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

# CCL INDUSTRIES INC.

Interim periods ended March 31, 2014 and 2013
Unaudited

# CCL Industries Inc.

**Consolidated condensed interim statements of financial position**

**Unaudited**

*In thousands of Canadian dollars*

| | As at March 31 2014 | As at December 31 2013 |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash and cash equivalents | $ 193,843 | $ 209,095 |
| Trade and other receivables | 418,417 | 363,493 |
| Inventories | 205,306 | 181,644 |
| Prepaid expenses | 13,672 | 13,458 |
| Income tax recoverable | 1,002 | 2,503 |
| **Total current assets** | 832,240 | 770,193 |
| Property, plant and equipment | 944,662 | 856,001 |
| Goodwill | 563,678 | 494,231 |
| Intangible assets | 216,028 | 207,569 |
| Deferred tax assets | 4,005 | 4,115 |
| Equity accounted investments | 53,258 | 47,363 |
| Other assets | 21,934 | 22,176 |
| **Total non-current assets** | 1,803,565 | 1,631,455 |
| **Total assets** | **$ 2,635,805** | **$ 2,401,648** |
| **Liabilities** | | |
| **Current liabilities** | | |
| Trade and other payables | $ 485,167 | $ 475,777 |
| Current portion of long-term debt | 47,585 | 47,070 |
| Income taxes payable | 23,768 | 21,060 |
| Derivative instruments | 550 | 642 |
| **Total current liabilities** | 557,070 | 544,549 |
| Long-term debt | 788,454 | 664,976 |
| Deferred tax liabilities | 42,716 | 42,661 |
| Employee benefits | 116,036 | 109,068 |
| Provisions and other long-term liabilities | 15,124 | 21,511 |
| Derivative instruments | 678 | 748 |
| **Total non-current liabilities** | 963,008 | 838,964 |
| **Total liabilities** | 1,520,078 | 1,383,513 |
| **Equity** | | |
| Share capital | 241,700 | 237,189 |
| Contributed surplus | 14,547 | 11,919 |
| Retained earnings | 812,750 | 768,738 |
| Accumulated other comprehensive income (note 5) | 46,730 | 289 |
| **Total equity attributable to shareholders of the Company** | 1,115,727 | 1,018,135 |
| Acquisitions (note 3) | | |
| Subsequent events (note 7) | | |
| **Total liabilities and equity** | **$ 2,635,805** | **$ 2,401,648** |

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

# CCL Industries Inc.

**Consolidated condensed interim income statements**

**Unaudited**

*In thousands of Canadian dollars, except per share data*

| | Three Months Ended March 31 | | |
|---|---|---|---|
| | **2014** | **2013** | **% Change** |
| Sales | $ 609,700 | $ 363,643 | 67.7 |
| Cost of sales | 448,743 | 267,913 | |
| Gross profit | 160,957 | 95,730 | |
| Selling, general and administrative | 78,625 | 41,307 | |
| Restructuring and other items | 946 | 1,322 | |
| Earnings in equity accounted investments | (69) | (377) | |
| | **81,455** | **53,478** | |
| Finance cost | 6,874 | 5,367 | |
| Finance income | (151) | (160) | |
| Net finance cost | 6,723 | 5,207 | |
| **Earnings before income taxes** | **74,732** | **48,271** | 54.8 |
| Income tax expense | 22,170 | 14,189 | |
| **Net earnings** | **$ 52,562** | **$ 34,082** | 54.2 |
| **Attributable to:** | | | |
| Shareholders of the Company | $ 52,562 | $ 34,082 | |
| **Net earnings for the period** | **$ 52,562** | **$ 34,082** | |
| Basic earnings per Class B share | **$ 1.54** | **$ 1.01** | 52.5 |
| Diluted earnings per Class B share | **$ 1.51** | **$ 0.99** | 52.5 |

