a result of the change in control, the financial results were no longer included as an equity investment but fully consolidated with CCL's Food & Beverage business.
- In May 2018, the Company acquired Nortec International Inc. ("Nortec"), a privately owned company in Israel for approximately $8.8 million in net cash and assumed debt. Nortec is a manufacturer of high performance labels and marking systems for the high technology sector and was added to CCL Design within the CCL Segment.
- In April 2018, the Company acquired Imprint Plus, a group of privately owned companies with common shareholders, based in Richmond, British Columbia, Canada for approximately $24.3 million, net of cash acquired. Imprint Plus expanded Avery's printable media depth in custom name badge systems, signage systems and accessories in North America.
- In January 2018, the Company acquired Fascia Graphics Ltd. ("Fascia"), a privately owned company in the United Kingdom, for approximately $9.3 million, net of cash acquired. Fascia is a manufacturer of graphic overlays, membrane-switch control panels and nameplates for large European OEM customers in the electronics and durables sector and was added to CCL Design within the CCL Segment.

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

E) Subsequent Events

Prior to the release of the 2019 annual financial statements, the Company announced:

- In January 2020, the Company signed a binding agreement to acquire Flexpol Sp. Z.o.o., a Polish BOPP film producer, for an estimated $22.0 million on a debt/cash free basis. Closing is expected during the first quarter of 2020 following regulatory approvals.
- In January 2020, the Company acquired the shares of I.D.&C. World Holding LTD ("ID&C"), a global leader in live event badges and wrist badges with operations the UK and US for an estimated $37.0 million, net of cash acquired.
- In January 2020, the Company acquired the shares of IDentalam Ltd., a designer and developer of software solutions for event badging and identification cards in the UK for an estimated $3.0 million, net of cash acquired.
- In January 2020, the Company acquired the shares of Etiquetaje Industrial S.L.U. and Eti-Textil Maroc S.a.r.l. AU ("Eti-Textil") an apparel label producing with operations in Spain and Morocco for an estimated $19.6 million, net of cash acquired.
- In February 2020, the Company acquired the shares of Clinical Systems, Inc. ("CSI") a specialized provider of labels and patient information booklets to the clinical trials industry in the U.S. for an estimated $19.4 million, net of cash acquired.
- In February 2020, the Company acquired the remaining 50.0% stake in Rheinfelden America aluminum slug venture in the U.S. from its partner for a nominal sum and will assume the $22.3 million of debt previously held in the venture. As a result of the change in control, the financial results will no longer be included as an equity investment but fully consolidated with CCL Container within the CCL Segment.

F) Consolidated Annual Financial Results

Selected Financial Information

Results of Consolidated Operations

		2019		2018		2017
Sales	$	5,321.3	$	5,161.5	$	4,755.7
Cost of sales		3,809.1		3,662.7		3,319.4
Gross profit		1,512.2		1,498.8		1,436.3
Selling, general and administrative expenses		774.6		785.8		751.5
		737.6		713.0		684.8
Earnings in equity accounted investments		5.4		5.3		3.7
Net finance cost		(81.0)		(80.7)		(75.2)
Restructuring and other items – net loss		(25.0)		(14.8)		(11.3)
Earnings before income taxes		637.0		622.8		602.0
Income taxes		159.9		156.0		127.9
Net earnings	$	477.1	$	466.8	$	474.1
Basic earnings per Class B share	$	2.68	$	2.64	$	2.70
Diluted earnings per Class B share	$	2.66	$	2.61	$	2.66
Adjusted basic earnings per Class B share	$	2.79	$	2.73	$	2.69
Dividends per Class B share	$	0.68	$	0.52	$	0.46
Total assets	$	7,038.0	$	7,027.6	$	6,144.0
Total non-current liabilities	$	2,992.3	$	3,007.6	$	2,686.4

Comments on Consolidated Results

Sales were a record $5,321.3 million in 2019, an increase of 3.1% compared to $5,161.5 million recorded in 2018. This improvement in sales can be attributed to acquisition growth of 2.7%, augmented by organic growth of 0.7% partly offset by a negative 0.3% impact from foreign currency translation.

Consistent with 2018, approximately 97.5% of the Company's 2019 sales to end-use customers are denominated in foreign currencies. Consequently, changes in foreign exchange rates can have a material impact on sales and profitability when translated into Canadian dollars for public reporting. The appreciation of the U.S. dollar, Mexican peso, and Thai baht by 2.4%, 2.2 %, and 6.6%, respectively, was offset by a 2.9%, 2.0%, 5.5% and 2.0% depreciation of the euro, U.K. pound, Brazilian real and Chinese renminbi, relative to the Canadian dollar in 2019 compared to average exchange rates in 2018.

Selling, general and administrative expenses ("SG&A") were $774.6 million for 2019, compared to $785.8 million reported in 2018. The decrease in SG&A expenses in 2019 relate primarily to a reduction in corporate expenses. Corporate expenses for 2019 declined to $49.7 million, compared to $62.7 million for 2018 due entirely to reduced long-term variable compensation expenses on diminished profitability improvement in the first year of the new three-year cumulative plan.

Operating income (a non-IFRS measure; see "Key Performance Indicators and Non-IFRS Measures" in Section 5A) for 2019 was $787.3 million, an increase of 1.5% compared to $775.7 million for 2018. Operating income in 2018 included $4.3 million non-cash accounting adjustments to fair value the acquired inventories of Treofan expensed through cost of sales, thus operating income improved 0.9%. Foreign currency translation was a 0.3% negative impact to consolidated operating income for 2019 compared to 2018. The Avery and Innovia Segments each increased operating income while the CCL and Checkpoint Segments posted declines, compared to 2018. Further details on the business segments follow later in this report.

EBITDA in 2019 was $1,067.2 million, an improvement of 7.2% compared to $995.3 million recorded in 2018. Foreign currency translation had a negative impact of 0.4%, more than offset by a 4.6% positive impact from the adoption of IFRS 16. Excluding the impact of foreign currency translation and IFRS 16, EBITDA increased by 3.0% over the prior year.

Net finance cost was $81.0 million for 2019, compared to $80.7 million for 2018. Excluding the lease liabilities interest, net finance cost decreased by 7.4% due to a lower average interest rate. The increase in net finance cost for, 2019 was attributable to the adoption of IFRS 16, which resulted in additional interest expense from lease liabilities of $6.3 million.

For the full year 2019, restructuring costs and other items represented an expense of $25.0 million ($19.9 million after tax) as follows:

- Restructuring expenses of $11.1 million ($9.3 million after tax), primarily related to severance and reorganization costs for Innovia, Checkpoint's European operations and similar expenses in the CCL Segment due to slowing demand in the fourth quarter.
- Acquisition transaction costs totaled $0.6 million ($0.6 million after tax), for the six acquisitions closed in 2019.
- Other expenses of $13.3 million ($10.0 million after tax), related to the settlement of a lawsuit attributable to practices employed by the pre-acquisition management of Checkpoint.

The negative earnings impact of these restructuring and other items in 2019 was $0.11 per Class B share.

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

- Restructuring expenses of $7.8 million ($6.3 million after tax), primarily related to severance and reorganization costs for Checkpoint and Avery European operations.
- Acquisition transaction costs totaled $3.7 million ($3.6 million after tax), primarily for the Treofan acquisition.
- Other expenses of $3.3 million ($2.7 million after tax), predominantly related to actuarial pension obligations at Innovia and legacy CCL U.K. operations. This non-cash expense is the result of a milestone legal judgement equalizing certain historic guaranteed minimum obligations for all U.K. defined benefit pension schemes.

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

In 2019 and 2018, the consolidated effective tax rate was 25.3, excluding earnings in equity-accounted investments. The combined Canadian federal and provincial statutory tax rate was 25.8% for 2019 (2018 – 25.8%).

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

Net earnings for 2019 were $477.1 million, compared to $466.8 million recorded in 2018 due to the items described above.

Basic earnings per Class B share were $2.68 for 2019 versus the $2.64 recorded for 2018. Diluted earnings per Class B share were $2.66 for 2019 and $2.61 for 2018. The movement in foreign currency exchange rates in 2019 compared to 2018 had a negative positive impact on the translation of the Company's basic earnings of $0.01 per Class B share. The diluted weighted average number of shares was 179.1 million for 2019, compared to 178.7 million for 2018.

As of December 31, 2019, the Company had 11.8 million Class A voting shares and 166.8 million Class B non-voting shares issued and outstanding. In addition, the Company had outstanding stock options to purchase 3.0 million Class B non-voting shares and 0.2 million deferred share units (DSU") outstanding to issue 0.2 million Class B non-voting shares. During the year the Company introduced a performance stock unit ("PSU") plan. Under the PSU plan, 1.5 million Class B non-voting shares could be awarded to participants at the end of the three-year cycle provided the financial performance criteria have been achieved and the participants are still employed by the Company. This PSU plan needs be approved at the annual and special shareholder meeting of the Company to be held on May 14, 2020. Since December 31, 2019, there has been no change in the number of outstanding Class A voting shares, Class B non-voting shares, stock options, DSUs or prospective PSUs to be issued.

Adjusted basic earnings per Class B share was $2.79 for 2019, up 2.2% from $2.73 in 2018.

The movement in foreign currency exchange rates in 2019 versus 2018 had an estimated negative translation impact of $0.01 on adjusted basic earnings per Class B share. This estimated foreign currency impact reflects the currency translation in all foreign operations.

G) Seasonality and Fourth Quarter Financial Results

2019	Unaudited Qtr 1	Unaudited Qtr 2	Unaudited Qtr 3	Unaudited Qtr 4	Year
Sales					
CCL	$ 851.1	$ 831.5	$ 831.2	$ 787.1	**$ 3,300.9**
Avery	157.6	203.3	207.6	170.5	**739.0**
Checkpoint	173.5	177.3	180.5	192.8	**724.1**
Innovia	149.9	142.1	137.8	127.5	**557.3**
Total sales	$ 1,332.1	$ 1,354.2	$ 1,357.1	$ 1,277.9	**$ 5,321.3**
Segment operating income					
CCL	$ 142.0	$ 117.0	$ 127.2	$ 108.1	**$ 494.3**
Avery	27.9	45.3	48.4	34.9	**156.5**
Checkpoint	20.3	23.1	28.0	25.0	**96.4**
Innovia	14.7	13.3	6.2	5.9	**40.1**
Operating income	204.9	198.7	209.8	173.9	**787.3**
Corporate expenses	14.3	14.7	18.1	2.6	**49.7**
Restructuring and other items	1.4	2.1	1.7	19.8	**25.0**
Earnings in equity accounted investments	(1.1)	(1.2)	(1.1)	(2.0)	**(5.4)**
	190.3	183.1	191.1	153.5	**718.0**
Finance cost, net	22.0	20.6	19.5	18.9	**81.0**
Earnings before income taxes	168.3	162.5	171.6	134.6	**637.0**
Income taxes	44.6	41.2	43.9	30.2	**159.9**
Net earnings	$ 123.7	$ 121.3	$ 127.7	$ 104.4	**$ 477.1**
Per Class B share					
Basic earnings	$ 0.70	$ 0.68	$ 0.71	$ 0.59	**$ 2.68**
Diluted earnings	$ 0.69	$ 0.68	$ 0.71	$ 0.58	**$ 2.66**
Adjusted basic earnings	$ 0.71	$ 0.69	$ 0.72	$ 0.67	**$ 2.79**

G) Seasonality and Fourth Quarter Financial Results (continued)

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

Fourth Quarter Results

Sales for the fourth quarter of 2019 declined 4.1% to $1,277.9 million, compared to $1,332.8 million recorded in the 2018 fourth quarter. Excluding foreign currency translation, sales for the fourth quarter of 2019 decreased by 2.9% compared to the 2018 fourth quarter. This decrease was due to 3.4% organic sales decline offset by 0.5% positive impact from acquisitions. The Checkpoint Segment posted sales growth of 3.6% excluding the impact of currency translation, completely driven by strength in its MAS business but was more than offset by reduced sales at the CCL, Avery and Innovia Segments. CCL Design posted solid sales gains for the quarter but organic declines across the other vertical markets predominantly in North America and Europe summed to an overall organic sales decline for the CCL Segment. Avery's direct-to consumer products continued to grow double-digit, but legacy product lines offset with seasonally slower demand compared to the fourth quarter of 2018. For 2019 fourth quarter, Innovia results declined on soft end markets and share loss in commodity films compared to 2018.

Operating income in the fourth quarter of 2019 was $173.9 million, compared to $189.2 million in the fourth quarter of 2018. For the fourth quarter of 2019, all four Segments for the Company posted declines in operating income. Within the CCL Segment, CCL Design's improved profitability, principally driven by gains in electronics markets, offset lower results at CCL Label and CCL Secure. Regionally, operating income improvement in emerging markets did not offset reduced profitability in the developed world. Avery's direct-to-consumer businesses improved profitability significantly for the quarter but volume declines in legacy product lines resulted in reduced operating income overall. Checkpoint's operating income would have been flat to the prior year fourth quarter if not for the impact of foreign currency translation. Return on sales ("Return on Sales," a non-IFRS financial measure; see "Key Performance Indicators and Non-IFRS Measures" in Section 5A) was still solid for Avery and Checkpoint at 20.5% and 13.0%, respectively. Innovia generated operating income of $5.9 million for the 2019 fourth quarter compared to $7.7 million in the prior year quarter. The 2019 fourth quarter results included a $9.6 million pension curtailment gain in the U.K. attributable to management's decision to close the inherited defined benefit pension scheme completely offset by significantly reduced volumes in commodity films.

Corporate expenses were $2.6 million in the fourth quarter of 2019, compared to $16.3 million recorded in the prior-year period. The decrease is attributable to a reduction in long-term variable compensation expense resulting from the 2019 annual financial results falling below target payout levels.

EBITDA for the fourth quarter of 2019 was $254.7 million, up 4.3% compared to the $244.2 million for the 2018 comparable period. EBITDA improved $11.6 million due to the adoption of IFRS 16 and $13.7 million due to the aforementioned reduction in corporate expenses.

Net finance cost was $18.9 million for the fourth quarter of 2019 compared to $19.8 million for the fourth quarter of 2018. A lower average interest rate for the fourth quarter of 2019 compared to the fourth quarter of 2018 resulted in a reduction of comparative net finance costs. Partially offsetting this net finance cost reduction was $1.4 million of additional interest expense from lease liabilities associated with the adoption of IFRS 16.

For the fourth quarter of 2019, restructuring costs and other items represented an expense of $19.8 million ($15.3 million income after tax) as follows:

- Restructuring expenses of $6.4 million ($5.2 million after tax), primarily related to severance and reorganization costs for Checkpoint's European operations and similar expenses in the CCL Segment due to slowing demand in the fourth quarter.
- Other expenses of $13.3 million ($10.0 million after tax), related to the settlement of a lawsuit attributable to practices employed by the pre-acquisition management of Checkpoint.

The negative earnings impact of these restructuring and other items for the 2019 fourth quarter was $0.08 per Class B share.

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

- Restructuring expenses of $2.3 million ($1.8 million after tax), primarily related to severance and reorganization costs for Checkpoint and Avery European operations.
- Acquisition transaction costs totaled $1.0 million ($0.9 million after tax), primarily for the Treofan acquisition.
- Other expenses of $3.3 million ($2.7 million after tax), predominantly related to actuarial pension obligations at Innovia and legacy CCL U.K. operations. This non-cash expense is the result of a milestone legal judgement equalizing certain historic guaranteed minimum obligations for all U.K. defined benefit pension schemes.

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

Tax expense in the fourth quarter of 2019 was $30.2 million, resulting in an effective tax rate of 22.8% compared to $35.0 million and an effective tax rate of 23.9% in the prior-year period. The fourth quarter 2019 tax expense was attributable to a reduction of taxable income in higher taxed jurisdictions.

Net earnings in the fourth quarter of 2019 were $104.4 million, compared to net earnings of $114.2 million in last year's fourth quarter. This decrease reflects the items described above.

Basic earnings per Class B share were $0.59 in the fourth quarter of 2019 compared to $0.65 in the fourth quarter of 2018. The movement in foreign currency exchange rates in the fourth quarter of 2019 compared to 2018 had no impact.

Adjusted basic earnings per Class B share were $0.67 for the fourth quarter of 2019, compared to $0.68 in the corresponding quarter of 2018.

Summary of Seasonality and Quarterly Results

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

Sales and net earnings comparability between the quarters of 2019 and 2018 were primarily affected by regional economic variances, the impact of foreign currency changes relative to the Canadian dollar, the timing of acquisitions, the effect of restructuring, the impact of Central Bank reorder patterns, tax adjustments and other items. In particular, for the fourth quarter of 2019, reduced order volume in North American and European industrial markets, due to year-end inventory tightening by the Company's customer base impacted the CCL and Innovia Segments.

The third quarter back-to-school intensity in North America, was better than 2018, although it is expected to be more muted in the future due to secular declines in low-margin ring binder sales and the expansion of the Segment into other digital direct-to-consumer business that do not have this seasonal bias evolve. Return on sales for the fourth quarter and 2019 in the Avery Segment was in excess of 20.0% and the highest amongst all of the Company's segments.

Checkpoint's reoccurring revenues for the 2019 year were consistent with the most active months in the annual retail cycle. However, year-over-year comparative quarterly results can be influenced by large chain-wide customer driven hardware installations that strengthen future reoccurring label revenues for the Segment.

2. BUSINESS SEGMENT REVIEW

A) General

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

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

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

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

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

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

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

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

Avery has a strong commitment to understanding its ultimate end users, actively seeking product feedback and using consumer focus groups to drive product development initiatives. Furthermore, it leverages the CCL Segment's applications and technology to deliver product innovation that aligns with consumer printable media trends. Avery has also invested in many direct-to-consumer businesses globally and, encourages the cross-pollination of unique products and best practices.

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

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

The Company continues to invest time and capital to upgrade and expand its information technology systems. This investment is critical to keeping pace with customer requirements and in gaining or maintaining a competitive edge. Software packages are, in general, off-the-shelf systems customized to meet the needs of individual business locations. The CCL, Avery, Checkpoint and Innovia Segments communicate with many customers and suppliers electronically, particularly with regard to supply-chain-management solutions and when transferring and confirming design formats and colours. A core attribute of Avery's printable media products is the customized software to enable short-run digital printing in businesses and homes. Avery recognizes that it is critical to develop its software solutions to maintain its market-leading position with consumers. Avery launched WePrint™, expanding its direct-to-consumer software solutions and acquired Nilles', PCN's, Mabel's, GGW's, Badgepoint's, Imprint Plus's, E2N, CAM, STS, SOY's e-commerce platforms to leverage acquired digital print software into the pre-existing Avery suite.

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

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

Business Segment Results

	2019	2018
Segment sales		
CCL	$ 3,300.9	$ 3,255.1
Avery	739.0	711.9
Checkpoint	724.1	712.9
Innovia	557.3	481.6
Total sales	$ 5,321.3	$ 5,161.5
Operating income*		
CCL	$ 494.3	$ 511.3
Avery	156.5	145.5
Checkpoint	96.4	101.3
Innovia	40.1	17.6
Operating income	$ 787.3	$ 775.7

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

Comments on Business Segments

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

B) CCL Segment

Overview

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

The Segment's product lines include pressure sensitive labels, shrink sleeves, stretch sleeves, in-mould labels, precision printed and die cut metal, glass and plastic components, expanded content labels, pharmaceutical instructional leaflets, graphic security features, extruded or labeled plastic tubes, aluminum aerosols or specialty bottles and printed polymer security film substrates. It currently operates 137 production facilities located in Canada, the United States (including Puerto Rico), Argentina, Australia, Austria, Brazil, Chile, China, Denmark, Egypt, France, Germany, Hungary, Ireland, Israel, Italy, Japan, Korea, Malaysia, Mexico, the Netherlands, New Zealand, Oman, Pakistan, Philippines, Poland, Russia, Saudi Arabia, Singapore, South Africa, Switzerland, Thailand, Turkey, United Arab Emirates, the United Kingdom and Vietnam. The six plants in Russia, six plants in the Middle East, and one plant in the United States are connected to the equity investments in CCL-Kontur, Pacman-CCL and Rheinfelden Americas Inc., respectively, and are included in the above locations.

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

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

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

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

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

CCL Segment Financial Performance

		2019	**% Growth**		2018
Sales	**$**	**3,300.9**	**1.4%**	$	3,255.1
Operating income	**$**	**494.3**	**(3.3%)**	$	511.3
Return on sales		**15.0%**			15.7%

Sales in the CCL Segment for 2019 increased 1.4% to $3,300.9 million, compared to $3,255.1 million in 2018, driven by organic growth of 1.1%, 0.7% from acquisition related growth, partially offset by 0.4% negative impact from foreign currency translation.

Sales in 2019 for **North America** were up slightly excluding the impact of currency translation compared to 2018. Home & Personal Care sales improved on solid demand in labels, but profitability declined on unusually slow aluminum aerosol sales as customers built inventory in 2018. Healthcare & Specialty sales were down, with good profitability improvements in Specialty markets offset by declines in Healthcare, particularly in Canada. Food & Beverage posted sales gains in all end-markets, with substantial profitability advancement in Sleeves. CCL Design posted reduced sales due to slower automotive demand but improved profitability due to solid electronics and laminates end-markets. CCL Secure, principally stamps and security products, significantly increased sales and profitability over 2018. Overall profitability and return on sales declined due to lower Healthcare & Specialty and aluminum aerosol results.

European sales were up low-single digit for 2019, excluding currency translation compared to 2018. Home & Personal Care sales increased due to the Unilogo acquisition; however, incremental profitability only offset lower results from legacy operations especially in Germany. Healthcare & Specialty sales increased but profitability improvements in Germany were more than offset by soft results for the UK and Scandinavia. Food & Beverage recorded improved sales but profits fell on lower growth rates, competitive pressures and inefficiencies from strained capacity. Sales gains in electronics for CCL Design offset reduced profitability in industrial and automotive markets. CCL Secure sales and profitability increased significantly on a large new currency denomination, compared to 2018. Overall, European operating income, excluding currency translation fell slightly compared to 2018.

Sales in **Latin America** excluding currency translation increased low single digit for 2019 compared to 2018. Sales and profitability in Mexico increased at CCL Label, CCL Design Electronics and CCL Secure. However, sales for aluminum aerosols and slow volume build for a new automotive plant at CCL Design reduced overall profitability. Sales in Brazil declined, especially to Home & Personal Care and Food & Beverage customers significantly reducing overall profitability; strong results for Sleeves, Healthcare & Specialty and CCL Design partly compensated. Argentina and Chile posted reduced sales and profitability on operational issues at the latter and a difficult foreign exchange environment at the former. Excluding currency translation, underlying operating income overall decreased and return on sales declined.

Asia Pacific sales, excluding acquisitions and currency translation for 2019 were flat compared to 2018. Sales and profits in China increased significantly, as strong improvement at CCL Design in electronics augmented a solid base at CCL Label. The ASEAN region had a good year in Vietnam augmented by an acquisition and gains in the Philippines, but more than offset by lower sales and significantly reduced profitability in Thailand. Australian sales declined but profitability increased significantly on improvement in Healthcare and very good results at CCL Secure. The new Wine label plant in New Zealand increased sales and reduced start-up losses. For the Asia Pacific Region operating income increased and return on sales improved.

Operating income for the CCL Segment declined by 3.3% to $494.3 million for 2019 compared to $511.3 million for 2018. Foreign currency translation had a negative effect of 0.3% on 2019 operating income compared to 2018. Operating income as a percentage of sales was 15.0% in 2019 compared to the 15.7% return generated in the prior year.

The CCL Segment invested $272.7 million in capital spending in 2019 compared to $280.0 million last year. The major expenditures were for equipment installations to support capacity additions for the Home & Personal Care, Food & Beverage and Healthcare & Specialty businesses globally. Depreciation and amortization for the CCL Segment was $200.3 million in 2019, compared to $194.9 million in 2018.

C) Avery Segment

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

Avery operates 18 manufacturing and three distribution facilities. Sales for Avery are principally generated in North America, Europe and Australia with a market-leading position. There is a small developing presence in Latin America. Most products are sold under the market-leading "Avery" brand and, with equal prominence in German-speaking countries, under the "Zweckform" brand name that is better known by consumers in this part of Europe, as well as the direct-to-consumer "pc/nametag," "Mabel's Labels," "goedgemerkt," "badgepoint," "Imprint Plus," "Easy2Name," "Colle a Moi," and "Stuck on You" brands.

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

Avery Segment Financial Performance

		2019	% Growth		2018
Sales	$	**739.0**	**3.8%**	$	711.9
Operating income	$	**156.5**	**7.6%**	$	145.5
Return on sales		**21.2%**			20.4%

Sales in the Avery Segment for 2019 were $739.0 million compared to the $711.9 million posted in 2018. The increase was due to organic sales growth of 1.9%, acquisition growth of 1.1% and the positive impact of foreign currency translation of 0.8%.

North American sales improved low single digit for 2019, excluding currency translation and acquisitions, compared to 2018. Profitability in Printable Media improved on product mix, strong e-commerce sales and price increases on almost flat sales. OPG category sales slightly exceeded the prior year on improved volumes as customers avoided U.S. trade tariffs associated with off shore sourcing. Price increases for Avery's binders covered higher cost imported raw materials due to these tariffs. Profitability improvement outpaced double-digit sales growth in direct-to-consumer product lines that included badges, kids label, "WePrint", name badges and Avery.com.

International sales largely generated from products in the Printable Media and direct-to-consumer categories represent approximately 25% of the Avery Segment's sales for 2019. Sales, excluding acquisitions and currency translation, were up mid-single digit in Europe benefiting from strong organic growth in the direct-to-consumer offering, partially offset by declines in Asia Pacific and Latin America. Overall profitability improved in Europe but declined in Latin America and Asia Pacific.

Operating income for 2019 was $156.5 million compared to $145.5 million in 2018. Return on sales of 21.2% for 2019 compared to 20.4% for 2018, largely due to the results in the direct-to-consumer category globally.

The Avery Segment invested $13.5 million in capital spending for 2019, compared to $11.6 million for 2018. The majority of the expenditures in 2019 were for capacity additions in the direct-to-consumer operations in North America and Europe. Depreciation and amortization for the Avery Segment was $17.3 million for 2019 compared to $17.6 million for 2018.

D) Checkpoint Segment

Overview

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

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

Checkpoint is supported by 22 manufacturing facilities, nine distribution facilities and four product and software development centres around the world. Checkpoint is head quartered in the United States, but uses its global footprint to generate sales internationally. Checkpoint sells directly to retailers or apparel manufacturers and competes with other global retail labeling companies.

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

Checkpoint Segment Financial Performance

	2019	% Growth	2018
Sales	$ 724.1	1.6%	$ 712.9
Operating income	$ 96.4	(4.8%)	$ 101.3
Return on sales	13.3%		14.2%

Sales for the Checkpoint Segment were $724.1 million for 2019, an increase of 1.6% compared to the $712.9 million with 2.6% organic growth and 1.0% negative impact from foreign currency translation.

MAS product lines posted solid sales and profit improvement in North America due to new hardware business wins and strong sales in associated higher margin consumables. Sales in Europe, Latin America and Asia improved but profitability declined on the absence of large chain-wide technology rollouts included in the prior year European results that did not repeat in 2019 and the impact of a strong U.S. dollar on imported goods. **ALS** posted organic sales declines in soft apparel markets, particularly in the fourth quarter but operating income, excluding the impact of foreign currency translation, improved due to operational efficiency initiatives and a successful start-up of the new RFID inlay plant in China. The small **Meto** business recorded declines in sales and profitability for 2019 compared to 2018.

Operating income for 2019 was $96.4 million a decrease of 4.8% compared to $101.3 million in 2018. Return on sales was 13.3% for 2019, compared to 14.2% for 2018. Return on sales declined due the improved results for the North American operations being more than offset by the results for the rest of the world.

The Checkpoint Segment invested $28.9 million in capital spending for 2019, compared to $37.9 million for 2018. The majority of expenditures in 2019 were in the Asia Pacific region to enhance capacity and efficiency with the MAS and ALS manufacturing facilities. Depreciation and amortization for the Checkpoint Segment was $29.6 million for 2019, compared to $27.9 million for 2018.

E) Innovia Segment

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

Polypropylene resin is the most significant input cost for this Segment, derived from oil or natural gas and manufactured globally by a limited number of producers. Polypropylene costs depend on the prices of natural gas, oil and the availability of resin cracking capacity. The Segment does not use derivative financial instruments to hedge its exposure to volatility of polypropylene prices, therefore, the Segment must oversee its customer relationships diligently managing selling prices for the optimal long-term financial benefit of the Company. Since the completion of the Innovia acquisition, underlying input cost pressures pushed polypropylene prices up considerably, albeit North American prices have eased somewhat in 2019.

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

Lastly, since the acquisition of Treofan, the Segment was engaged in the completion of a new large-scale manufacturing capital project. This new line commenced operations at the end of the 2019 second quarter adding 50% manufacturing capacity to the Mexican operation.

Innovia Segment Financial Performance

		2019	% Growth		2018
Sales	$	557.3	15.7%	$	481.6
Operating income	$	40.1	127.8%	$	17.6
Return on sales		7.2%			3.7%

Sales in the Innovia Segment for 2019 were $557.3 million, compared to $481.6 million including six months post-Treofan acquisition on July 3, 2018, contributing acquisition related growth of 22.4% partially offset by a decline in organic sales of 6.3% and the negative impact of 0.4% from foreign currency translation compared to 2018.

For 2019, Innovia Segment sales declined organically by 6.3% with an acceleration in the fourth quarter on exiting low margin Treofan volumes in the United States and lower sales in the labels and packaging industry in Europe. Reported gains for the year derived from the Treofan acquisition in the first half.

Operating income increased 127.8% to $40.1 million compared to operating income of $17.6 million for 2018. Operating income for 2019 included a $9.6 million pension curtailment gain, recorded in the fourth quarter of the year, associated with the Company's decision to close the legacy U.K. defined benefit plan. The 2018 year included a non-cash acquisition accounting adjustment to fair value acquired inventory, inflating cost of goods sold by $4.3 million for the Treofan acquisition. Therefore, comparative operating income was $30.5 million for 2019 a 39.3% improvement from $21.9 million in 2018. Product mix aided 2019 profitability, especially stronger internal sales of security film. Acquisition profits, lower resin cost, price initiatives and production efficiency improvements more than offset the impact of lower volumes. Return on sales improved to 7.2% for 2019 compared to 3.7% for 2018.

The Innovia Segment invested $30.2 million in capital spending for 2019, compared to $22.7 million for 2018. The 2019 expenditures were largely for the completion of the manufacturing line in the Mexican facility. Depreciation and amortization for the Innovia Segment was $42.3 million for 2019, compared to $36.6 million for 2018.

F) Joint Ventures

For the years ended December 31		2019		2018	+/-
Sales (at 100%)					
CCL Label joint ventures	$	125.7	$	119.4	5.3%
Rheinfelden*		2.4		1.3	84.6%
	$	128.1	$	120.7	6.1%
Earnings (losses) in equity accounted investments (at 100%)					
CCL Label joint ventures	$	14.3	$	14.1	1.4%
Rheinfelden		(3.6)		(3.4)	(5.9%)
	$	10.7	$	10.7	—

* primarily sales to CCL Segment

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

Pacman-CCL had a record year as sales and profitability increased significantly on strong product mix and market share gains. CCL-Kontur posted strong increases in sales, however, profitability declined due to higher overhead costs related to capacity expansion in Sleeves. As expected, Rheinfelden Americas, the aluminum slug joint venture, incurred losses for the year as production was halted post an early 2018 fire and delayed installation of the final tranche of capital investment. The first quarter of 2020 will see a full scale up after a trial start up in late 2019. The plant will not reach annual profitability until 2021. Earnings in equity accounted investments amounted to $5.4 million for 2019, compared to $5.3 million for 2018.

3. FINANCING AND RISK MANAGEMENT

A) Liquidity and Capital Resources

The Company's leverage ratio is as follows:

For the years ended December 31		2019		2018
Current debt	$	**38.8**	$	71.8
Current lease liabilities		**35.3**		—
Long-term debt		**2,234.8**		2,419.8
Long-term lease liabilities		**110.9**		—
Total debt[(1)]		**2,419.8**		2,491.6
Cash and cash equivalents		**(703.6)**		(589.1)
Net debt[(1)]	$	**1,716.2**	$	1,902.5
EBITDA	$	**1,067.2**	$	995.3
Net debt to EBITDA[(1)]		**1.61**		1.91

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

In April 2018, the Company completed the private offering of $300.0 million principal amount of 3.864% Series 1 Notes due April 13, 2028. These notes are unsecured senior obligations. The proceeds of the offering were used to repay drawn debt within the Company's revolving credit facility.

The Company's debt structure at December 31, 2019, was primarily comprised of the 144A 3.25% private notes due October 2026 in the principal amount of US$500.0 million (C$643.1 million), the $300.0 million Series 1 Notes, outstanding debt totaling $780.3 million under the unsecured syndicated revolving credit facility and the term loan facility of US$366.00 million (C$475.3 million). Additional loan facilities negotiated in 2019 and resident in Mexico and Australia were $33.4 million and $37.6 million, respectively. Outstanding contingent letters of credit totaled $3.6 million; accordingly, there was US$595.7 million of unused availability on the revolving credit facility at December 31, 2019. The Company's debt structure at December 31, 2018, was principally comprised of the 144A private notes of US$500.0 million (C$674.5 million), the $300.0 million Series 1 Notes, outstanding debt under the syndicated revolving credit facility of $1,012.2 million and the term loan facility of US$366.0 million (C$498.8 million).

In March 2018, the Company amended its syndicated credit facilities extending the maturity of the aforementioned term loan facility from February 2019 to February 2020 and its US$1.2 billion revolving credit facility from December 2020 to March 2023. In February 2019, the term loan facility was further amended by extending the maturity date to February 2021 and removing the required US$12.0 million quarterly principal payments.

Net debt was $1,716.2 million at December 31, 2019, $186.3 million lower than the net debt of $1,902.5 million at December 31, 2018. Net debt declined despite the inclusion of $146.2 million of lease liabilities due to the new accounting standard, offset by net long-term debt repayments inclusive of lease repayments of $156.8, the impact of foreign currency translation on total debt as well as the increase in cash and cash equivalents.

Net debt to EBITDA decreased to 1.61 times as at December 31, 2019, compared to 1.91 times at the end of 2018, due to the decrease in net debt and an increase in EBITDA. The measure continues to strengthen as the Company strategically deploys its free cash flow for business acquisitions and capital expenditures.

The Company's overall average finance rate was 2.3% as at December 31, 2019, compared to 3.0% as at December 31, 2018. The decrease in the average finance rate was caused by a decrease in rates on the Company's variable rate debt at December 31, 2019, compared to December 31, 2018.

Interest coverage (a non-IFRS measure; see "Key Performance Indicators and Non-IFRS Measures" in Section 5A) was 9.1 times and 8.8 times in 2019 and 2018, respectively, indicative of higher net finance costs associated with IFRS 16, partially offset by the lower overall average finance rate and higher operating income.

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

B) Cash Flow

Summary of Cash Flows

		2019		2018
Cash provided by operating activities	$	**779.5**	$	772.7
Cash used for financing activities		**(256.2)**		(67.3)
Cash used for investing activities		**(376.1)**		(696.1)
Effect of exchange rates on cash		**(32.7)**		22.3
Increase in cash and cash equivalents	$	**114.5**	$	31.6
Cash and cash equivalents – end of year	$	**703.6**	$	589.1

In 2019, cash provided by operating activities was $779.5 million, compared to $772.7 million in 2018. Free cash flow from operations was $443.8 million for 2019, compared to $442.5 million in the prior year. These two metrics were almost flat to the prior year consistent with almost flat operating income and net capital expenditures for 2019 compared to 2018.

The Company maintains a rigorous focus on its investment in non-cash working capital. Days of working capital employed (a non-IFRS measure; see "Key Performance Indicators and Non-IFRS Measures" in Section 5A) was 24 days and 18 days for the years ended December 31, 2019, and December 31, 2018, respectively. The days working capital employed increased as the Company was not able to match the reduction in trade and other payables with a corresponding reduction in trade and other receivables and inventory.

Cash used for financing activities in 2019 was $256.2 million, consisting of net debt repayments of long-term debt and leases of $156.8 million and dividend payments of $121.1 million partly offset by proceeds from the issuance of shares of $21.7 million due to the exercise of stock options.

Cash used for investing activities in 2019 of $376.1 million was primarily for acquisitions that totaled $40.4 million and net capital expenditures of $335.7 million.

After the above noted items and the $32.7 million negative effect of foreign currency rates, cash and cash equivalents increased by $114.5 million in 2019 to $703.6 million.

Capital spending in 2019 amounted to $345.6 million and proceeds from capital dispositions were $9.9 million, resulting in net capital expenditures of $335.7 million, compared to $330.2 million in 2018. Net capital spending exceeded annual depreciation and amortization expense as significant capital was required for the capacity-constrained Food & Beverage operations of the CCL Segment and for the completion of the new extrusion line at Innovia in Mexico. Depreciation and amortization in 2019 amounted to $290.5 million, compared to $278.0 million in 2018.

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

C) Interest Rate, Foreign Exchange Management and Other Hedges

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

As the Company operates internationally and less than 3.0% of its 2019 sales to end-use customers are denominated in Canadian dollars, the Company has exposure to market risks from changes in foreign exchange rates. The Company partially manages these exposures by contracting primarily in Canadian dollars, euros, U.K. pounds and U.S. dollars. Additionally, each subsidiary's sales and expenses are primarily denominated in its local currency, further minimizing the foreign exchange impact on the operating results.

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

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

As at December 31, 2019, the Company utilized cross-currency interest rate swap agreements ("CCIRSAs") to hedge its euro-based assets and cash flows, effectively converting notional US$264.7 million 3.25% fixed rate debt into 1.23% fixed rate euro debt, US$111.5 million 3.25% fixed rate debt into 1.16% fixed rate euro debt, and US$228.4 million floating rate debt into negative 0.28% fixed rate euro debt. The effect of the CCIRSAs has been to decrease finance cost by $17.2 million for the year ended December 31, 2019.

The Company has potential credit risks arising from derivative financial instruments if a counterparty fails to meet its obligations. The Company's counterparties are large international financial institutions and, to date, no such counterparty has failed to meet its financial obligations to the Company. As at December 31, 2019, the Company had no exposure to credit risk arising from derivative financial instruments.

As at December 31, 2019, the Company had US$1,387.50 million and £60.3 million drawn under the 144A private bonds, term credit facility and revolving credit facility, which are hedging a portion of its U.S. dollar-based, euro-based and pound sterling-based investments and cash flows, inclusive of U.S. dollar debt swapped to euros.

D) Equity and Dividends

Summary of Changes in Equity

For the years ended December 31		**2019**		2018
Net earnings	**$**	**477.1**	$	466.8
Dividends		**(121.1)**		(91.9)
Settlement of exercised stock options		**29.2**		27.2
Contributed surplus on expensing of stock options and stock-based compensation plans		**18.8**		14.4
Defined benefit plan actuarial gain (loss), net of tax		**(54.9)**		10.6
Increase in accumulated other comprehensive income (loss)		**(124.5)**		88.1
Increase in equity	**$**	**224.6**	$	515.2
Equity	**$**	**2,897.7**	$	2,673.1
Shares issued at December 31– Class A (000s)		**11,836**		11,836
– Class B (000s)		**166,790**		165,921

In 2019, the Company declared dividends of $121.1 million, compared to $91.9 million declared in the prior year. As previously discussed, the dividend payout ratio in 2019 was 24% (2018 – 19%) of adjusted earnings. After careful review of the current year results, budgeted cash flow and income for 2020, the Board has declared a 5.9% increase in the annual dividend: an increase of $0.01 per Class B share per quarter, from $0.17 to $0.18 per Class B share per quarter ($0.72 per Class B share annualized).