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

# CCL Industries Inc.

**Consolidated condensed interim statements of comprehensive income**

**Unaudited**

*In thousands of Canadian dollars*

| | Three Months Ended March 31 | |
|---|---|---|
| | **2014** | **2013** |
| **Net earnings** | **$ 52,562** | **$ 34,082** |
| **Other comprehensive income (loss), net of tax:** | | |
| Items that may subsequently be reclassified to income: | | |
| Foreign currency translation adjustment for foreign operations, net of tax expense of $1,918 for the three months ended March 31, 2014 (2013 - tax expense of $604) | 70,218 | 13,688 |
| Net losses on hedges of net investment in foreign operations, net of tax recovery of $3,400 for the three months ended March 31, 2014 (2013 - tax recovery of $847) | (23,908) | (5,659) |
| Effective portion of changes in fair value of cash flow hedges, net of tax recovery of $70 for the three months ended March 31, 2014 (2013 - tax recovery of $247) | (169) | (627) |
| Net change in the fair value of cash flow hedges transferred to the income statement, net of tax recovery of $102 for the three months ended March 31, 2014 (2013 - tax recovery of $98) | 300 | 288 |
| **Other comprehensive income, net of tax** | **46,441** | **7,690** |
| **Total comprehensive income** | **$ 99,003** | **$ 41,772** |
| **Attributable to:** | | |
| Shareholders of the Company | $ 99,003 | $ 41,772 |
| **Total comprehensive income** | **$ 99,003** | **$ 41,772** |

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

# CCL Industries Inc.

**Consolidated condensed interim statements of changes in equity**

**Unaudited**

*In thousands of Canadian dollars*

| | Three Months Ended March 31 | |
|---|---|---|
| | **2014** | **2013** |
| **Share capital** | | |
| Class A shares, beginning of period | $ 4,504 | $ 4,507 |
| Class A shares, end of period | 4,504 | 4,507 |
| | | |
| Class B shares, beginning of period | 246,843 | 227,123 |
| Normal course issuer bid | - | (364) |
| Stock options exercised | 4,561 | 13,124 |
| Class B shares, end of period | 251,404 | 239,883 |
| | | |
| Shares held in trust, beginning of period | (14,158) | (4,928) |
| Shares redeemed from trust | - | 4,500 |
| Shares purchased and held in trust | (50) | (2) |
| Shares held in trust, end of period | (14,208) | (430) |
| | | |
| **Share capital, end of period** | **241,700** | **243,960** |
| | | |
| **Contributed surplus** | | |
| Contributed surplus, beginning of period | 11,919 | 9,584 |
| Stock option expense | 756 | 519 |
| Stock options exercised | (823) | (2,037) |
| Stock-based compensation plan | 1,207 | (4,498) |
| Income tax effect related to stock options exercised | 1,488 | - |
| **Contributed surplus, end of period** | **14,547** | **3,568** |
| | | |
| **Retained earnings, beginning of period** | 768,738 | 697,937 |
| Net earnings | 52,562 | 34,082 |
| Repurchase of shares | - | (2,656) |
| **Dividends:** | | |
| Class A | (562) | (480) |
| Class B | (7,988) | (6,840) |
| **Total dividends** | (8,550) | (7,320) |
| | | |
| **Retained earnings, end of period** | **812,750** | **722,043** |
| | | |
| **Accumulated other comprehensive income (loss)** | | |
| Accumulated other comprehensive income (loss), beginning of period | 289 | (47,036) |
| Other comprehensive income | 46,441 | 7,690 |
| **Accumulated other comprehensive income (loss), end of period** | **46,730** | **(39,346)** |
| | | |
| **Total equity, end of period** | **$ 1,115,727** | **$ 930,225** |