If cash flow periodically exceeds attractive acquisition opportunities available, the Company may also repurchase its shares provided that the repurchase is accretive to earnings per share, is at a valuation equal to or lower than valuations for acquisition opportunities, and will not materially increase financial leverage beyond targeted levels. The Company did not repurchase any of its shares for cancellation in 2019.

E) Commitments and Other Contractual Obligations

The Company's obligations relating to debt, leases and other liabilities at the end of 2019 were as follows:

	December 31, 2018	December 31, 2019						
				Payments Due by Period				
	Carrying Amount	Carrying Amount	Contractual Cash Flows	0–6 Months	6–12 Months	1–2 Years	2–5 Years	More than 5 Years
Non-derivative financial liabilities								
Secured bank loans	$ 1.4	$ 0.5	$ 0.5	$ 0.2	$ 0.2	$ 0.1	$ —	$ —
Unsecured bank loans	2.9	4.3	4.3	0.1	0.1	3.4	0.7	—
Unsecured 144A 3.25% private notes	674.5	643.1	649.5	—	—	—	—	649.5
Unsecured 3.864% series 1 notes	298.2	298.4	300.0	—	—	—	—	300.0
Unsecured syndicated bank credit facility	1,012.2	851.3	852.3	—	37.6	33.4	781.3	—
Unsecured syndicated bank term credit facility	498.8	475.3	475.4	—	—	475.4	—	—
Other long-term obligations	3.6	0.7	0.7	0.3	0.3	0.1	—	—
Interest on unsecured bank credit facilities	*	*	85.1*	16.0	16.2	25.0	27.9	—
Interest on 144A 3.25% private notes	*	*	158.1*	5.3	10.4	21.1	63.3	58.0
Interest on unsecured 3.864% series 1 notes	*	*	93.1*	3.3	5.7	11.6	34.8	37.7
Interest on other long-term debt	*	*	3.7*	1.1	1.0	1.5	0.1	—
Trade and other payables	1,223.4	1,035.6	1,035.6*	1,035.6	—	—	—	—
Accrued post-employment benefit liabilities	*	*	156.7*	2.1	2.1	15.2	49.5	87.8
Lease liabilities	-	146.2	161.2	18.6	18.7	26.6	45.9	51.4
Total contractual cash obligations	$ 3,715.0	$ 3,455.4	$ 3,976.2	$1,082.6	$ 92.3	$ 613.4	$1,003.5	$1,184.4

* Accrued long-term employee benefit and post-employment benefit liability of $12.4 million, accrued interest of $8.0 million on unsecured notes, unsecured bonds, unsecured two-year term loan and unsecured syndicated credit facilities, and accrued interest of $1.5 million on derivatives are reported in trade and other payables in 2019 (2018: $50.8 million, $9.2 million and $1.6 million, respectively).

Pension Obligations

The Company sponsors a number of defined benefit plans in countries that give rise to accrued post-employment benefit obligations. The accrued benefit obligation for these plans at the end of 2019 was $768.0 million (2018 – $707.2 million) and the fair value of the plan assets was $402.8 million (2018 – $378.7 million), for a net deficit of $365.2 million (2018 – $328.5 million). Contributions to defined benefit plans during 2019 were $25.3 million (2018 – $20.3 million). The Company expects to contribute $47.1 million to the pension plans in 2020, inclusive of defined contribution plans. These estimated funding requirements will be adjusted annually, based on various market factors such as interest rates, expected returns and staffing assumptions, including compensation and mortality. The Company's contributions are funded through cash flows generated from operations. Management anticipates that future cash flows from operations will be sufficient to fund expected future contributions. Details of the Company's pension plans and related obligations are set out in note 20, "Employee Benefits," of the Company's 2019 annual consolidated financial statements.

Other Obligations and Commitments

The Company has provided various loan guarantees for its joint ventures and associates totaling $42.3 million (2018 – $46.3 million). The Company has posted surety bonds through accredited insurance companies globally totaling $71.3 million (2018 – $74.2 million). There are no other material "off-balance sheet" financing obligations except for typical long-term operating lease agreements in 2018. The nature of these commitments is described in note 26 of the Company's 2019 annual consolidated financial statements. There are no defined benefit plans funded with the Company's stock.

F) Controls and Procedures

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

As at December 31, 2019, based on the continued evaluation of the disclosure controls and procedures, the CEO and the CFO have concluded that the Company's disclosure controls and procedures, as defined in National Instrument 52-109, Certificate of Disclosure in Issuers Annual and Interim Filings ("NI 52-109"), are effective to ensure that information required to be disclosed in reports and documents that the Company files or submits under Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified.

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Management is responsible for establishing and maintaining adequate internal control over financial reporting. NI 52-109 requires CEOs and CFOs to certify that they are responsible for establishing and maintaining internal control over financial reporting for the issuer, that internal control has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS, that the internal control over financial reporting is effective, and that the issuer has disclosed any changes in its internal control during the year ended December 31, 2019 that has materially affected or is reasonably likely to materially affect its internal control over financial reporting.

Based on the evaluation of the design and operating effectiveness of the Company's internal control over financial reporting, the CEO and the CFO concluded that internal control over financial reporting was effective as at December 31, 2019.

There were no material changes in internal control over financial reporting in the financial year ended December 31, 2019.

4. RISKS AND UNCERTAINTIES

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

Potential Risks Relating to Significant Operations in Foreign Countries

The Company operates plants in North America, Europe, Latin America, Africa, Asia, Australia and the Middle East. Sales to customers located outside of Canada in 2019 were 97% of the Company's total sales, a level similar to that in 2018. Non-Canadian operating results are translated into Canadian dollars at the average exchange rate for the period covered. The Company has significant operating bases in both the United States and Europe. In 2019, 40% and 31% of total sales were to customers in the United States and Europe, respectively. The Company's operating results and cash flows could be negatively impacted by slower or declining growth rates in these key markets. The sales from business units in Latin America, Asia, South Africa and Australia in 2019 were 26% of the Company's total sales. In addition, the Company has equity accounted investments in Russia, the United States and the Middle East. There are risks associated with operating a decentralized organization in 183 manufacturing facilities in 42 countries around the world with a variety of different cultures and values. Operations outside of Canada, the United States and Europe are perceived generally to have greater political and economic risks and include the Company's operations in Latin America, parts of Asia, Russia and the Middle East. These risks include, but are not limited to, fluctuations in currency exchange rates, inflation, changes in foreign law and regulations, government nationalization of certain industries, currency controls, potential adverse tax consequences and locally accepted business practices and standards that may not be similar to accepted business practices and standards in North America and Europe. Although the Company has controls and procedures intended to mitigate these risks, these risks cannot be entirely eliminated and may have a material adverse effect on the consolidated financial results of the Company.

Competitive Environment

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

Foreign Exchange Exposure and Hedging Activities

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

Retention of Key Personnel and Experienced Workforce

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

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

Acquired Businesses

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

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

Long-Term Growth Strategy

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

Lower than Anticipated Demand

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

Exposure to Income Tax Reassessments

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

Realization of Deferred Tax Assets

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

Fluctuations in Operating Results

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

Insurance Coverage

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

Brexit

On January 31, 2020, the U.K.'s withdrawal from the European Union ("E.U."), commonly referred to as "Brexit," became effective. While there will be a transition period until December 31, 2020, during which the U.K. will continue to follow the E.U.'s rules and the trading relationship is expected to remain largely unchanged, there exists significant uncertainty as to the nature of the U.K.'s ongoing relationship with the E.U. following the expiry of the transition period. While it is anticipated that a process of negotiation regarding the longer term future of the U.K.'s relationship with members of the E.U. will continue, there is significant uncertainty about the outcome of such negotiations, which could result in the U.K. losing access to the aspects of the single E.U. market, including the global trade deals negotiated by the E.U. on behalf of its members. Brexit and the perceptions as to the impact of the withdrawal of the U.K. may adversely affect business activity, political stability, consumer and corporate confidence and economic conditions in the U.K., in those countries that have adopted the euro as their currency (the "Eurozone"), in the E.U. and elsewhere. The economic outlook could be further adversely affected by: (i) the risk that one or more other E.U. countries could come under increasing pressure to leave the E.U; (ii) the risk that the euro as the single currency of the Eurozone could cease to exist; (iii) the risk arising from changes in laws and regulations in the U.K.; (iv) the risk that movements in the U.K. pound exchange rates related to Brexit could damage competitiveness or profitability as a significant portion of the Company's U.K. transactions are priced in U.S. dollars and euros; (v) the risk that goods moving between the U.K. and any member of the E.U. will be subject to duties and tariffs; and (vi) the risk that goods moving between the U.K. and any member of the E.U. will be subject to additional inspections and documentation checks, leading to possible delays at ports of entry and departure. These changes to the trading relationship between the U.K. and the E.U. are expected to result in increased cost of goods imported into and exported from the U.K. and may decrease the profitability of the Company's U.K. and other operations. In addition, any of these developments, or the perception that any of these developments are likely to occur, could have a material adverse effect on economic growth or business activity in the U.K., the Eurozone, the E.U. or elsewhere and could result in the relocation of businesses, cause business interruptions, lead to economic recession or depression, and impact the stability of the financial markets, availability of credit, political systems or financial institutions and the financial and monetary system. Given that the Company conducts a significant portion of its business in the E.U. and the U.K., any of these developments could have a material adverse effect on the business, financial position, liquidity and results of operations of the Company.

Changes in U.S. Trade Policies

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

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

Catastrophic Events

Natural disasters, such as earthquakes, tsunamis, floods or wildfires, public health crises, such as epidemics and pandemics, political instability, acts of terrorism, war or other conflicts and other events outside of the Company's control, may adversely impact our business and operating results. In addition to the direct impact that such events could have on our facilities and workforce, these types of events could negatively impact consumer spending in the impacted regions or depending on the severity, globally, which would impact our customers and in turn impact on demand for our products. Most recently, the outbreak of the novel coronavirus known as COVID-19 has significantly impacted access to and from and consumer spending in parts of China. While none of the Company's 22 production facilities in China have to date been subject to closure or other significant adverse impact, a prolonged continuance of this public health crisis could create adverse impacts in China on our workforce, our supply chain or the demand for our products should our customers be faced with declining consumer demand for their products.

Dependence on Customers

The Company has a modest dependence on certain customers. The Company's two largest customers combined accounted for approximately 9.0% of the consolidated revenue for the fiscal year 2019. The five largest customers of the Company represented approximately 16.5% of the total revenue for 2019 and the 25 largest customers represented approximately 36.4% of the total revenue. Several thousand customers make up the remainder of total revenue. Although the Company has strong partnership relationships with its customers, there can be no assurance that the Company will maintain its relationship with any particular customer or continue to provide services to any particular customer at current levels. A loss of any significant customer, or a decrease in the sales to any such customer, could have a material adverse effect on the business, financial condition and results of operations of the Company. Consolidation within the consumer products marketer base and office retail superstores could have a negative impact on the Company's business, depending on the nature and scope of any such consolidation.

Environmental, Health and Safety Requirements and Other Considerations

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

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

Operating and Product Hazards

The Company's revenues are dependent on the continued operation of its facilities and its customers. The operation of manufacturing plants involves many risks, including the failure or substandard performance of equipment, natural disasters, suspension of operations and new governmental statutes, regulations, guidelines and policies. The total loss of certain of the Company's manufacturing plants could have a significant financial impact on the affected business segment, particularly where the plant represents a single or significant source of supply. The operations of the Company and its customers are also subject to various hazards incidental to the production, use, handling, processing, storage and transportation of certain hazardous materials. These hazards can cause personal injury, severe damage to and destruction of property and equipment and environmental damage. Furthermore, the Company may become subject to claims with respect to workplace exposure, workers' compensation and other matters. The Company's pharmaceutical and specialty food product operations are subject to stringent federal, state, provincial and local health, food and drug regulations and controls, and may be impacted by consumer product liability claims and the possible unavailability and/or expense of liability insurance. The Company prints information on its labels and containers that, if incorrect, could give rise to product liability claims. A determination by applicable regulatory authorities that any of the Company's facilities are not in compliance with any such regulations or controls in any material respect may have a material adverse effect on the Company. A successful product liability claim (or a series of claims) against the Company in excess of its insurance coverage could have a material adverse effect on the business, financial condition and results of operations of the Company. There can be no assurance as to the actual amount of these liabilities or the timing thereof. The occurrence of material operational problems, including, but not limited to, the above events, could have a material adverse effect on the business, financial condition and results of operations of the Company.

The Timing and Volume of New Banknote Orders

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

Decline in Address Mailing Labels

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

Product Security

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

Financial Reporting

The Company prepares its financial reports in accordance with accounting policies and methods prescribed by IFRS. In the preparation of financial reports, management may need to rely upon assumptions, make estimates or use their best judgment in determining the financial condition of the Company. Significant accounting policies are described in more detail in the notes to the Company's annual consolidated financial statements for the year ended December 31, 2019. In order to have a reasonable level of assurance that financial transactions are properly authorized, assets are safeguarded against unauthorized or improper use and transactions are properly recorded and reported, the Company has implemented and continues to analyze its internal control systems for financial reporting. Although the Company believes that its financial reporting and financial statements are prepared with reasonable safeguards to ensure reliability, the Company cannot provide absolute assurance in that regard.

Compliance with Anti-Bribery and Export Laws

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

New Product Developments

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

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

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

Labour Relations

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

Legal and Regulatory Proceedings

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

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

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

Specifically, during 2018, the Federal Court of Australia awarded a judgment and costs against a subsidiary of the Company, CCL Secure Pty Ltd. (formerly Innovia Security Pty Ltd.) ("ISPL"), totaling Australian dollars ("AUD") 70.0 million (C$63.8 million), finding a wrongful termination of an agency agreement with Benoy Berry and a company controlled by him, Global Secure Currency Ltd. (collectively "Berry"), an arm's length third party in Nigeria. ISPL appealed the judgment. As part of the appeals process, the Australian court mandated that the Company guarantee the entire judgment in order to stay execution of the judgment pending resolution of the appeal. On appeal in 2019, the Australian court of appeals reduced the total damages awarded to Berry to AUD 4.8 million (C$4.4 million) including interest and Berry's estimated legal costs, and awarded ISPL a portion of its appeal costs. Berry has appealed the reduced award to the Final Court of Appeals in Australia. The Company maintains a provision in its accounts of its estimate of the likely final award and liability of ISPL.

In the first quarter of 2019, a hearing on a jurisdictional issue was heard in respect of a lawsuit launched in 2011 by Berry in Nigerian Federal Court against ISPL and Innovia Films Ltd. (collectively "IFL"), as well as other defendants not affiliated with ISPL. The court denied IFL's motion to dismiss the lawsuit on the jurisdictional issue. IFL is appealing that decision. The lawsuit alleges that IFL and the co-defendants committed to build a banknote substrate plant in Nigeria and Berry seeks an order requiring IFL and the co-defendants to build the plant or in lieu thereof, grant an award of total damages in the amount of €1.5 billion (C$2.2 billion). IFL intends to vigorously defend this claim, which the Company considers to be without merit and accordingly, the Company has made no provision for the matter.

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

Defined Benefit Post-Employment Plans

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

Breach of Legal and Regulatory Requirements

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

Material Disruption of Information Technology Systems

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

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

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

As of December 31, 2019, the Company had approximately $2.8 billion of goodwill and indefinite-life intangible assets on its statement of financial position, the value of which is reviewed for impairment at least annually. The assessment of the value of goodwill and intangible assets depends on a number of key factors requiring estimates and assumptions about earnings growth, operating margins, discount rates, economic projections, anticipated future cash flows and market capitalization. There can be no assurance that future reviews of goodwill and intangible assets will not result in an impairment charge. Although it does not affect cash flow, an impairment charge does have the effect of reducing the Company's earnings, total assets and equity.

Raw Materials and Component Parts

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

Credit Ratings

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

Share Price Volatility

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

Increase in Interest Rates

At December 31, 2019, approximately 46% of the Company's outstanding debt was subject to variable interest rates. Increases in short-term interest rates would directly impact interest costs. Significant increases in short-term interest rates will increase borrowing costs and could have a material adverse impact on the financial results of the Company.

Protection of Intellectual Property

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

Dividends

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

Climate Change

Event risks caused by global climate change, including the frequency and severity of weather-related events, could damage the Company's facilities, disrupt operations, impact revenues and cash flow, and create financial risk. These could result in substantial costs for emergency response efforts during the event, reinstatement of regular business operations and repair or replacement of premises and equipment. The potential impact or financial consequence of such events is highly uncertain. The Company's operations are spread over more than 180 locations around the world and therefore subject to varying climate change event risks.

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

5. ACCOUNTING POLICIES AND NON-IFRS MEASURES

A) Key Performance Indicators and Non-IFRS Measures

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

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

Earnings per Class B Share

	Fourth Quarter		Year-to-Date	
	2019	2018	**2019**	2018
Basic earnings	**$ 0.59**	$ 0.65	**$ 2.68**	$ 2.64
Net loss from restructuring and other items	**0.08**	0.03	**0.11**	0.07
Non-cash acquisition accounting adjustment to inventory	**—**	—	**—**	0.02
Adjusted basic earnings	**$ 0.67**	$ 0.68	**$ 2.79**	$ 2.73

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

Days of Working Capital Employed

At December 31	**2019**	2018
Trade and other receivables	**$ 849.2**	$ 938.0
Inventories	**481.6**	524.6
Prepaid expenses	**36.6**	34.8
Income taxes recoverable	**34.0**	38.7
Trade and other payables	**(1,035.6)**	(1,223.4)
Income taxes payable	**(38.1)**	(51.2)
Net working capital	**$ 327.7**	$ 261.5
Days in quarter	**92**	92
Fourth quarter sales	**$ 1,277.9**	$ 1,332.8
Days of working capital employed	**24**	18

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

Dividend Payout Ratio

	Year-to-Date	
	2019	2018
Dividends declared per equity	**$ 121.1**	$ 91.9
Adjusted earnings	**$ 496.9**	$ 482.5
Dividend payout ratio	**24%**	19%

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

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

EBITDA

	Fourth Quarter		Year-to-Date	
	2019	2018	**2019**	2018
Net earnings	**$ 104.4**	$ 114.2	**$ 477.1**	$ 466.8
Corporate expense	**2.6**	16.3	**49.7**	62.7
Earnings in equity accounted investments	**(2.0)**	(2.7)	**(5.4)**	(5.3)
Finance cost, net	**18.9**	19.8	**81.0**	80.7
Restructuring and other items – net loss	**19.8**	6.6	**25.0**	14.8
Income taxes	**30.2**	35.0	**159.9**	156.0
Operating income	**$ 173.9**	$ 189.2	**$ 787.3**	$ 775.7
Less: Corporate expense	**(2.6)**	(16.3)	**(49.7)**	(62.7)
Add: Depreciation and amortization	**83.4**	71.3	**329.6**	278.0
Add: Non-cash accounting adjustment to inventory	**—**	—	**—**	4.3
EBITDA (a non-IFRS measure)	**$ 254.7**	$ 244.2	**$ 1,067.2**	$ 995.3

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

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

Free Cash Flow from Operations

		2019		2018
Cash provided by operating activities	$	779.5	$	772.7
Less: Additions to property, plant and equipment		(345.6)		(352.9)
Add:Proceeds on disposal of property, plant and equipment		9.9		22.7
Free cash flow from operations	$	443.8	$	442.5

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

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

Interest Coverage

		2019		2018
Operating income (a non-IFRS measure; see definition below)	$	787.3	$	775.7
Less: Corporate expense		(49.7)		(62.7)
	$	737.6	$	713.0
Net finance cost	$	81.0	$	80.7
Interest coverage		9.1		8.8

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

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

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

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

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

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

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

Return on Equity

		Year-to-Date		
		2019		2018
Net earnings	**$**	**477.1**	$	466.8
Restructuring and other items, (net of tax)		**19.8**		12.6
Non-cash acquisition accounting adjustment to inventory, (net of tax)		**—**		3.1
Adjusted net earnings	**$**	**496.9**	$	482.5
Average equity	**$**	**2,785.4**	$	2,415.5
Return on equity		**17.8%**		20.0%

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

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

		Year-to-Date		
		2019		2018
Net earnings	**$**	**477.1**	$	466.8
Restructuring and other items, (net of tax)		**19.8**		12.6
Non-cash acquisition accounting adjustment to inventory, (net of tax)		**—**		3.1
Adjusted net earnings	**$**	**496.9**	$	482.5
Average total capital	**$**	**4,594.8**	$	4,253.7
Return on total capital		**10.8%**		11.3%

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

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

Return on Sales

	Three Months Ended December 31		Twelve Months Ended December 31	
	2019	2018	**2019**	2018
Sales				
CCL	**$ 787.1**	$ 827.2	**$ 3,300.9**	$ 3,255.1
Avery	**170.5**	173.1	**739.0**	711.9
Checkpoint	**192.8**	189.2	**724.1**	712.9
Innovia	**127.5**	143.3	**557.3**	481.6
Total sales	**$ 1,277.9**	$ 1,332.8	**$ 5,321.3**	$ 5,161.5
Operating income				
CCL	**$ 108.1**	$ 120.1	**$ 494.3**	$ 511.3
Avery	**34.9**	36.0	**156.5**	145.5
Checkpoint	**25.0**	25.4	**96.4**	101.3
Innovia	**5.9**	7.7	**40.1**	17.6
Total operating income	**$ 173.9**	$ 189.2	**$ 787.3**	$ 775.7
Return on sales				
CCL	**13.7%**	14.5%	**15.0%**	15.7%
Avery	**20.5%**	20.8%	**21.2%**	20.4%
Checkpoint	**13.0%**	13.4%	**13.3%**	14.2%
Innovia	**4.6%**	5.4%	**7.2%**	3.7%
Total return on sales	**13.6%**	14.2%	**14.8%**	15.0%

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

B) Accounting Policies and New Standards

Accounting Policies

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

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

Recently Adopted New Accounting Standards

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

C) Critical Accounting Estimates

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

Goodwill and Indefinite-Life Intangibles

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

During the 2019 fourth quarter, the Company completed its impairment test as at September 30, 2019. Impairment testing for the cash-generating units ("CGU"), CCL, Avery, Checkpoint, and Innovia Segments, was done by a comparison of the unit's carrying amount to its estimated value in use, determined by discounting future cash flows from the continuing use of the unit. Key assumptions used in the determination of the value in use include growth rates of 2% to 7% and pre-tax discount rates ranging from 7% to 12%. Discount rates reflect current market assumptions and risks related to the Segments and are based upon the weighted average cost of capital for the Segment. The Company's historical growth rates are used as a basis in determining the growth rate applied for impairment testing. Significant management judgment is required in preparing the forecasts of future operating results that are used in the discounted cash flow method of valuation. In 2019 and 2018, it was determined that the carrying amount of goodwill and indefinite-life intangibles was not impaired. Since the process of determining fair values requires management judgment regarding projected results and market multiples, a change in these assumptions could impact the fair value of the reporting units, resulting in an impairment charge.

Long-Lived Assets

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

Employee Benefits

The Company accrues its obligation under employee benefit plans and related costs net of plan assets. Pension costs are determined periodically by independent actuaries. The actuarial determination of the accrued benefit obligations for the plans uses the projected unit credit method and incorporates management's best estimate of future salary escalation, retirement age, inflation and other actuarial factors. The cost is then charged as services are rendered. Since these assumptions, which are disclosed in note 20 of the 2019 annual consolidated financial statements, involve forward-looking estimates and are long term in nature, they are subject to uncertainty. Actual results may differ, and the differences may be material.

D) Related Party Transactions

The Company has entered into a number of agreements with its subsidiaries that govern the management, commercial and cost-sharing arrangements with and among the subsidiaries. These inter-company structures are established on terms typical of arm's length agreements. A summary of the Company's related party transactions is set out in note 27 of the 2019 annual consolidated financial statements.

6. OUTLOOK

2019 was another solid year for the Company with sales growth of 3.1% compared to the prior year, leading to an increase in adjusted basic earnings per Class B share of 2.2% to $2.79 compared to $2.73 per class B Share in 2018. Moreover, the Company continued to generate strong cash returns despite investing $40.4 million in six acquisitions and $345.6 million in capital asset additions. Acquisitions in 2019 expanded Avery's "kid's labels" and badges businesses globally and CCL Design extended its electronics labels presence into Vietnam and made its first acquisition into "tapes" with Olympic.

The 2019 year closed with the weakest pace of global growth since the financial crisis, despite trade tensions between China and the United States easing and an apparent Brexit outcome finalized. Eurozone growth remained sluggish, while Russia and Brazil did not rebound as expected in 2019. For 2020, forecasts indicate further weakening in global growth rates, compounded by potential trade uncertainty between the United States and Europe and the impact of the coronavirus on China's economy and potentially the global supply chain. Consequently, commodity and currency markets could remain volatile and passing on foreign exchange movement and input cost changes to the Company's customer base will remain in focus. Should the pace of economic growth slow dramatically, the Company expects to quickly initiate actions that reduce variable costs to match the evolving economic reality.

Although results dipped slightly for 2019, driven by a lackluster fourth quarter in the developed world, the CCL Segment remains committed to achieving its global growth strategy pursuing expansion plans in new and existing markets with its core customers where the opportunity meets the long-term profitability objectives. CCL Secure will continue to develop market leading security technology to pursue long-term widespread adoption of polymer banknotes amongst central bankers. The Company is confident this strategy will continue to generate strong cash flows that will support additional investment opportunities and allow CCL to further expand its geographic and market segment reach.

Avery recorded a successful 2019, established an organic growth of nearly 2%, supported by double digit growth rates in its rapidly expanding direct-to-consumer platform, outpacing the declines in legacy low margin ring binders. The outlook for 2020 is attractive with the expectation of sustainable growth in Avery's direct-to-consumer offering including incremental acquisitions such as IDentalam and ID&C that closed in early 2020, as well as new product developments coupled with stable margins for its legacy OPG product group.

The Checkpoint Segment posted a solid 2019, with a return on sales of 13.3%, albeit slightly less than 2018. The MAS business performed as anticipated and ALS showed improvement with expectations of further gains in 2020. In 2019, Checkpoint invested in capital equipment to become primary in its manufacturing of RFID labels, completed the re-engineering of its inventory management software offering for RFID and is ready to add additional manufacturing capacity to meet increased RFID demand for 2020 and beyond. In February of 2020, Checkpoint announced the completion of its first acquisition, Eti-Textil; additional complimentary and tuck-in business acquisitions will be considered by management.

2019 financial results for the Innovia Segment progressed, as inflationary cost pressures from increased resin prices eased, foreign exchange tailwinds in the U.S. assisted and management successfully improved contractual pass-through pricing mechanisms to the customer base with further evolution in 2020 envisaged. The Mexican operation successfully completed the construction and efficient start-up of its new BOPP line, with less disruption and cost than anticipated. Focus will now turn to filling the incremental capacity with appropriate margin product. With the addition of the Flexpol acquisition in Poland, Innovia has a full suite of BOPP films available to serve customers in Europe and North America and added attention will directed to improving profitability at Flexpol.

The Company concluded the year with cash-on-hand of $703.6 million and unused availability on the revolving credit facility was US$595.7 million. The Company's liquidity position is robust, with a net debt leverage ratio of 1.61 times EBITDA at the end of the current year, 0.3 turns lower than 2018. As always, the Company remains focused on vigilantly managing working capital and prioritizing capital to higher-growth organic opportunities or unique acquisitions expected to enhance shareholder value. The Company expects capital expenditures for 2020 to be approximately $350.0 million in order to support the organic growth and new greenfield opportunities globally. The first quarter consolidated order book looks stable, however the ultimate impact of coronavirus on demand in China and the global supply chain has yet to play out.

KPMG LLP
100 New Park Place,
Suite 1400
Vaughan, ON L4K 0J3
Tel 905-265 5900
Fax 905-265 6390
www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Shareholders of CCL Industries Inc.

Opinion

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

- the consolidated statements of financial position as at December 31, 2019 and December 31, 2018
- the consolidated income statements for the years then ended
- the consolidated statements of comprehensive income for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2019 and December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

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

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

Emphasis of Matter – Prospective Change in Accounting Policy

We draw attention to Note 3q to the consolidated financial statements, which indicates that the Entity has changed its accounting policy for the impact of the adoption of IFRS 16 Leases and has applied that change using a modified retrospective approach. Our opinion is not modified in respect of this matter.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

Other Information

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

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

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

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

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

We have nothing to report in this regard.

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
The engagement partner on the audit resulting in this auditors' report is Tammy L. Brown.
Vaughan, Canada
February 20, 2020

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In millions of Canadian dollars)

As at December 31	Note	2019	2018
Assets			
Current assets			
Cash and cash equivalents	6	$ 703.6	$ 589.1
Trade and other receivables	7	849.2	938.0
Inventories	8	481.6	524.6
Prepaid expenses		36.6	34.8
Income taxes recoverable		34.0	38.7
Total current assets		2,105.0	2,125.2
Non-current assets			
Property, plant and equipment	10	1,818.2	1,797.5
Right-of-use assets	11	146.5	—
Goodwill	12,13	1,794.4	1,830.3
Intangible assets	12,13	1,028.7	1,138.9
Deferred tax assets	15	30.8	32.5
Equity-accounted investments	9	62.0	59.8
Other assets		34.5	34.3
Derivative instruments	24	17.9	9.1
Total non-current assets		4,933.0	4,902.4
Total assets		$ 7,038.0	$ 7,027.6
Liabilities			
Current liabilities			
Trade and other payables	14	$ 1,035.6	$ 1,223.4
Current portion of long-term debt	18	38.8	71.8
Lease liabilities		35.3	—
Income taxes payable		38.1	51.2
Derivative instruments	24	0.2	0.5
Total current liabilities		1,148.0	1,346.9
Non-current liabilities			
Long-term debt	18	2,234.8	2,419.8
Lease liabilities		110.9	—
Deferred tax liabilities	15	245.4	216.6
Employee benefits	20	364.9	320.0
Provisions and other long-term liabilities		11.4	10.6
Derivative instruments	24	24.9	40.6
Total non-current liabilities		2,992.3	3,007.6
Total liabilities		4,140.3	4,354.5
Equity			
Share capital	16	365.5	306.3
Contributed surplus		81.5	92.7
Retained earnings		2,540.0	2,238.9
Accumulated other comprehensive income (loss)	29	(89.3)	35.2
Total equity attributable to shareholders of the Company		2,897.7	2,673.1
Commitments and contingencies	26		
Acquisitions	5		
Subsequent events	31		
Total liabilities and equity		$ 7,038.0	$ 7,027.6

See accompanying explanatory notes to the consolidated financial statements.

On behalf of the Board:

Donald G. Lang
Director

Geoffrey T. Martin
Director

CONSOLIDATED INCOME STATEMENTS

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

Years ended December 31	Note		2019		2018
Sales		$	**5,321.3**	$	5,161.5
Cost of sales			**3,809.1**		3,662.7
Gross profit			**1,512.2**		1,498.8
Selling, general and administrative expenses			**774.6**		785.8
Restructuring and other items	30		**25.0**		14.8
Earnings in equity-accounted investments			**(5.4)**		(5.3)
			718.0		703.5
Finance cost	19		**86.7**		92.9
Finance income	19		**(12.0)**		(12.2)
Interest on lease liabilities	11		**6.3**		—
Net finance cost			**81.0**		80.7
Earnings before income tax			**637.0**		622.8
Income tax expense	22		**159.9**		156.0
Net earnings		$	**477.1**	$	466.8
Earnings per share					
Basic earnings per Class B share	2,17	$	**2.68**	$	2.64
Diluted earnings per Class B share	2,17	$	**2.66**	$	2.61

See accompanying explanatory notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions of Canadian dollars)

Years ended December 31		2019		2018
Net earnings	**$**	**477.1**	$	466.8
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 recovery of $7.8 for the year ended December 31, 2019 (2018 – tax expense of $8.7)		**(230.4)**		206.5
Net gains (losses) on hedges of net investment in foreign operations, net of tax expense of $15.6 for the year ended December 31, 2019 (2018 – tax recovery of $14.9)		**105.6**		(112.7)
Effective portion of changes in fair value of cash flow hedges, net of tax of nil for the year ended December 31, 2019 (2018 – tax recovery of $0.2)		**(0.1)**		(0.6)
Net change in fair value of cash flow hedges transferred to the income statement, net of tax recovery of $0.1 for the year ended December 31, 2019 (2018 – tax expense of $1.1)		**0.4**		(5.1)
Actuarial gains (losses) on defined benefit post-employment plans, net of tax recovery of $10.5 for the year ended December 31, 2019 (2018 – tax expense of $2.6)		**(54.9)**		10.6
Other comprehensive income (loss), net of tax		**(179.4)**		98.7
Total comprehensive income	**$**	**297.7**	$	565.5

See accompanying explanatory notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In millions of Canadian dollars)

	Class A Shares (note 16)	Class B Shares (note 16)	Shares Held in Trust (note 16)	Total Share Capital	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Equity Attributable to Shareholders
Balance, January 1, 2018	$ 4.5	$ 304.6	$ (29.7)	$ 279.4	$ 78.0	$ 1,853.4	$ (52.9)	$ 2,157.9
Net earnings	—	—	—	—	—	466.8	—	466.8
Dividends declared								
Class A	—	—	—	—	—	(6.0)	—	(6.0)
Class B	—	—	—	—	—	(85.9)	—	(85.9)
Defined benefit plan actuarial gains, net of tax	—	—	—	—	—	10.6	—	10.6
Stock-based compensation plan	—	4.2	—	4.2	8.9	—	—	13.1
Shares purchased and held in trust	—	—	(0.3)	(0.3)	0.3	—	—	—
Stock option expense	—	—	—	—	9.6	—	—	9.6
Stock options exercised	—	23.0	—	23.0	(3.9)	—	—	19.1
Income tax effect related to stock options	—	—	—	—	(0.2)	—	—	(0.2)
Other comprehensive income	—	—	—	—	—	—	88.1	88.1
Balance, December 31, 2018	$ 4.5	$ 331.8	$ (30.0)	$ 306.3	$ 92.7	$ 2,238.9	$ 35.2	$ 2,673.1
Net earnings	—	—	—	—	—	477.1	—	477.1
Dividends declared								
Class A	—	—	—	—	—	(7.9)	—	(7.9)
Class B	—	—	—	—	—	(113.2)	—	(113.2)
Defined benefit plan actuarial losses, net of tax	—	—	—	—	—	(54.9)	—	(54.9)
Stock-based compensation plan	—	3.1	—	3.1	12.1	—	—	15.2
Shares purchased and held in trust	—	—	30.0	30.0	(30.0)	—	—	—
Stock option expense	—	—	—	—	10.2	—	—	10.2
Stock options exercised	—	26.1	—	26.1	(4.4)	—	—	21.7
Income tax effect related to stock options	—	—	—	—	0.9	—	—	0.9
Other comprehensive loss	—	—	—	—	—	—	(124.5)	(124.5)
Balance, December 31, 2019	**$ 4.5**	**$ 361.0**	**$ —**	**$ 365.5**	**$ 81.5**	**$ 2,540.0**	**$ (89.3)**	**$ 2,897.7**

See accompanying explanatory notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions of Canadian dollars)

Years ended December 31	2019	2018
Cash provided by (used for)		
Operating activities		
Net earnings	$ 477.1	$ 466.8
Adjustments for:		
Property, plant and equipment depreciation	234.0	223.3
Right-of-use assets depreciation	39.1	—
Intangible amortization	56.5	54.7
Earnings in equity-accounted investments, net of dividends received	(2.1)	(1.5)
Net finance costs	81.0	80.7
Current income tax expense	122.6	139.4
Deferred tax expense	37.3	16.6
Equity-settled share-based payment transactions	26.3	22.9
Gain on sale of property, plant and equipment	(3.6)	(3.6)
	1,068.2	999.3
Change in inventories	44.5	(62.1)
Change in trade and other receivables	90.8	(58.5)
Change in prepaid expenses	(1.8)	(1.1)
Change in trade and other payables	(197.1)	149.4
Change in income taxes receivable and payable	(1.7)	(8.6)
Change in employee benefits	44.9	(13.6)
Change in other assets and liabilities	(63.9)	1.4
	983.9	1,006.2
Net interest paid	(72.3)	(76.8)
Income taxes paid	(132.1)	(156.7)
Cash provided by operating activities	779.5	772.7
Financing activities		
Proceeds on issuance of long-term debt	175.1	888.5
Repayment of long-term debt	(294.9)	(882.7)
Repayment of lease liabilities	(37.0)	—
Proceeds from issuance of shares	21.7	19.1
Dividends paid	(121.1)	(92.2)
Cash used for financing activities	(256.2)	(67.3)
Investing activities		
Additions to property, plant and equipment	(345.6)	(352.9)
Proceeds on disposal of property, plant and equipment	9.9	22.7
Business acquisitions and other long-term investments (note 5)	(40.4)	(365.9)
Cash used for investing activities	(376.1)	(696.1)
Net increase in cash and cash equivalents	147.2	9.3
Cash and cash equivalents at beginning of year	589.1	557.5
Translation adjustments on cash and cash equivalents	(32.7)	22.3
Cash and cash equivalents at end of year	$ 703.6	$ 589.1

See accompanying explanatory notes to the consolidated financial statements.

1. REPORTING ENTITY

CCL Industries Inc. (the "Company") is a public company, listed on the Toronto Stock Exchange, and is incorporated and domiciled in Canada. These consolidated financial statements of the Company as at and for the years ended December 31, 2019 and 2018, comprise the results of the Company, its subsidiaries and its interest in joint ventures and associates. The Company has manufacturing facilities around the world and is primarily involved in the manufacture of labels, consumer printable media products, technology-driven label solutions, polymer banknote substrates and specialty films.

2. BASIS OF PREPARATION

(a) Statement of compliance

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

These consolidated financial statements were authorized for issue by the Company's Board of Directors on February 21, 2020.

(b) Basis of measurement

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

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

(c) Presentation currency

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

(d) Use of estimates and judgments

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

(i) Business combinations

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

(ii) Subsidiaries

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

(iii) Associates and joint arrangements

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

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

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

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

(iv) Transactions eliminated on consolidation

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

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Company’s entities using exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency using the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in the foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognized in the consolidated income statement, except

for differences arising on the translation of a financial liability designated as a hedge of the net investment in a foreign operation or qualifying cash flow hedges, which are recognized directly in other comprehensive income (see note 3(b)(iii)). Foreign currency-denominated non-monetary items, measured at historical cost, have been translated at the rate of exchange at the transaction date.

(ii) Foreign operations

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

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

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

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

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

(iii) Hedge of net investment in a foreign operation

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

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

(c) Financial instruments

(i) Financial assets and liabilities

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

Amortized cost:

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

Fair value through profit or loss ("FVTPL"):

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

Fair value through other comprehensive income ("FVTOCI"):

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

Other financial liabilities:

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

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

(ii) Derivative financial instruments, including hedge accounting

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

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

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

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

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

Cash flow hedges

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

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

Fair value hedges

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

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

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

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

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

(ii) Depreciation

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

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

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

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

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

(e) Intangible assets

(i) Goodwill

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

Subsequent measurement

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

(ii) Other intangible assets

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

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

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

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

- Patents, trademarks and other — Up to 15 years
- Customer relationships — Up to 20 years
- Brands and goodwill — Indefinite-life

(f) Leases

The Company recognizes right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The right-of-use asset is measured based on the initial value of the lease liability adjusted for lease payments made at or before the commencement of the lease, initial direct costs and estimated dismantling and restoring costs. The right-of-use asset is depreciated over the shorter of the lease term and the asset’s useful life, unless it is reasonably certain the Company will obtain ownership by the end of the lease term, in which case the asset is depreciated over its useful life.