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

# CCL Industries Inc.

**Consolidated condensed interim statements of cash flows**

**Unaudited**

*In thousands of Canadian dollars*

| | Three Months Ended March 31 2014 | Three Months Ended March 31 2013 |
|---|---|---|
| **Cash provided by (used for)** | | |
| **Operating activities** | | |
| Net earnings | $ 52,562 | $ 34,082 |
| Adjustments for: | | |
| Depreciation and amortization | 35,507 | 26,633 |
| Earnings in equity accounted investments, net of dividends received | (69) | (377) |
| Net finance cost | 6,723 | 5,207 |
| Current income tax expense | 20,265 | 16,771 |
| Deferred taxes | 1,905 | (2,582) |
| Equity-settled share-based payment transactions | 3,451 | 521 |
| Loss (gain) on sale of property, plant and equipment | 150 | (135) |
| | 120,494 | 80,120 |
| Change in inventories | (15,889) | (6,430) |
| Change in trade and other receivables | (41,466) | (36,354) |
| Change in prepaid expenses | 3 | (197) |
| Change in trade and other payables | (11,037) | 10,978 |
| Change in income taxes receivable and payable | 2,074 | 701 |
| Change in employee benefits | 6,968 | 4,231 |
| Change in other assets and liabilities | (7,000) | 1,924 |
| | 54,147 | 54,973 |
| Net interest paid | (10,483) | (10,065) |
| Income taxes paid | (16,600) | (8,359) |
| **Cash provided by operating activities** | **27,064** | **36,549** |
| | | |
| **Financing activities** | | |
| Proceeds on issuance of debt | 98,261 | - |
| Repayment of debt | (2,108) | (2,639) |
| Proceeds from issuance of shares | 3,738 | 11,087 |
| Dividends paid | (8,600) | (7,322) |
| **Cash provided by financing activities** | **91,291** | **1,126** |
| | | |
| **Investing activities** | | |
| Additions to property, plant and equipment | (59,878) | (39,250) |
| Proceeds on disposal of property, plant and equipment | 5,414 | 241 |
| Business acquisitions and other long-term investments (note 3) | (86,924) | - |
| **Cash used for investing activities** | **(141,388)** | **(39,009)** |
| Net decrease in cash and cash equivalents | (23,033) | (1,334) |
| Cash and cash equivalents at beginning of period | 209,095 | 188,972 |
| Translation adjustment on cash and cash equivalents | 7,781 | 2,009 |
| **Cash and cash equivalents at end of period** | **$ 193,843** | **$ 189,647** |

*See accompanying selected explanatory notes to the consolidated condensed interim 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 condensed interim financial statements of the Company as at and for the interim period ended March 31, 2014, comprise the Company, its subsidiaries and its interest in joint ventures and associates. The Company has manufacturing facilities around the world and is primarily involved in the manufacture of labels, containers and consumer printable media products.

## 2. Basis of preparation

### (a) Statement of compliance

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

These consolidated condensed interim financial statements should be read in conjunction with the Company's 2013 annual financial statements.

The accounting policies and methods of computation followed in the preparation of these consolidated condensed interim financial statements are consistent with those used in the preparation of the most recent annual report, unless otherwise noted.

These consolidated condensed interim financial statements were authorized for issue by the Board of Directors on May 1, 2014.

### (b) Basis of measurement

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

- derivative financial instruments are measured at fair value
- financial instruments at fair value through profit or loss are measured at fair value
- liabilities for cash-settled share-based payment arrangements are measured at fair value
- assets related to the defined benefit plans are measured at fair value and liabilities related to the defined benefit plans are calculated by qualified actuaries using the projected unit credit method

### (c) Functional and presentation currency

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

## 3. Acquisitions

In February 2014, the Company acquired Sancoa and TubeDec ("Sancoa"); two privately owned companies supplying labels and plastic tubes to Home & Personal Care customers within North America from three plants located in New Jersey and Ohio. The purchase price was C$78.6 million (U$71.0 million), including the settlement of financial debt, and is subject to customary closing and tax structuring adjustments. This acquisition expands the Company's customer portfolio and product offerings.

In February 2014, the Company acquired DekoPak Ambalaj San. Ve Tic. A.S. ("Dekopak"); a leading shrink sleeve producer based in Istanbul, Turkey. The Dekopak acquisition expands the Company's geographic reach and will serve as entry platform into Turkey for all of the Company's product lines. The purchase price consisted of a cash payment of C$4.7 million (€3.1 million) plus contingent consideration based on average annual EBITDA for the earn-out period to be settled in 2017. Currently the fair value of the contingent consideration is estimated at C$6.3 million (€4.1 million). The final purchase price is subject to customary closing adjustments.

As a result of the timing of the acquisition close, for both Sancoa and Dekopak, in relation to the date of issuance of the financial statements for the first quarter, the availability of information and the inherent complexity associated with the valuations, the initial allocation of the consideration paid has not yet been completed. The initial allocation has resulted in goodwill and intangible assets of $39.8 million and $8.9 million for Sancoa and Dekopak, respectively.

## 4. Segment reporting

The Company has three 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 is comprised of the following main business segments:

- Label – Includes the production of pressure sensitive and extruded film materials for a wide range of decorative, instructional and functional applications for large global customers in the consumer packaging, healthcare, automotive and consumer durables markets. Extruded & laminated plastic tubes, folded instructional leaflets, precision printed & die cut metal components with LED displays and other complementary products and services are sold in parallel to specific endues markets.