The lease liability is measured at the present value of all future lease payments discounted at the lessee’s incremental borrowing rate. Lease liabilities are measured at amortized cost using the effective interest rate method whereby interest is recognized in profit or loss over the lease term.

The Company has adopted the practical expedients related to short-term leases and leases of low-value assets whereby lease obligations associated with these leases are recognized as an expense in the consolidated income statement when incurred.

(g) Inventories

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

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

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

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

(h) Impairment

(i) Financial assets, including receivables

A financial asset not carried at FVTPL is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates an expected credit loss (“ECL”). Loss allowances are measured on the basis of lifetime ECLs where losses are recognized from all possible default events over the expected life of a financial instrument.

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

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

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

(ii) Non-financial assets

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

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

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

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

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

(i) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

(iii) Termination benefits

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

(iv) Short-term benefits

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

(v) Share-based payment transactions

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

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

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

(j) Provisions

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

(k) Revenue

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

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

(l) Finance income and costs

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

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

(m) Taxation

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

(i) Current tax

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

(ii) Deferred tax

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

(iii) Deferred tax liabilities

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

(iv) Deferred tax assets

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

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

(n) Share capital

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

(o) Earnings per share

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

(p) Segment reporting

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

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

(q) New standards effective in 2019

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, Leases, 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 Company adopted IFRS 16 in its consolidated financial statements for the annual period beginning on January 1, 2019, using the modified retrospective approach and the practical expedients related to (i) grandfathering previous assessments of which existing contracts are, or contain, leases, (ii) short-term leases, and, (iii) leases of low-value items. Lease obligations associated with short-term and low-value leases are recognized as an expense in the consolidated income statement, when incurred. Accordingly, the comparative information for 2018 has not been restated and is presented under IAS 17.

The Company recognizes right-of-use assets and lease liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. The right-of-use asset is measured based on the initial value of the lease liability adjusted for lease payments made at or before the commencement of the lease, initial direct costs and estimated dismantling and restoration costs. The right-of-use asset is depreciated over the shorter of the lease term and the asset's useful life unless it is reasonably certain the Company will obtain ownership by the end of the lease term, in which case the asset is depreciated over its useful life.

The lease liability is measured at the present value of all future lease payments discounted at the lessee's incremental borrowing rate. Lease liabilities are measured at amortized cost using the effective interest rate method whereby interest is recognized in profit or loss over the lease term.

Upon adoption of IFRS 16, the Company recognized $167.6 million for right-of-use assets, a corresponding additional $171.7 million of lease liabilities and a reduction in other liabilities of $4.1 million in its consolidated statement of financial position.

Impacts on consolidated financial statements:

Operating lease commitment at December 31, 2018, as disclosed in the Company's consolidated financial statements	$	204.8
Discounted using the incremental borrowing rate at January 1, 2019	$	171.7
Financial lease liabilities recognized as at December 31, 2018		2.6
Lease liabilities recognized at January 1, 2019	**$**	**174.3**

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

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

4. SEGMENT REPORTING

(a) Business segments

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

The Company's reportable segments are the following:

- CCL is a converter of pressure sensitive and specialty extruded film materials for a wide range of decorative, instructional, functional and security applications for government institutions and large global customers in the consumer packaging, healthcare & chemicals, consumer electronic device and automotive markets. Extruded & laminated plastic tubes, aluminum aerosols & specialty bottles, folded instructional leaflets, precision decorated & die cut components, electronic displays, polymer banknote substrate and other complementary products and services are sold in parallel to specific end-use markets.
- Avery is a supplier of labels, specialty converted media and software solutions to enable short-run digital printing in businesses and homes alongside complementary office products sold through distributors and mass-market retailers. The products are split into three primary lines: (1) Printable Media, including address labels, shipping labels, marketing and product identification labels, business cards, and name badges supported by customized software solutions; (2) Organizational Products Group, including binders, sheet protectors, indexes & dividers and writing instruments; (3) Direct-to-Consumer digitally imaged media including labels, business cards, name badges, and family-oriented identification labels supported by unique web-enabled e-commerce URLs.
- Checkpoint is a manufacturer of technology-driven loss-prevention, inventory-management and labeling solutions, including radio frequency and radio frequency identification ("RFID") solutions, to the retail and apparel industry. The Segment has three primary product lines: Merchandise Availability Solutions ("MAS"), Apparel Labeling Solutions ("ALS") and "Meto". The MAS line focuses on electronic-article-surveillance ("EAS") systems; hardware, software, labels and tags for loss prevention and inventory control systems including RFID solutions. ALS products are apparel labels and tags, some of which are RFID capable. Meto supplies hand-held pricing tools and labels and promotional in-store displays.
- Innovia supplies specialty, high-performance, multi-layer, surface-engineered biaxially oriented polypropylene ("BOPP") films from facilities in Australia, Belgium, Mexico and the United Kingdom ("U.K.") to customers in the pressure sensitive label materials, flexible packaging and consumer packaged goods industries worldwide. Additionally, a small percentage of the total volume is sold internally to CCL Secure, while the smaller legacy facilities produce almost their entire output for CCL Label.

	Sales		Operating Income	
	2019	2018	**2019**	2018
CCL	**$ 3,300.9**	$ 3,255.1	**$ 494.3**	$ 511.3
Avery	**739.0**	711.9	**156.5**	145.5
Checkpoint	**724.1**	712.9	**96.4**	101.3
Innovia	**557.3**	481.6	**40.1**	17.6
	$ 5,321.3	$ 5,161.5	**$ 787.3**	$ 775.7
Corporate expenses			**(49.7)**	(62.7)
Restructuring and other items			**(25.0)**	(14.8)
Earnings in equity-accounted investments			**5.4**	5.3
Finance cost			**(86.7)**	(92.9)
Finance income			**12.0**	12.2
Interest on lease liabilities			**(6.3)**	—
Income tax expense			**(159.9)**	(156.0)
Net earnings			**$ 477.1**	$ 466.8

	Total Assets		Total Liabilities		Depreciation and Amortization		Capital Expenditures	
December 31	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
CCL	**$ 3,634.3**	$ 3,645.8	**$ 964.1**	$ 947.5	**$ 221.4**	$ 194.9	**$ 272.7**	$ 280.0
Avery	**638.2**	637.4	**236.7**	237.3	**24.1**	17.6	**13.5**	11.6
Checkpoint	**934.1**	978.0	**486.8**	451.2	**37.8**	27.9	**28.9**	37.9
Innovia	**1,090.8**	1,140.7	**261.7**	225.2	**44.7**	36.6	**30.2**	22.7
Equity-accounted investments	**62.0**	59.8	**—**	—	**—**	—	**—**	—
Corporate	**678.6**	565.9	**2,191.0**	2,493.3	**1.6**	1.0	**0.3**	0.7
Total	**$ 7,038.0**	$ 7,027.6	**$ 4,140.3**	$4,354.5	**$ 329.6**	$ 278.0	**$ 345.6**	$ 352.9

(b) Geographical segments

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

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

	Sales		Property, Plant and Equipment, Goodwill and Intangible Assets	
	2019	2018	**2019**	2018
Canada	**$ 134.2**	$ 152.6	**$ 62.7**	$ 78.8
United States and Puerto Rico	**2,152.3**	1,995.5	**1,153.8**	1,162.6
Mexico, Brazil, Chile and Argentina	**439.9**	398.2	**572.3**	586.0
Europe	**1,656.1**	1,682.3	**1,597.5**	1,643.0
Asia, Australia, Africa and New Zealand	**938.8**	932.9	**1,255.0**	1,296.3
Consolidated	**$ 5,321.3**	$ 5,161.5	**$ 4,641.3**	$ 4,766.7

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

5. ACQUISITIONS

(a) Acquisitions in 2019

In January 2019, the Company acquired Olympic Holding B.V. and its related subsidiaries ("Olympic"), a privately-owned company based in Venray, Netherlands, for approximately $13.6 million, net of cash acquired. Olympic is a start-up technology company with a proprietary, patented process to produce high-bond, acrylic foam tapes without the use of solvents for applications in the automotive, electronics and construction industries. Olympic was added to the CCL Segment.

In January 2019, the Company acquired Easy2Name Limited ("E2N"), a privately-owned company based near Newbury in the U.K. for approximately $2.5 million, net of cash acquired. E2N expands Avery's direct-to-consumer online digital print offering of durable, personalized "kids' labels" to the U.K. market. E2N was added to the Avery Segment.

In March 2019, the Company and its joint-venture partner each invested an additional $0.7 million in Rheinfelden Americas, LLC, a supplier of aluminum slugs for aerosol cans.

In April 2019, the Company acquired Hinsitsu Screen (Vietnam) Company Limited ("Hinsitsu"), based in Hanoi, with a second manufacturing operation in Ho Chi Minh City, for approximately $12.9 million, net of cash acquired. Hinsitsu is a leading supplier of durable and tamper-evident labels and graphic overlays for the electronics industry in Vietnam. Hinsitsu was added to the CCL Segment.

In May 2019, the Company acquired Colle À Moi Inc. ("CAM"), a privately-owned company based in Quebec City, Canada, for approximately $3.1 million, net of cash acquired. CAM adds to Avery's direct-to-consumer online digital print capabilities for personalized "kids' labels".

In June 2019, the Company acquired Say it Personally Limited ("STS"), a privately-owned company based near East Grinstead in the U.K. for approximately $0.4 million, net of cash acquired. STS is a manufacturer of durable, personalized garment tags for the U.K. market and expands Avery's direct-to-consumer online product offerings.

In November 2019, the Company acquired the shares of Stuck On You Holdings Pty Ltd and Stuck on You Trading Pty Ltd (collectively "SOY"), two privately-owned companies based in Melbourne, Australia, for approximately $7.2 million, net of cash acquired. SOY adds to Avery's direct-to-consumer online digital print capabilities for personalized "kids' labels".

(b) The following table summarizes the allocation of the consideration to the fair value of the assets acquired and liabilities assumed for the Olympic, E2N, Hinsitsu, CAM, STS and SOY acquisitions:

Cash consideration, net of cash acquired	$	39.7
Trade and other receivables	$	2.0
Inventories		1.4
Property, plant and equipment		3.1
Right-of-use assets		1.3
Deferred tax assets		0.3
Goodwill		35.6
Trade and other payables		(2.6)
Lease liabilities		(1.2)
Income taxes payable		(0.2)
Net assets acquired	$	39.7

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 for Olympic, E2N, Hinsitsu, CAM, STS and SOY is $35.6 million, which is not deductible for tax purposes.

(c) The following table summarizes the combined sales and net earnings that the newly-acquired Olympic, E2N, Hinsitsu, CAM, STS and SOY have contributed to the Company for the current reporting period.

	Twelve Months Ended December 31, 2019
Sales	$ 14.4
Net earnings	$ 1.6

(d) Pro forma information

The pro forma consolidated financial information below has been prepared following the accounting policies of the Company as if the acquisitions took place on January 1, 2019.

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

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

The following table summarizes the sales and net earnings of the Company combined with Olympic, E2N, Hinsitsu, CAM, STS and SOY as though the acquisitions took place on January 1, 2019:

	Twelve Months Ended December 31, 2019
Sales	$ 5,333.8
Net earnings	$ 478.4

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

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

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

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

(f) Other acquisitions in 2018

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

In February and May 2018, the Company and its joint-venture partner each invested an additional $1.3 million and $1.9 million, respectively, in Rheinfelden Americas, LLC, a supplier of aluminum slugs for aerosol cans.

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

In May 2018, the Company acquired Nortec International Inc. ("Nortec"), a privately-owned company in Israel, for approximately $8.8 million in net cash and assumed debt. Nortec is a manufacturer of high-performance labels and marking systems for the high-technology sector and expands CCL Design's presence in Israel. Nortec was added to the CCL Segment.

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

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

The following table summarizes the allocation of the consideration to the fair value of the assets acquired and liabilities assumed for the Fascia, Imprint Plus, Nortec, Korsini and Unilogo acquisitions:

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

6. CASH AND CASH EQUIVALENTS

		December 31, 2019		December 31, 2018
Bank balances	**$**	**689.2**	$	577.7
Restricted cash		**8.4**		8.1
Short-term investments		**6.0**		3.3
Cash and cash equivalents	**$**	**703.6**	$	589.1

7. TRADE AND OTHER RECEIVABLES

	December 31, 2019	December 31, 2018
Trade receivables	$ 752.3	$ 847.3
Other receivables	96.9	90.7
Trade and other receivables	$ 849.2	$ 938.0

8. INVENTORIES

	December 31, 2019	December 31, 2018
Raw material	$ 200.2	$ 210.7
Work in progress	53.0	58.3
Finished goods	228.4	255.6
Total inventories	$ 481.6	$ 524.6

The total amount of inventories recognized as an expense in 2019 was $3,809.1 million (2018 – $3,662.7 million), including depreciation of $272.3 million (2018 – $223.3 million).

9. EQUITY-ACCOUNTED INVESTMENTS

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

	Associates	Joint Ventures	Total
At December 31, 2019			
Net earnings	$ 3.4	$ 7.3	$ 10.7
Other comprehensive loss	(1.2)	(5.3)	(6.5)
Total comprehensive income	$ 2.2	$ 2.0	$ 4.2
Carrying amount of investments in associates and joint ventures	$ 29.1	$ 32.9	$ 62.0

	Associates	Joint Ventures	Total
At December 31, 2018			
Net earnings	$ 5.6	$ 5.1	$ 10.7
Other comprehensive income	0.7	9.1	9.8
Total comprehensive income	$ 6.3	$ 14.2	$ 20.5
Carrying amount of investments in associates and joint ventures	$ 26.6	$ 33.2	$ 59.8

10. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	Machinery and Equipment	Fixtures, Fittings and Other	Total
Cost				
Balance at January 1, 2018	$ 683.3	$ 2,087.5	$ 36.8	$ 2,807.6
Acquisitions through business combinations	19.5	82.0	0.6	102.1
Other additions	62.7	285.6	4.6	352.9
Disposals	(22.7)	(60.7)	(1.0)	(84.4)
Effect of movements in exchange rates	63.0	89.7	3.4	156.1
Balance at December 31, 2018	$ 805.8	$ 2,484.1	$ 44.4	$ 3,334.3
Acquisitions through business combinations	0.4	2.6	0.1	3.1
Other additions	34.2	306.8	4.6	345.6
Other movements	50.3	(50.9)	0.6	—
Disposals	(4.2)	(44.5)	(0.3)	(49.0)
Effect of movements in exchange rates	(37.5)	(172.7)	(4.4)	(214.6)
Balance at December 31, 2019	**$ 849.0**	**$ 2,525.4**	**$ 45.0**	**$ 3,419.4**
Accumulated depreciation				
Balance at January 1, 2018	$ 179.3	$ 1,092.6	$ 21.0	$ 1,292.9
Depreciation for the year	30.5	188.4	4.4	223.3
Disposals	(12.5)	(51.9)	(0.9)	(65.3)
Effect of movements in exchange rates	18.9	65.1	1.9	85.9
Balance at December 31, 2018	$ 216.2	$ 1,294.2	$ 26.4	$ 1,536.8
Depreciation for the year	33.6	196.3	4.1	234.0
Other movements	—	0.1	(0.1)	—
Disposals	(0.9)	(41.5)	(0.3)	(42.7)
Effect of movements in exchange rates	(13.3)	(110.4)	(3.2)	(126.9)
Balance at December 31, 2019	**$ 235.6**	**$ 1,338.7**	**$ 26.9**	**$ 1,601.2**
Carrying amounts				
At December 31, 2018	$ 589.6	$ 1,189.9	$ 18.0	$ 1,797.5
At December 31, 2019	**$ 613.4**	**$ 1,186.7**	**$ 18.1**	**$ 1,818.2**

11. LEASES

(a) Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property, plant and equipment (see note 10).

	Land and Buildings	Machinery and Equipment	Other	Total
Cost				
Balance at January 1, 2019	$ 141.6	$ 9.9	$ 16.1	$ 167.6
Acquisitions through business combinations	1.1	0.2	—	1.3
Other additions	5.2	3.7	10.1	19.0
Other movements	(1.3)	—	(1.4)	(2.7)
Effect of movements in exchange rates	(0.7)	(0.2)	(0.3)	(1.2)
Balance at December 31, 2019	**$ 145.9**	**$ 13.6**	**$ 24.5**	**$ 184.0**
Accumulated depreciation				
Balance at January 1, 2019	$ —	$ —	$ —	$ —
Depreciation for the year	26.3	4.1	8.7	39.1
Other movements	(0.3)	(0.2)	(0.5)	(1.0)
Effect of movements in exchange rates	(0.4)	(0.1)	(0.1)	(0.6)
Balance at December 31, 2019	**$ 25.6**	**$ 3.8**	**$ 8.1**	**$ 37.5**
Carrying amounts				
At December 31, 2019	**$ 120.3**	**$ 9.8**	**$ 16.4**	**$ 146.5**

(b) Amounts recognized in the consolidated income statements and statements of cash flows

	December 31, 2019
Interest on lease liabilities	**$ 6.3**
Expenses relating to short-term leases	**$ 4.4**
Expenses relating to low-value asset leases, excluding short-term leases of low-value assets	**$ 0.4**
Total cash out-flow for leases	**$ 47.7**

12. INTANGIBLE ASSETS

	Customer Relationships	Patents, Trademarks and Other	Brands	Total	Goodwill
Cost					
Balance at January 1, 2018	$ 637.2	$ 182.0	$ 425.0	$ 1,244.2	$ 1,580.7
Acquisitions through business combinations	49.3	6.1	—	55.4	181.6
Effect of movements in exchange rates	23.1	8.3	28.5	59.9	68.0
Balance at December 31, 2018	$ 709.6	$ 196.4	$ 453.5	$ 1,359.5	$ 1,830.3
Acquisitions through business combinations	—	—	—	—	35.6
Other additions	—	0.2	—	0.2	—
Effect of movements in exchange rates	(30.1)	(14.7)	(20.5)	(65.3)	(71.5)
Balance at December 31, 2019	**$ 679.5**	**$ 181.9**	**$ 433.0**	**$ 1,294.4**	**$ 1,794.4**
Amortization					
Balance at January 1, 2018	$ 134.4	$ 27.1	$ —	$ 161.5	$ —
Amortization for the year	43.2	11.5	—	54.7	—
Effect of movements in exchange rates	3.2	1.2	—	4.4	—
Balance at December 31, 2018	$ 180.8	$ 39.8	$ —	$ 220.6	$ —
Amortization for the year	45.0	11.5	—	56.5	—
Effect of movements in exchange rates	(8.2)	(3.2)	—	(11.4)	—
Balance at December 31, 2019	**$ 217.6**	**$ 48.1**	**$ —**	**$ 265.7**	**$ —**
Carrying amounts					
At December 31, 2018	$ 528.8	$ 156.6	$ 453.5	$ 1,138.9	$ 1,830.3
At December 31, 2019	**$ 461.9**	**$ 133.8**	**$ 433.0**	**$ 1,028.7**	**$ 1,794.4**

13. GOODWILL AND INDEFINITE-LIFE INTANGIBLE ASSETS

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

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

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

	December 31, 2019	December 31, 2018
Goodwill		
CCL	**$ 1,111.4**	$ 1,127.9
Avery	**147.4**	139.5
Checkpoint	**197.3**	207.3
Innovia	**338.3**	355.6
	$ 1,794.4	$ 1,830.3
Indefinite-life intangible assets – brands		
Avery	**$ 192.3**	$ 202.4
Checkpoint	**185.0**	194.8
Innovia	**55.7**	56.3
	$ 433.0	$ 453.5

Impairment testing for goodwill and indefinite-life intangible assets was done by a comparison of the asset's carrying amount to its estimated value in use, determined by discounting the CGUs future cash flows. Key assumptions used in the determination of the value in use include a growth rate of 2% to 7% and a pre-tax discount rate of 7% to 12%. Discount rates reflect current market assumptions and risks related to the CGUs and are based upon the weighted average cost of capital. The Company's historical growth rates are used as a basis in determining the growth rate applied for impairment testing.

The Company completed its impairment testing as at September 30, 2019.

The estimated values in use of CCL, Avery, Checkpoint and Innovia assets exceeded their carrying values. As a result, no goodwill and indefinite-life intangible assets impairment was recorded during 2019.

14. TRADE AND OTHER PAYABLES

	December 31, 2019	December 31, 2018
Trade payables	$ 577.2	$ 673.0
Other payables	458.4	550.4
Trade and other payables	$ 1,035.6	$ 1,223.4

15. DEFERRED TAX

(a) Unrecognized deferred tax assets

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

	December 31, 2019	December 31, 2018
Deductible temporary differences	$ 17.9	$ 16.9
Tax losses	59.3	72.9
Income tax credits	7.4	7.7
	$ 84.6	$ 97.5

The unrecognized deferred tax assets on tax losses of $14.5 million will expire between 2020 and 2029, $7.1 million will expire beyond 2029, and $37.7 million may be carried forward indefinitely. The deductible temporary differences do not expire under current tax legislation. Income tax credits of $7.4 million will expire between 2020 and 2027 and relate mainly to foreign tax credits in the United States. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable income will be available against which the Company can utilize the benefits therefrom.

(b) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net (Assets) Liabilities	
	December 31, 2019	December 31, 2018	**December 31, 2019**	December 31, 2018	**December 31, 2019**	December 31, 2018
Property, plant and equipment	**$ 0.5**	$ 6.2	**$ 110.4**	$ 68.2	**$ 109.9**	$ 62.0
Intangible assets	**—**	—	**263.6**	269.4	**263.6**	269.4
Derivatives	**1.6**	8.0	**0.1**	—	**(1.5)**	(8.0)
Inventory reserves	**12.6**	12.8	**0.3**	0.5	**(12.3)**	(12.3)
Employee benefit plans	**63.1**	57.7	**—**	—	**(63.1)**	(57.7)
Share-based payments	**3.4**	14.3	**—**	—	**(3.4)**	(14.3)
Capitalized research and development	**8.5**	12.6	**—**	—	**(8.5)**	(12.6)
Provisions and other items	**68.6**	32.4	**10.0**	7.8	**(58.6)**	(24.6)
Tax loss carry-forwards	**11.5**	17.8	**—**	—	**(11.5)**	(17.8)
Foreign tax credit	**—**	—	**—**	—	**—**	—
Balance before offset	**169.8**	161.8	**384.4**	345.9	**214.6**	184.1
Offset of tax	**(139.0)**	(129.3)	**(139.0)**	(129.3)	**—**	—
Balance after offset	**$ 30.8**	$ 32.5	**$ 245.4**	$ 216.6	**$ 214.6**	$ 184.1

	Balance at December 31, 2018 Liability (Asset)	Recognized in Income Statement	Acquisitions	Translation and Others	Recognized in Other Comprehensive Income/Equity	**Balance at December 31, 2019 Liability (Asset)**
Property, plant and equipment	$ 62.0	$ 10.9	$ 0.2	$ 36.8	$ —	**$ 109.9**
Intangible assets	269.4	(2.0)	—	(3.8)	—	**263.6**
Derivatives	(8.0)	(1.4)	—	—	7.9	**(1.5)**
Inventory reserves	(12.3)	(0.5)	(0.1)	0.6	—	**(12.3)**
Employee benefit plans	(57.7)	2.8	(0.1)	2.4	(10.5)	**(63.1)**
Share-based payments	(14.3)	11.5	—	0.3	(0.9)	**(3.4)**
Capitalized research and development	(12.6)	3.6	—	0.5	—	**(8.5)**
Provisions and other items	(24.6)	6.8	(0.3)	(40.5)	—	**(58.6)**
Tax loss carry-forwards	(17.8)	5.6	—	0.7	—	**(11.5)**
Foreign tax credit	—	—	—	—	—	**—**
	$ 184.1	$ 37.3	$ (0.3)	$ (3.0)	$ (3.5)	**$ 214.6**

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

The aggregate amount of temporary differences associated with investments in subsidiaries and joint ventures for which deferred tax liabilities were not recognized as at December 31, 2019 is $1,918.0 million (2018 – $1,727.1 million).

The aggregate amount of temporary differences associated with investments in subsidiaries and joint ventures for which deferred tax assets were not recognized as at December 31, 2019, is $21.1 million (2018 – $26.9 million).

Included within Translation and Others in 2019 is the amount for initial recognition of right-of-use assets and corresponding lease liabilities following the adoption of IFRS 16. Both accounts are separate line items on the consolidated statement of financial position.

16. SHARE CAPITAL

Shares issued (in millions)	Class A Shares	Amount	Class B Shares	Amount	Total
Balance, January 1, 2018	11.8	$ 4.5	165.0	$ 304.6	$ 309.1
Stock options exercised	—	—	0.8	23.0	23.0
Director share units exercised	—	—	0.1	4.2	4.2
Balance, December 31, 2018	11.8	$ 4.5	165.9	$ 331.8	$ 336.3
Stock options exercised	—	—	0.8	26.1	26.1
Director share units exercised	—	—	0.1	3.1	3.1
Balance, December 31, 2019	**11.8**	**$ 4.5**	**166.8**	**$ 361.0**	**$ 365.5**

At December 31, 2019, the authorized share capital comprised an unlimited number of Class A voting shares and an unlimited number of Class B non-voting shares. The Class A and Class B shares have no par value. All issued shares are fully paid. Both Class A and Class B shares are classified as equity.

(a) Class A

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

(b) Class B

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

(i) Holders of Class B shares are entitled to receive material and attend, but not to vote at, regular shareholder meetings.

(ii) Holders of Class B shares are entitled to voting privileges when consideration for the Class A shares, under a takeover bid when voting control has been acquired, exceeds 115% of the market price of the Class B shares.

(iii) Holders of Class B shares are entitled to receive, or have set aside for payment, dividends declared by the Board of Directors from time to time, set at $0.01 per share per annum greater than Class A shares.

Dividends

The annual dividends per share were as follows:

		2019		2018
Class A share	$	0.67	$	0.51
Class B share	$	0.68	$	0.52

Shares held in trust

During 2016, the Company granted awards totalling 622,500 Class B shares of the Company. Shares to be used to satisfy this obligation were purchased in the open market and were restricted in nature. These share awards were dependent on the Company's performance and continuing employment. The grant date fair value of these stock awards was being amortized over the vesting period and recognized as compensation expense. In 2019, the majority shares were distributed to employees.

17. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share for the year ended December 31, 2019, was based on profit attributable to Class A shares of $31.6 million (2018 – $31.1 million) and Class B shares of $445.5 million (2018 – $435.7 million) and a weighted average number of Class A shares outstanding of 11.8 million (2018 – 11.8 million) and Class B shares outstanding of 166.2 million (2018 – 165.0 million).

Weighted average number of shares (in millions)

	2019		2018	
	Class A Shares	Class B Shares	Class A Shares	Class B Shares
Issued and outstanding shares at January 1	11.8	165.3	11.8	164.3
Effect of stock options exercised	—	0.4	—	0.6
Effect of deferred share units exercised	—	—	—	0.1
Effect of reciprocal shares vested	—	0.5	—	-
Weighted average number of shares at December 31	11.8	166.2	11.8	165.0

Diluted earnings per share

The calculation of diluted earnings per share for the year ended December 31, 2019, was based on profit attributable to Class A shares of $31.4 million (2018 – $30.8 million) and Class B shares of $445.7 million (2018 – $436.0 million) and a diluted weighted average number of Class A shares outstanding of 11.8 million (2018 – 11.8 million) and Class B shares outstanding of 167.3 million (2018 – 166.9 million).

Weighted average number of shares – diluted (in millions)

	December 31, 2019	December 31, 2018
Weighted average number of shares (basic)	178.0	176.8
Effect of deferred share units on issue	0.3	0.3
Effect of reciprocal shareholdings	0.1	0.7
Effect of share-based compensation	0.7	0.9
Weighted average number of shares (diluted)	179.1	178.7

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

18. LOANS AND BORROWINGS

		December 31, 2019		December 31, 2018
Current liabilities				
Current portion of unsecured syndicated bank credit facilities (i)	$	—	$	65.5
Current portion of unsecured bank credit facilities (ii)		37.6		—
Current portion of finance lease liabilities		—		1.6
Current portion of other loans (iv)		1.2		4.7
	$	38.8	$	71.8
Short-term operating credit lines available (v)	$	32.0	$	27.7
Short-term operating credit lines used	$	8.2	$	10.5
Non-current liabilities				
Unsecured syndicated bank credit facilities (i)	$	1,255.6	$	1,445.5
Unsecured bank credit facilities (ii)		33.4		—
Unsecured notes (iii)		941.5		972.7
Finance lease liabilities		—		1.0
Other loans (iv)		4.3		0.6
	$	2,234.8	$	2,419.8

(i) Unsecured syndicated bank credit facilities

As at December 31, 2019, the Company had an unsecured US$1.2 billion revolving credit facility with a syndicate of banks. The facility bears interest at the applicable benchmark interest rate, plus an interest rate margin linked to the Company's net debt to EBITDA, and matures March 29, 2023. As at December 31, 2019, US$521.5 million ($677.4 million; LIBOR, plus 1.125%), £60.3 million ($103.9 million; GBP LIBOR, plus 1.125%) and $3.6 million of contingent letters of credit were drawn on this syndicated bank credit facility.

As at December 31, 2018, US$352.0 million ($480.0 million; LIBOR, plus 1.45%), €223.2 million ($349.0 million; EURIBOR, plus 1.45%), £60.3 million ($104.9 million; GBP LIBOR, plus 1.45%), $79.5 million (BA, plus 1.45%) and $3.2 million of contingent letters of credit were drawn on this syndicated bank credit facility.

As at December 31, 2019, the Company had an unsecured US$366.0 million ($475.4 million; LIBOR, plus 0.75%; 2018: $499.1 million; LIBOR, plus 1.45%) non-revolving term loan facility with a syndicate of banks that bears interest at the applicable domestic rate, plus an interest rate margin linked to the Company's net debt to EBITDA. In February 2019, this facility was amended, removing the required quarterly principal repayments, reducing the interest rate margins and extending the maturity from February 28, 2020 to February 26, 2021. Previous to the amendment, quarterly principal repayments of US$12.0 million were required.

The unused portion of the revolving syndicated bank credit facility was US$595.7 million at December 31, 2019 (December 31, 2018 – US$454.5 million).

As at December 31, 2019, transaction costs related to the unsecured syndicated bank credit facilities were $1.1 million (December 31, 2018 – $1.5 million).

As at December 31, 2019, the Company utilized a cross-currency interest rate swap agreement to effectively convert notional US$228.4 million (2018 – nil) LIBOR-based debt into €200.0 million (2018 – nil) negative 0.28% fixed rate debt in order to hedge its euro-based assets and cash flows (note 24(a)).

(ii) Unsecured bank credit facilities

In January 2019, the Company signed an unsecured bilateral credit facility for US$35.0 million, which expires January 22, 2021. This bilateral loan incurs interest at the applicable domestic rate, plus an interest rate margin and, annually, automatically extends out additional years until January 22, 2024. As of December 31, 2019, US$25.7 million ($33.4 million) was drawn.

In December 2019, the Company signed an uncommitted unsecured bilateral credit facility for AUD$65.0 million. This bilateral loan incurs interest at the applicable domestic rate plus an interest rate margin. As of December 31, 2019, AUD$41.2 million ($37.6 million) was drawn.

(iii) Unsecured notes

Unsecured notes as at December 31, 2019 consisted of $298.4 million (2018 – $298.2 million) principal amount of 3.864% Series 1 Notes, issued by offering a memorandum in Canada on April 13, 2018, maturing April 13, 2028, and US$500 million ($643.1 million; 2018 – $674.5 million) principal amount of 144A 3.25% private notes, maturing on October 1, 2026. These notes bear interest payable semi-annually. The net proceeds of both notes were used to partially repay amounts borrowed under the unsecured syndicated bank credit facility.

As at December 31, 2019, the Company utilized a cross-currency interest rate swap agreement to effectively convert notional US$376.2 million (2018 – US$376.2 million) of the 144A 3.25% private notes into €340.0 million (2018 – €340.0 million) 1.16% and 1.23% fixed rate debt in order to hedge its euro-based assets and cash flows (note 24(a)).

(iv) Other loans

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

(v) Operating credit lines

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

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

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

		2019		2018
Balance at January 1	**$**	**2,491.6**	$	2,331.4
Financing cash flows		**(119.8)**		5.8
Acquisitions		**—**		7.8
Foreign exchange		**(98.1)**		148.2
Other		**(0.1)**		(1.6)
Balance at December 31	**$**	**2,273.6**	$	2,491.6

As at December 31, 2019, the carrying amount of financial and non-financial assets pledged as collateral against $0.7 million (2018 – $2.7 million) of long-term debt amounted to $7.2 million (2018 – $19.9 million).

19. FINANCE INCOME AND COST

Recognized in consolidated income statement

		2019		2018
Interest expense on financial liabilities measured at amortized cost	**$**	**83.9**	$	82.3
Fees and interest recognized on other financial instruments		**(14.3)**		(5.2)
Interest expense on post-employment defined benefit plans		**17.1**		15.8
Finance cost		**86.7**		92.9
Interest income on cash and cash equivalents		**3.3**		3.7
Interest income on other assets		**0.3**		0.8
Interest income on post-employment defined benefit plans		**8.4**		7.7
Finance income		**12.0**		12.2
Interest expense on lease liabilities		**6.3**		-
Net finance cost recognized in consolidated income statement	**$**	**81.0**	$	80.7

The above finance income and expense are all with respect to assets (liabilities) not at FVTPL.

20. EMPLOYEE BENEFITS

	December 31, 2019	December 31, 2018
Present value of wholly-unfunded defined benefit obligations	$ 285.5	$ 274.9
Present value of partially-funded defined benefit obligations	482.5	432.3
Total present value of obligations	768.0	707.2
Fair value of plan assets	(402.8)	(378.7)
Recognized liability for defined benefit obligations	365.2	328.5
Liability for long-service leave and jubilee plans	12.1	13.4
Liability for long-term incentive plan	—	28.9
Total employee benefits	377.3	370.8
Total employee benefits reported in trade and other payables	12.4	50.8
Total employee benefits reported in non-current liabilities	$ 364.9	$ 320.0

(a) Defined contribution post-employment plans

The Company sponsors defined contribution post-employment plans in Canada, the U.S., Thailand, the Netherlands and the U.K. A post-employment plan is classified as a defined contribution plan if the Company pays fixed contributions into a fund at a separate entity and the Company has no further obligation to pay any further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The expense for company-sponsored defined contribution post-employment plans was $30.7 million in 2019 (2018 – $24.5 million), of which $0.1 million (2018 – $0.1 million) was for key management personnel. Company contributions into defined contribution state plans are included in the line item Compulsory social security contributions in the table in note 21.

(b) Defined benefit post-employment plans

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

Partially-funded defined benefit obligations

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

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

(ii) In the U.K., the Company has two registered partially-funded defined benefit pension plans. The Company’s plan has no active members and is closed to new members. Benefits are based on final salary. All members of the plan are either deferred or retired and benefits are provided to spouses or dependents in the event of a member's death before or after retirement. The Company is required to make payments of £0.7 million in deficit funding contributions annually. An actuary is involved in measuring the obligation of the plan and in calculating the expense and any contributions required. The primary risk factors for this plan are longevity of plan beneficiaries and discount rate volatility for the value of the obligation and market risk on the assets. The Company has determined that any surplus in the plan after all obligations have been covered is fully available to the Company.

On April 6, 2019, the Innovia plan was frozen. No further benefits will be earned by members in the plan and no contributions will be paid into the plan other than deficit funding contributions. It is closed to new members. Benefits are based on a member's final pensionable salaries and length of service at retirement. Benefits are provided to spouses in the event of a member's death before or after retirement. The Company is required to make payments of £1.0 million in deficit funding contributions annually. An actuary is involved in measuring the obligation of the plan and in calculating the expense and any contributions required. The primary risk factors for this plan are longevity of plan beneficiaries and discount rate volatility for the value of the obligation and market risk on the assets. The Company has determined that any surplus in the plan after all obligations have been covered is available to the Company if the plan is wound up. However, any surplus while the plan is ongoing is under the authority of the trustees. Active members have been moved to a defined contribution plan.

(iii) In Switzerland, the Company provides a mandatory legislated contribution-based cash balance plan for employees that is accounted for as a post-employment defined benefit plan. Benefits from the plan are paid out at retirement, disability or death. If an employee terminates from the Company prior to retirement, the vested benefit equal to the accumulated savings account balance is transferred to the pension plan of the new employer. The plan is governed by a foundation board that is legally responsible for the operation of the plan and includes employer and employee representation, in equal numbers. A legally required minimum level of retirement benefit is based on age-related savings contributions, an insured salary defined by law and a required rate of return set annually by the Swiss government. Contributions from both employers and employees are compulsory and vary according to age and salary. The primary risk factors for this plan are longevity of plan beneficiaries, discount rate volatility for the value of the obligation and market risk on the assets. Under Swiss pension law, any surplus assets technically belong to the pension plan and any reduction in contributions is at the discretion of the Board.

(iv) In the Netherlands, the Company provides a defined benefit career average pay plan for a small number of employees. An actuary is involved in measuring the obligation of the plan. Benefits from the plan are paid through retirement and at death, before or during retirement, to the spouse or dependents. If a member of the plan leaves the Company, the member may choose to have the benefits of the plan transferred into the plan of the new employer. The benefit formula is based on a percentage of each year's pensionable salary up to a set maximum salary less a social security offset. Benefits are guaranteed by an insurance company and the Company is required to pay annual premiums on the insurance contract based on a contract interest rate. There are no employee contributions to the plan. The primary risk factors for this plan are longevity of plan beneficiaries and discount rate volatility. This plan was frozen as of December 31, 2018, and all members were moved to a defined contribution plan.

The most recent actuarial valuation for funding purposes for the executive defined pension plan in Canada was as of January 1, 2018. The next required actuarial valuation will be as of January 1, 2021. The most recent actuarial valuation of the two U.K. defined benefit pension plans for funding purposes were as of January 1, 2017. The next required valuation is as of January 1, 2020. The new valuations for both U.K. plans are expected to be completed towards the end of 2020.

Wholly-unfunded defined benefit obligations

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

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

(ii) In the U.S., the Company has a post-employment, wholly-unfunded deferred compensation plan for designated executives ("NQP"). Liabilities are based strictly on the contributions made to the plan and an established rate of return and are not subject to actuarial adjustments. It allows executives to elect to defer specified portions of salary, cash bonuses and long-term incentive plan payments. The Company contributes a matching portion of the executive's NQP deferred amount to a maximum of 8% of the executive's base salary plus bonus. The Company may also contribute a discretionary annual Company contribution based on a percentage of base salary and annual bonus. Contributions to the NQP for one of the executives vest immediately. For the other executives, immediate vesting of discretionary Company contributions and interest occurs on death, disability or change of control, with normal vesting occurring at age 60 with 10 years' service. The Company's match portion and interest vest in the same manner as Company contributions in the 401k plan. Elective deferrals by the executive vest immediately.

(iii) In Germany, the Company has several wholly-unfunded defined benefit plans. There are four salary-based annuity plans that are closed to new members, but currently have approximately 130 active members. All contributions and benefits are funded by the Company. The primary risk factors for these plans are longevity of plan beneficiaries and discount rate volatility. There are also three cash balance plans for current employees. Two of those plans require the Company to match a specific portion of employee contributions. Upon retirement, lump sum payments are made unless an employee requests an annuity. The third cash balance plan has employer and employee contributions and pays out in three instalments upon retirement. The primary risk factor for these three plans is discount rate volatility.

(iv) The Company has wholly-unfunded post-employment defined benefit plans in Austria, France, Italy, Mexico and Thailand. Benefits are paid out in lump sums upon retirement, disability or death. There are no employee contributions in these plans. Benefits are based on salary and length of service with the Company.

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

2019	Partially Funded	Wholly Unfunded	**Total**
Accrued benefit obligation:			
Balance, beginning of year	$ 432.3	$ 274.9	**$ 707.2**
Current service cost	2.9	4.4	**7.3**
Past service cost	—	0.2	**0.2**
Interest cost	11.7	7.2	**18.9**
Employee contributions	1.4	5.2	**6.6**
Benefits paid	(14.5)	(19.9)	**(34.4)**
Actuarial losses – experience	8.6	3.0	**11.6**
Actuarial gains – demographic assumptions	(11.9)	(0.3)	**(12.2)**
Actuarial losses – financial assumptions	69.5	26.6	**96.1**
Reinstatements and transfers	0.1	(0.2)	**(0.1)**
Effect of curtailment	(9.6)	—	**(9.6)**
Settlement gain (loss)	(2.6)	0.5	**(2.1)**
Effect of movements in exchange rates	(5.4)	(16.1)	**(21.5)**
Balance, end of year	$ 482.5	$ 285.5	**$ 768.0**
Plan assets:			
Fair value, beginning of year	$ 378.7	$ —	**$ 378.7**
Expected return on plan assets	10.1	—	**10.1**
Actuarial gains	30.1	—	**30.1**
Employee contributions	1.4	—	**1.4**
Employer contributions	5.4	19.9	**25.3**
Benefits paid	(14.5)	(19.9)	**(34.4)**
Administrative expenses	(0.9)	—	**(0.9)**
Settlements	(2.6)	—	**(2.6)**
Effect of movements in exchange rates	(4.9)	—	**(4.9)**
Fair value, end of year	$ 402.8	$ —	**$ 402.8**
Funded status, net deficit of plans	$ (79.7)	$ (285.5)	**$ (365.2)**
Accrued benefit liability	$ (79.7)	$ (285.5)	**$ (365.2)**

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

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

2019		Partially Funded		Wholly Unfunded		**Total**
Current service cost	$	2.9	$	4.4	**$**	**7.3**
Past service cost		-		0.2		**0.2**
Net interest cost on accrued benefit liability		1.6		7.2		**8.8**
Curtailment gain		(9.6)		-		**(9.6)**
Net defined benefit plan expense	$	(5.1)	$	11.8	**$**	**6.7**
Net defined benefit plan expense is recorded in:						
Cost of sales	$	2.1	$	1.2	**$**	**3.3**
Selling, general and administrative expenses		(8.8)		3.5		**(5.3)**
Finance cost		1.6		7.1		**8.7**
Net defined benefit plan expense	$	(5.1)	$	11.8	**$**	**6.7**

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

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

		2019		2018
Actuarial losses – experience	**$**	**(11.6)**	$	(1.6)
Actuarial gains (losses) – demographic assumptions		**12.2**		(2.6)
Actuarial gains (losses) – financial assumptions		**(96.1)**		35.9
Experience gains (losses) on plan assets		**30.1**		(18.4)
Recognized during the year in other comprehensive income	**$**	**(65.4)**	$	13.3

Plan assets consist of the following:

2019	Partially Funded	Wholly Unfunded	**Total**
Equity securities	51%	—	**51%**
Debt securities	42%	—	**42%**
Real estate	2%	—	**2%**
Other	5%	—	**5%**
Total	100%	—	**100%**

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

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

The actual returns on plan assets are as follows:

	Partially Funded	Wholly Unfunded	Total
2019	**$ 40.2**	**—**	**$ 40.2**
2018	$ (9.2)	—	$ (9.2)

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

	Partially Funded	Wholly Unfunded	Total
December 31, 2019			
Discount rate	**1.97%**	**1.48%**	**1.79%**
Expected rate of compensation increase	**1.39%**	**1.79%**	**1.71%**
December 31, 2018			
Discount rate	2.80%	2.36%	2.63%
Expected rate of compensation increase	1.44%	1.83%	1.59%

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

	Partially Funded	Wholly Unfunded	Total
December 31, 2019			
Discount rate	**2.80%**	**2.36%**	**2.63%**
Expected rate of compensation increase	**1.44%**	**1.83%**	**1.59%**
December 31, 2018			
Discount rate	2.41%	1.97%	2.25%
Expected rate of compensation increase	1.42%	1.86%	1.58%

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

	Partially Funded	Wholly Unfunded
Discount rate (increase 1%)	$ (96.5)	$ (29.4)
Discount rate (decrease 1%)	$ 96.1	$ 32.9
Longevity (+1 year)	$ 14.2	$ 11.2
Inflation (+0.25%)	$ 11.2	$ —
Inflation (-0.25%)	$ (11.2)	$ —
Salary (increase 1%)	$ 4.6	$ 3.1
Salary (decrease 1%)	$ (3.3)	$ (2.8)
Duration (years)	20	12

The Company expects to contribute $4.1 million to the partially-funded defined benefit plans and pay $11.4 million in benefits for the wholly-unfunded plans in 2020.

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

The Company has long-term incentive plans with cash and share-based payments, long-service leave plans and jubilee plans in various countries around the world. As at December 31, 2019, $1.0 million (2018 – $30.0 million) of the total obligation of $12.1 million (2018 – $42.3 million) is classified as current, and reported in other payables. The expense for these plans was $15.8 million in 2019 (2018 – $27.4 million).

21. PERSONNEL EXPENSES

		2019		2018
Wages and salaries	$	**957.7**	$	932.2
Compulsory social security contributions		**117.0**		119.2
Contributions to Company-sponsored defined contribution plans		**30.7**		24.5
Expenses related to defined benefit plans		**16.3**		22.0
Equity-settled share-based payment transactions		**25.4**		22.7
	$	**1,147.1**	$	1,120.6

22. INCOME TAX EXPENSE

		2019		2018
Current tax expense				
Current tax on earnings before earnings in equity-accounted investments for the year	$	**122.6**	$	139.4
Deferred tax expense (benefit) (note 15)				
Origination and reversal of temporary differences	$	**39.8**	$	21.5
Recognition of previously unrecognized tax losses and deductible temporary differences		**(2.5)**		(4.9)
	$	**37.3**	$	16.6
Total income tax expense	$	**159.9**	$	156.0

Reconciliation of effective tax rate

		2019		2018
Combined Canadian federal and provincial income tax rates		**25.8%**		25.8%
The income tax expense on the Company's earnings differs from the amount determined by the Company's statutory rates as follows:				
Net earnings for the year	$	**477.1**	$	466.8
Add: income tax expense		**159.9**		156.0
Deduct: earnings in equity-accounted investments		**5.4**		5.3
Earnings before income tax and equity-accounted investments		**631.6**		617.5
Income tax using the Company's domestic combined Canadian federal and provincial income tax rates		**162.9**		159.3
Effect of tax rates in foreign jurisdictions		**(8.5)**		(3.4)
Recognition of previously unrecognized tax losses and deductible temporary differences		**(2.5)**		(4.9)
Losses and deductible temporary differences for which no deferred tax asset was recognized		**3.3**		5.9
Non-deductible expenses and other items		**4.7**		(0.9)
	$	**159.9**	$	156.0

Income tax recovery recognized directly in other comprehensive income

		2019		2018
Derivatives and foreign currency translation adjustments	$	**7.9**	$	(7.5)
Actuarial gains and losses		**(10.5)**		2.6
Total income tax recovery recognized directly in other comprehensive income	$	**(2.6)**	$	(4.9)

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

23. SHARE-BASED PAYMENTS

At December 31, 2019, the Company had four share-based compensation plans, which are described below:

(a) Employee stock option plan

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

For options and share awards granted for stock-based compensation, $25.4 million (2018 – $23.1 million) has been recognized in the consolidated financial statements as an expense, with a corresponding offset to contributed surplus. The fair value of options granted has been estimated using the Black-Scholes model and the following assumptions:

	2019	2018
Risk-free interest rate	**1.79%**	1.90%
Expected life	**3.5 years**	3.5 years
Expected volatility	**28%**	28%
Expected dividends	**$ 0.68**	$ 0.52

A summary of the status of the Company's employee stock option plan as of December 31, 2019 and 2018, and changes during the years ended on those dates, is presented below:

	2019		2018	
	Shares (in millions)	**Weighted Average Exercise Price**	Shares (in millions)	Weighted Average Exercise Price
Outstanding at beginning of year	**3.1**	**$ 48.94**	3.1	$ 36.81
Granted	**0.7**	**55.73**	0.8	66.87
Exercised	**(0.8)**	**27.17**	(0.8)	21.95
Outstanding at end of year	**3.0**	**$ 56.57**	3.1	$ 48.94
Options exercisable at end of year	**1.0**	**$ 53.30**	1.0	$ 36.78

The weighted average share price at the date of exercise in 2019 was $57.65 (2018 – $64.99).

The following table summarizes information about the employee stock options outstanding at December 31, 2019.

	Options Outstanding			Options Exercisable	
Range of Exercisable Prices	Options Outstanding (in millions)	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Options Exercisable (in millions)	Weighted Average Exercise Price
$27.47 – $50.00	0.6	1.2 years	$ 43.74	0.4	$ 43.67
$50.01 – $60.00	1.6	3.2 years	$ 56.82	0.4	$ 58.03
$60.01 – $66.87	0.8	3.2 years	$ 66.87	0.2	$ 66.87
$27.47 – $66.87	3.0	2.8 years	$ 56.57	1.0	$ 53.30

(b) Deferred share units ("DSU")

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

The Company had 0.2 million DSUs outstanding as at December 31, 2019. The amount recognized as an expense in 2019 totaled $0.6 million (2018 – $0.8 million).

(c) Performance Stock Units ("PSU")

In 2019, the Company introduced a performance stock unit plan. Under the plan, participants may be eligible to receive a maximum of approximately 1.5 million Class B shares of the Company to be issued from treasury. The vesting of these shares is dependent on the Company's performance and continuing employment. The grant date fair value of these shares is being amortized over the vesting period and recognized as compensation expense.

(d) Long-Term Retention Plan ("LTRP")

In 2017, the Company instituted a long-term retention plan. Under the plan, the Company provided a one-time retention incentive to executives totaling 0.3 million Class B shares of the Company, to be issued from treasury. The incentive vests 25% in each year beginning in 2022 and ending in 2025, inclusive.

In 2019, under the aforementioned long-term retention plan, the Company provided a one-time retention incentive to additional executives totaling 0.1 million Class B shares of the Company, to be issued from treasury. The incentive vests 25% in each year beginning 2024 and ending 2027, inclusive.

For the LTRP, a total of $2.9 million has been recognized as an expense with a corresponding offset to contributed surplus.

24. FINANCIAL INSTRUMENTS

(a) Hedges of net investments in foreign operations

US$123.8 million (2018 – US$123.8 million) of unsecured 144A 3.25% private notes and US$659.1 million (2018 – US$718.0 million) of the unsecured syndicated bank credit facilities (hedging items) have been used to hedge the Company's exposure to its net investment in self-sustaining U.S. dollar-denominated operations (hedged items) with a view to reducing foreign exchange fluctuations. The foreign exchange effect of the unsecured 144A 3.25% private notes, the unsecured syndicated bank credit facilities and the net investment in U.S. dollar-denominated subsidiaries is reported in other comprehensive income in the consolidated statement of financial position. These have been and continue to be 100% fully effective hedges as the notional amounts of the hedging items equal the portion of the net investment balance being hedged. No ineffectiveness was recognized in the consolidated income statement in 2019 or 2018.

£60.3 million (2018 – £60.3 million) of the unsecured syndicated bank credit facilities (hedging item) has been used to hedge the Company's exposure to its net investment in self-sustaining U.K. pound sterling-denominated operations (hedged items) with a view to reducing foreign exchange fluctuations. The foreign exchange effect of both the unsecured syndicated bank credit facilities and the net investment in U.K. pound sterling-denominated subsidiaries is reported in other comprehensive income in the consolidated statement of financial position. This has been and continues to be a 100% fully effective hedge as the notional amount of the hedging item equals the portion of the net investment balance being hedged. No ineffectiveness was recognized in the consolidated income statement in 2019 or 2018.

In 2019, nil (2018 – €223.2 million) of the unsecured syndicated bank credit facilities (hedging item) were used to hedge the Company's exposure to its net investment in self-sustaining euro-denominated operations (hedged items) with a view to reducing foreign exchange fluctuations. The foreign exchange effect of both the unsecured syndicated bank credit facilities and the net investment in euro-denominated subsidiaries was reported in other comprehensive income in the consolidated statement of financial position. This was a 100% fully effective hedge as the notional amount of the hedging item equalled the portion of the net investment balance being hedged. No ineffectiveness was recognized in the consolidated income statement in 2018.

In February 2017, the Company converted US$264.7 million of the 144A 3.25% private notes (note 18) into €250.0 million 1.23% fixed rate debt using cross-currency interest rate swap agreements (hedging items; "CCIRSAs"). In February 2018, a further US$111.5 million of the 144A 3.25% private notes (note 18) was converted into €90.0 million 1.16% fixed rate debt using CCIRSAs. In January 2019, US$228.4 million of the unsecured syndicated bank credit facilities (note 18) was converted into €200.0 million negative 0.28% fixed rate debt using CCIRSAs. Each of these conversions was to hedge the Company's euro-based assets and cash flows. Fair value of these CCIRSAs was recorded in non-current liabilities when negative in value and non-current assets when positive in value. The offset was recorded in other comprehensive income in the consolidated statement of financial position. These have been and continue to be 100% fully effective hedges as the notional amounts of the hedging items equal the portion of the net investment balance being hedged. No ineffectiveness was recognized in the consolidated income statement in 2019 or 2018.

Notional Principal Amount		Interest Rate		Fair Value December 31			
Fixed Rate	Fixed Rate	Received (US$)	Paid (€)	2019 (C$)	2018 (C$)	Maturity	Effective Date
USD105.8 million	€ 100.0 million	3.25%	1.24%	$ (10.0) million	$ (16.3) million	October 1, 2026	February 28, 2017
USD84.8 million	€ 80.0 million	3.25%	1.20%	$ (7.6) million	$ (12.7) million	October 1, 2026	February 28, 2017
USD42.3 million	€ 40.0 million	3.25%	1.21%	$ (4.1) million	$ (6.6) million	October 1, 2026	February 28, 2017
USD31.8 million	€ 30.0 million	3.25%	1.29%	$ (3.2) million	$ (5.0) million	October 1, 2026	February 28, 2017
USD62.1 million	€ 50.0 million	3.25%	1.16%	$ 8.5 million	$ 5.5 million	October 1, 2026	February 21, 2018
USD49.4 million	€ 40.0 million	3.25%	1.15%	$ 6.2 million	$ 3.6 million	October 1, 2026	February 22, 2018
USD125.6 million	€ 110.0 million	1-month LIBOR	(0.29%)	$ 1.8 million	—	January 31, 2022	January 31, 2019
USD74.2 million	€ 65.0 million	1-month LIBOR	(0.27%)	$ 1.0 million	—	January 31, 2022	January 31, 2019
USD28.6 million	€ 25.0 million	1-month LIBOR	(0.27%)	$ 0.4 million	—	January 31, 2022	January 31, 2019

(b) Credit risk

Exposure to credit risk

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

	December 31, 2019	December 31, 2018
Cash and cash equivalents	**$ 703.6**	$ 589.1
Trade and other receivables	**849.2**	938.0
Other assets	**20.0**	18.8
Derivative instruments	**17.9**	9.1
	$ 1,590.7	$ 1,555.0

Impairment losses

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

	December 31, 2019	December 31, 2018
Under 31 days	**$ 433.6**	$ 468.9
Between 31 and 90 days	**283.1**	336.0
Greater than 90 days	**51.1**	60.6
	$ 767.8	$ 865.5

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

	December 31, 2019	December 31, 2018
Balance at January 1	$ 18.1	$ 16.6
Increase (decrease) during the year	(2.6)	1.5
Balance at December 31	$ 15.5	$ 18.1

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

(c) Liquidity risk

Exposure to liquidity risk

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

	December 31, 2018	December 31, 2019						
				Payments Due by Period				
	Carrying Amount	Carrying Amount	Contractual Cash Flows	0–6 Months	6–12 Months	1–2 Years	2–5 Years	More than 5 Years
Non-derivative financial liabilities								
Secured bank loans	$ 1.4	$ 0.5	$ 0.5	$ 0.2	$ 0.2	$ 0.1	$ —	$ —
Unsecured bank loans	2.9	4.3	4.3	0.1	0.1	3.4	0.7	—
Unsecured 144A 3.25% private notes	674.5	643.1	649.5	—	—	—	—	649.5
Unsecured 3.864% Series 1 Notes	298.2	298.4	300.0	—	—	—	—	300.0
Unsecured syndicated bank credit facility	1,012.2	851.3	852.3	—	37.6	33.4	781.3	—
Unsecured syndicated bank term credit facility	498.8	475.3	475.4	—	—	475.4	—	—
Other long-term obligations	3.6	0.7	0.7	0.3	0.3	0.1	—	—
Interest on unsecured bank credit facilities	*	*	85.1*	16.0	16.2	25.0	27.9	—
Interest on 144A 3.25% private notes	*	*	158.1*	5.3	10.4	21.1	63.3	58.0
Interest on unsecured 3.864% Series 1 Notes	*	*	93.1*	3.3	5.7	11.6	34.8	37.7
Interest on other long-term debt	*	*	3.7*	1.1	1.0	1.5	0.1	—
Trade and other payables	1,223.4	1,035.6	1,035.6*	1,035.6	—	—	—	—
Accrued post-employment benefit liabilities	*	*	156.7*	2.1	2.1	15.2	49.5	87.8
Lease liabilities	—	146.2	161.2	18.6	18.7	26.6	45.9	51.4
Total contractual cash obligations	$ 3,715.0	$ 3,455.4	$ 3,976.2	$1,082.6	$ 92.3	$ 613.4	$1,003.5	$1,184.4

* Accrued long-term employee benefit and post-employment benefit liability of $12.4 million, accrued interest of $8.0 million on unsecured notes, unsecured two-year term loan and unsecured syndicated credit facilities, and accrued interest of $1.5 million on derivatives are reported in trade and other payables in 2019 (2018: $50.8 million, $9.2 million and $1.6 million, respectively).

(d) Currency risk

Exposure to currency risk

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

	December 31, 2019			December 31, 2018		
	U.S. Dollar	**U.K. Pound**	**Euro**	U.S. Dollar	U.K. Pound	Euro
Cash and cash equivalents	**206.0**	**20.0**	**124.3**	167.1	16.4	110.2
Trade and other receivables	**245.6**	**24.7**	**123.4**	250.9	31.5	133.7
Trade and other payables	**291.1**	**31.4**	**144.1**	318.0	33.8	158.4
Long-term debt	**808.6**	**60.3**	**540.6**	841.9	60.3	565.1

Sensitivity analysis

A 5% weakening of the Canadian dollar, as indicated below, against the following currencies at December 31 would have increased (decreased) equity and income by the amounts shown below. This analysis assumes that all other variables; in particular, interest rates, remain constant.

	Equity		Income Statement	
	2019	2018	**2019**	2018
Euro	**(22.9)**	(24.8)	**1.0**	0.6
U.S. dollar	**(27.4)**	(21.2)	**6.4**	6.5
U.K. pound	**0.9**	0.9	**0.1**	0.4

A 5% strengthening of the Canadian dollar against the above currencies at December 31 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(e) Interest rate risk

An increase of 100 basis points in interest rates on the floating rate debt and cash equivalents as at the reporting date would decrease net earnings by $6.7 million (2018 – $9.7 million decrease). This analysis assumes that all other variables; in particular, foreign currency rates, remain constant.

(f) Fair values versus carrying amounts

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

	December 31, 2019		December 31, 2018	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Assets carried at fair value:				
Other assets	$ **20.0**	$ **20.0**	$ 18.8	$ 18.8
Derivative financial assets	**17.9**	**17.9**	9.1	9.1
	$ **37.9**	$ **37.9**	$ 27.9	$ 27.9
Assets carried at amortized cost:				
Trade and other receivables	$ **849.2**	$ **849.2**	$ 938.0	$ 938.0
Cash and cash equivalents	**703.6**	**703.6**	589.1	589.1
	$ **1,552.8**	$ **1,552.8**	$ 1,527.1	$ 1,527.1
Liabilities carried at fair value:				
Derivative financial liabilities	$ **25.1**	$ **25.1**	$ 41.1	$ 41.1
	$ **25.1**	$ **25.1**	$ 41.1	$ 41.1
Liabilities carried at amortized cost:				
Trade and other payables	$ **1,035.6**	$ **1,035.6**	$ 1,223.4	$ 1,223.4
Unsecured 144A 3.25% private notes	**643.1**	**638.9**	674.5	636.7
Unsecured 3.864% Series 1 Notes	**298.4**	**313.0**	298.2	300.7
Unsecured syndicated bank credit facilities	**1,326.6**	**1,326.6**	1,511.0	1,511.0
Other loans	**5.5**	**5.5**	5.3	5.3
Finance lease liabilities	**—**	**—**	2.6	2.6
	$ **3,309.2**	$ **3,319.6**	$ 3,715.0	$ 3,679.7

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

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

(g) Fair value hierarchy

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

The different levels have been defined as follows:

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

	Level 1	Level 2	Level 3	**Total**
December 31, 2019				
Other assets	$ 20.0	$ —	$ —	$ **20.0**
Derivative financial assets	—	17.9	—	**17.9**
Long-term debt	—	(2,284.0)	—	**(2,284.0)**
Derivative financial liabilities	—	(25.1)	—	**(25.1)**
	$ 20.0	$ (2,291.2)	$ —	$ **(2,271.2)**

		Level 1		Level 2		Level 3		Total
December 31, 2018								
Other assets	$	18.8	$	—	$	—	$	18.8
Derivative financial assets		—		9.1		—		9.1
Long-term debt		—		(2,456.3)		—		(2,456.3)
Derivative financial liabilities		—		(41.1)		—		(41.1)
	$	18.8	$	(2,488.3)	$	—	$	(2,469.5)

The methods and assumptions used to measure the fair value are as follows:

The fair value of derivative financial instruments generally reflects the estimated amounts that the Company would receive to sell favourable contracts, or pay to transfer unfavourable contracts, at the reporting date. The Company uses discounted cash flow analysis and market data such as interest rates, credit spreads and foreign exchange spot rates to estimate the fair value of forward agreements and interest-rate derivatives.

The fair value of long-term debt is estimated using public quotations, when available, or discounted cash flow analysis based on the current corresponding borrowing rate for similar types of borrowing arrangements.

25. FINANCIAL RISK MANAGEMENT

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

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

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

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

(a) Credit risk

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

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

The Company is potentially exposed to credit risk arising from derivative financial instruments if a counterparty fails to meet its obligations. These counterparties are large international financial institutions, and, to date, no such counterparty has failed to meet its financial obligations to the Company. As at December 31, 2019, the Company's exposure to credit risk arising from derivative financial instruments amounted to $17.9 million (2018 – $9.1 million).

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity by monitoring expected cash flows and ensuring the availability of credit to ensure, as much as possible, that it will always have sufficient liquidity to meet its liabilities when they are due. The financial obligations of the Company include trade and other payables, long-term debt and other long-term items. The contractual maturity of trade payables is six months or less. Long-term debt includes instruments with varying maturities extending to 2028. The Company has capacity to discharge its current liabilities from the continued cash flows from operations of the business, and an additional $703.6 million of cash on hand and $773.9 million of available capacity within its syndicated bank credit facility at December 31, 2019.

(c) Market risk

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

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

(i) Currency risk

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

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

(ii) Interest rate risk

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

(iii) Commodity price risk

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

(d) Capital management

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

The Company defines capital as total equity and measures the return on capital (or return on equity) by dividing annual net earnings before goodwill impairment loss and restructuring and other items by the average of the beginning and the end-of-year shareholders' equity. In 2019, the return on capital was 17.8% (2018 – 20.0%).

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

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

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

The Company is subject to certain financial covenants on its unsecured syndicated bank credit facility. The Company monitors the ratios on a quarterly basis and, at December 31, 2019, was in compliance with all its covenants.

26. COMMITMENTS AND CONTINGENCIES

(a) Commitments

As at December 31, 2019, the Company had uncollateralized surety bonds of $71.3 million (2018 – $74.2 million) primarily to the Brazilian Tax Authority in order to facilitate the appeal of tax reassessments. The Company intends to vigorously defend this claim, which the Company considers to be without merit and, accordingly, the Company has made no provision for the matter.

(b) Contingencies

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

During 2018, the Federal Court of Australia awarded a judgment and costs against a subsidiary of the Company, CCL Secure Pty Ltd. (formerly Innovia Security Pty Ltd.) ("ISPL"), totaling AUD 70.0 million ($63.8 million), finding a wrongful termination of an agency agreement with Benoy Berry and a company controlled by him, Global Secure Currency Ltd. (collectively "Berry"), an arm's length third party in Nigeria. ISPL appealed the judgment. As part of the appeals process, the Australian court mandated that the Company guarantee the entire judgment in order to stay execution of the judgment pending resolution of the appeal. On appeal, the Australian court of appeals reduced the total damages awarded to Berry to AUD 4.8 million ($4.4 million), including interest and Berry's estimated legal costs, and awarded ISPL a portion of its appeal costs. Berry has appealed the reduced award to the Final Court of Appeals in Australia. The Company maintains a provision in its accounts of its estimate of the likely final award and liability of ISPL.

In the first quarter of 2019, a hearing on a jurisdictional issue was heard in respect of a lawsuit launched in 2011 by Berry in the Nigerian Federal Court against ISPL and Innovia Films Ltd. (collectively, "IFL"), as well as other defendants not affiliated with ISPL. The court denied IFL's motion to dismiss the lawsuit on the jurisdictional issue. IFL is appealing that decision. The lawsuit alleges that IFL and the co-defendants committed to build a banknote substrate plant in Nigeria and Berry seeks an order requiring IFL and the co-defendants to build the plant or, in lieu thereof, grant an award of total damages in the amount of €1.5 billion ($2.2 billion). IFL intends to vigorously defend this claim, which the Company considers to be without merit and, accordingly, the Company has made no provision for the matter.

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

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

27. RELATED PARTIES

Beneficial ownership

The directors and officers of CCL Industries Inc. as a group beneficially own, control, or direct, directly or indirectly, approximately 11.2 million of the issued and outstanding Class A voting shares, representing 94.8% of the issued and outstanding Class A voting shares.

Loan guarantee

The Company has provided various loan guarantees for its joint ventures and associates totaling $42.3 million (2018 – $46.3 million).

28. KEY MANAGEMENT PERSONNEL COMPENSATION

		2019		2018
Short-term employee compensation and benefits	**$**	**8.2**	$	14.5
Share-based compensation		**36.4**		6.4
Post-employment benefits		**0.9**		0.9
	$	**45.5**	$	21.8

29. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

		2019		2018
Unrealized foreign currency translation gains (losses), net of tax recovery of $2.3 million (2018 – tax recovery of $10.2 million)	**$**	**(89.3)**	$	35.5
Losses on derivatives designated as cash flow hedges, net of tax of nil (2018 – tax recovery of $0.1 million)		**—**		(0.3)
	$	**(89.3)**	$	35.2

30. RESTRUCTURING AND OTHER ITEMS

		2019		2018
Restructuring costs	$	**11.1**	$	7.8
Acquisition costs		**0.6**		3.7
Other items		**13.3**		3.3
Total restructuring and other items	$	**25.0**	$	14.8

For the full year 2019, restructuring costs and other items represented an expense of $25.0 million ($19.9 million after tax) as follows:

- Restructuring expenses of $11.1 million ($9.3 million after tax), primarily related to severance and reorganization costs for Innovia, Checkpoint's European operations and similar expenses in the CCL Segment due to slowing demand in the fourth quarter.
- Acquisition transaction costs totaled $0.6 million ($0.6 million after tax) for the six acquisitions closed in 2019.
- Other expenses of $13.3 million ($10.0 million after tax), related to the settlement of a lawsuit attributable to policies employed by the pre-acquisition management of Checkpoint.

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

- Restructuring expenses of $7.8 million ($6.3 million after tax), primarily related to severance and reorganization costs for Checkpoint and Avery European operations.
- Acquisition transaction costs totaled $3.7 million ($3.6 million after tax), primarily for the Treofan acquisition.
- Other expenses of $3.3 million ($2.7 million after tax), predominantly related to actuarial pension obligations at Innovia and legacy CCL U.K. operations. This non-cash expense is the result of a milestone legal judgement equalizing certain historical guaranteed minimum obligations for all U.K. defined benefit pension schemes.

31. SUBSEQUENT EVENTS

The Board of Directors has declared a dividend of $0.18 per Class B non-voting share and $0.1775 per Class A voting share, which will be payable to shareholders of record at the close of business on March 17, 2020, to be paid on March 31, 2020.

In January 2020, the Company signed a binding agreement to acquire Flexpol Sp. Z.o.o., a Polish BOPP film producer, for an estimated $22.0 million on a debt/cash-free basis. Closing is expected during the first quarter of 2020 following regulatory approvals.

In January 2020, the Company acquired I.D.&C. World Holdco Ltd, a global leader in live event badges and wrist bands, with operations in Tunbridge Wells, U.K. and Bradenton, Florida and customers in more than 100 countries, for approximately $37.0 million, net of cash and debt but including real estate and deferred purchase consideration.

In January 2020, the Company acquired IDentilam Limited, a privately-owned company based in Horsham, U.K. that designs and develops a range of software solutions for event badging and identification cards along with digital printing services for U.K. and E.U. customers, for approximately $3.0 million, net of cash and debt.

In January 2020, the Company acquired Ibertex Etiquetaje Industrial S.L.U. and Eti-Textil Maroc S.a.r.l. AU, an apparel label producer headquartered in Elche, Spain, with additional manufacturing in Tangier, Morocco, for approximately $19.6 million, subject to customary closing adjustments.

In February 2020, the Company acquired the shares of Clinical Systems, Inc. ("CSI"), a specialized provider of labels and patient information booklets to the clinical trials industry in the U.S., for an estimated $19.4 million, net of cash acquired.

In February 2020, the Company acquired the remaining 50.0% stake in Rheinfelden America aluminum slug venture in the U.S. from its partner for a nominal sum and will assume the $22.3 million of debt previously held in the venture.

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

	2019	2018	2017	2016	2015	2014
Sales and Net Earnings						
Sales	**$ 5,321.3**	$ 5,161.5	$ 4,755.7	$ 3,974.7	$ 3,039.1	$ 2,585.6
Depreciation and amortization	**329.6**	278.0	259.2	203.7	164.1	146.4
Net finance cost	**81.0**	80.7	75.2	37.9	25.6	25.6
Net earnings	**$ 477.1**[1]	$ 466.8[2]	$ 474.1[3]	$ 346.3[4]	$ 295.1[5]	$ 216.6[6]
Basic net earnings per Class B share	**$ 2.68**[1]	$ 2.64[2]	$ 2.70[3]	$ 1.98[4]	$ 1.70[5]	$ 1.26[6]
Financial Position						
Current assets	**$ 2,105.0**	$ 2,125.2	$ 1,851.6	$ 1,660.9	$ 1,229.9	$ 821.9
Current liabilities	**1,148.0**	1,346.9	1,299.7	907.0	912.8	600.2
Working capital[7]	**957.0**	778.3	551.9	753.9	317.1	221.7
Total assets	**7,038.0**	7,027.6	6,144.0	4,678.8	3,582.3	2,618.4
Net debt	**1,716.2**	1,902.5	1,773.9	1,016.2	599.8	437.2
Shareholders' equity	**$ 2.887.7**	$ 2,673.1	$ 2,157.9	$ 1,775.2	$ 1,621.9	$ 1,216.2
Net debt to equity ratio	**0.59**	0.71	0.82	0.57	0.37	0.36
Net debt to total book capitalization	**37.2%**	41.6%	45.1%	36.4%	27.0%	26.4%
Number of Shares (000,000s)						
Class A – Dec. 31	**11.8**	11.8	11.8	11.8	11.8	11.8
Class B – Dec. 31	**166.8**	165.9	165.0	164.1	163.6	161.6
Weighted average for the year	**178.0**	176.8	175.8	175.2	173.6	171.8
Cash Flow						
Cash provided by operations	**$ 779.5**	$ 772.7	$ 711.2	$ 564.0	$ 475.3	$ 403.5
Additions to plant, property and equipment	**345.6**	352.9	285.7	234.7	172.2	153.7
Business acquisitions	**40.4**	365.9	1,191.4	571.5	356.7	115.9
Dividends	**121.1**	92.2	81.2	70.2	52.3	37.9
Dividends per Class B share	**$ 0.68**	$ 0.52	$ 0.46	$ 0.40	$ 0.30	$ 0.22

1 After pre-tax restructuring and other items – net loss of $25.0 million.
2 After pre-tax restructuring and other items – net loss of $14.8 million.
3 After pre-tax restructuring and other items – net loss of $11.3 million.
4 After pre-tax restructuring and other items – net loss of $34.6 million.
5 After pre-tax restructuring and other items – net gain of $6.0 million.
6 After pre-tax restructuring and other items – net gain of $9.1 million.
7 Current assets less current liabilities.

North America

Mark Cooper
President,
Avery & METO Worldwide
Brea, California, USA

John Dargan
President,
Checkpoint Worldwide
Thorofare, New Jersey, USA

Ben Rubino
President,
Home & Personal Care Worldwide
Lumberton, New Jersey, USA

Stephan Finke
Vice President & General Manager
Food & Beverage North America
Sonoma, California, USA

Eric Frantz
Group Vice President,
Home & Personal Care North America
Hermitage, Pennsylvania, USA

Bill Goldsmith
Vice President & General Manager,
CCL Design North America
Schererville, Indiana, USA

Al Green
Vice President,
Technology Development
Clinton, South Carolina, USA

Andy Iseli
Vice President & General Manager,
CCL Tube
Los Angeles, California, USA

Jon Knight
Vice President & General Manager
Innovia Films America
Winston-Salem, North Carolina, USA

Sandra Lane
Vice President,
CCL Secure North America
Greensboro, North Carolina, USA

Allison Phillips
Vice President,
Strategic Business Development
Avery North America
Brea, California, USA

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

Europe

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

Peter Fleissner
President,
CCL Design Worldwide
Solingen, Germany

Scott Mitchell-Harris
Group Vice President,
Checkpoint Europe & Asia Pacific,

Apparel Labeling Solutions Worldwide
Barcelona, Spain

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

Derek Cumming
Group Vice President,
CCL Design Worldwide
East Kilbride, Scotland

Werner Ehrmann
Vice President,
Technology Development
Holzkirchen, Germany

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

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

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

Asia Pacific

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

Da Gang Li
Group Vice President,
CCL Industries Greater China
Shanghai, PR China

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

Daniel Choo Thian Chau
Managing Director
CCL Label Vietnam & Checkpoint Vietnam
Thu Dau Mot City, Vietnam

Xiao Hong "Echo" Yu
Vice President & Managing Director
CCL Label China
Hefei, PR China

Alex Zhu
Vice President & Managing Director
CCL Design Greater China
Suzhou, PR China

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

John O'Brien
Vice President & Managing Director,
CCL Label Australia & New Zealand
Adelaide, Australia

Neil Sanders
Vice President & Managing Director,
CCL Secure – Polymer Bank Notes
Melbourne, Australia

Latin America

Luis Jocionis
Goup Vice President,
CCL Industries South America
Sao Paolo, Brazil

Ben Lilienthal
Group Vice President,
CCL Industries Central America
Mexico City, Mexico

2019 CORPORATE EXECUTIVES

Donald G. Lang
Executive Chairman

Geoffrey T. Martin
President and
Chief Executive Officer

Suzana Furtado
Corporate Secretary

Kamal Kotecha
Vice President, Taxation

Mark McClendon
Vice President and
General Counsel

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

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

Nick Vecchiarelli
Vice President,
Corporate Accounting

Monika Vodermaier
Vice President,
Corporate Finance
Europe

Sean P. Washchuk
Senior Vice President and
Chief Financial Officer

2019 BOARD OF DIRECTORS

Vincent J. Galifi
Director since 2016

Executive Vice President and
Chief Financial Officer
Magna International Inc.
Ontario, Canada

Alan D. Horn
Director since 2019

President and Chief Executive Officer of
Rogers Telecommunications Limited
Ontario, Canada

Kathleen L. Keller-Hobson
Director since 2015

Corporate Director
Ontario, Canada

Donald G. Lang
Director since 1991

Executive Chairman,
CCL Industries Inc.
Ontario, Canada

Erin M. Lang
Director since 2016

Managing Director,
LUMAS Canada
Ontario, Canada

Stuart W. Lang
Director since 1991

Corporate Director
Ontario, Canada

Geoffrey T. Martin
Director since 2005

President and CEO,
CCL Industries Inc.
Massachusetts, U.S.A.

Douglas W. Muzyka
Director since 2016

Corporate Director
Pennsylvania, U.S.A.

Thomas C. Peddie
Director since 2003

Corporate Director
Ontario, Canada

Mandy J. Shapansky
Director since 2014

Corporate Director
Ontario, Canada

Auditors

KPMG LLP
Chartered Accountants

Legal Counsel

McMillan LLP

Transfer Agent

AST Trust Company (Canada)
P.O. Box 700
Postal Station B
Montreal, QC H3B 3K3
Email: inquiries@astfinancial.com
Investor Services: (416) 682-3860 or (800) 387-0825
Fax: (888) 249-6189
Website: www.astfinancial.com/ca-en

Financial Information

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

Sean Washchuk
Senior Vice President and CFO
(416) 756-8526

Additional copies of this report can be obtained from:

CCL Industries Inc.
Investor Relations Department
111 Gordon Baker Road
Suite 801
Toronto, ON M2H 3R1
Tel: (416) 756-8500
Fax: (416) 756-8555
Email: ccl@cclind.com
Website: www.cclind.com

Annual and Special Meeting of Shareholders

The Annual and Special Meeting of Shareholders will be held on:
May 14, 2020 at 2:00 p.m.
CCL Industries Inc.
111 Gordon Baker Road
Suite 801
Toronto, ON M2H 3R1

Class B Share Information

Stock Symbol CCL.B

Listed TSX

Opening price 2019	$49.62
Closing price 2019	$55.32
Number of trades	511,633
Trading volume (shares)	78,495,376
Trading value	$4,518,889,049
Annual dividends declared	$0.68

Shares outstanding at December 31, 2019

Class A voting shares	11,836,250
Class B non-voting shares	166,790,238

Designed by DELBOVE Design Studio

This report is printed on recyclable, acid-free and chlorine free paper.
Printed in Canada.

CCL

INNOVIA

AVERY

Checkpoint

CCL Industries Inc.
111 Gordon Baker Road,
Suite 801 Toronto, ON
M2H 3R1, Canada
Tel +1 (416) 756 8500

161 Worcester Road
Framingham, MA 01701, U.S.A.
Tel +1 (508) 872 4511

www.cclind.com