- Avery – Includes the manufacturing and selling of various consumer products, including labels, binders, dividers, sheet protectors and writing instruments in North America, Latin America, Asia Pacific and Europe.

- Container – Includes the manufacturing of specialty containers for the consumer products industry in North America, including Mexico. The key product line is recyclable aluminum aerosol cans and bottles for the personal care, home care and cosmetic industries, plus shaped aluminum bottles for the beverage market.

*In thousands of Canadian dollars*

### 4. Segment reporting (continued)

| | Three Months Ended March 31 | | | |
|---|---|---|---|---|
| | Sales | | Operating income | |
| | 2014 | 2013 | 2014 | 2013 |
| Label | $ 423,740 | $ 312,264 | $ 69,387 | $ 56,579 |
| Avery | 132,923 | - | 13,143 | - |
| Container | 53,037 | 51,379 | 6,024 | 5,317 |
| Total operations | $ 609,700 | $ 363,643 | 88,554 | 61,896 |
| | | | | |
| Corporate expense | | | (6,222) | (7,473) |
| Restructuring and other items | | | (946) | (1,322) |
| Earnings in equity accounted investments | | | 69 | 377 |
| Finance cost | | | (6,874) | (5,367) |
| Finance income | | | 151 | 160 |
| Income tax expense | | | (22,170) | (14,189) |
| Net earnings | | | $ 52,562 | $ 34,082 |

| | Total Assets | | Total Liabilities | | Depreciation and Amortization | | Capital Expenditures | |
|---|---|---|---|---|---|---|---|---|
| | March 31 2014 | December 31 2013 | March 31 2014 | December 31 2013 | Three Months Ended March 31 2014 | 2013 | Three Months Ended March 31 2014 | 2013 |
| Label | $ 1,761,730 | $ 1,558,832 | $ 397,032 | $ 357,386 | $ 28,381 | $ 22,883 | $ 46,516 | $ 38,420 |
| Avery | 399,554 | 391,658 | 168,513 | 205,154 | 3,446 | - | 3,750 | - |
| Container | 155,417 | 140,678 | 53,905 | 49,607 | 3,474 | 3,560 | 9,612 | 830 |
| Equity accounted investments | 53,258 | 47,363 | - | - | - | - | - | - |
| Corporate | 265,846 | 263,117 | 900,628 | 771,366 | 206 | 190 | - | - |
| Total | $ 2,635,805 | $ 2,401,648 | $ 1,520,078 | $ 1,383,513 | $ 35,507 | $ 26,633 | $ 59,878 | $ 39,250 |

Due to the seasonality of CCL's business, the Company's operating results for the three months ended March 31, 2014, are not necessarily indicative of the results that may be expected for the full year ending December 31, 2014. The first and second quarters are traditionally higher sales periods for the Label and Container Segments as a result of the greater number of work days and various customer activities undertaken during this period versus the third and fourth quarters of the year. For Avery, the third quarter has historically been its strongest, as it benefits from the increased demand related to back-to-school activities in North America.

Certain comparative segment information has been recast to conform with current period presentation.

### 5. Accumulated other comprehensive income

| | March 31 2014 | December 31 2013 |
|---|---|---|
| Unrealized foreign currency translation gains net of tax recovery of $3,014 (2013 – tax recovery of $1,532) | $ 47,599 | $ 1,289 |
| Losses on derivatives designated as cash flow hedges, net of tax recovery of $243 (2013 – tax recovery of $275) | (869) | (1,000) |
| | $ 46,730 | $ 289 |

### 6. Financial instruments

#### (a) Fair value hierarchy

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

The different levels have been defined as follows:

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

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **March 31, 2014** | | | | |
| Available-for-sale financial assets | $ - | $ 12,665 | $ - | $ 12,665 |
| Contingent consideration | - | - | 6,284 | 6,284 |
| Derivative financial liabilities | - | 1,228 | - | 1,228 |
| Unsecured senior notes | - | - | 302,290 | 302,290 |
| | $ - | $ 1,228 | $ 308,574 | $ 309,802 |
| **December 31, 2013** | | | | |
| Available-for-sale financial assets | $ - | $ 12,884 | $ - | $ 12,884 |
| Derivative financial liabilities | - | 1,390 | - | 1,390 |
| Unsecured senior notes | - | - | 284,402 | 284,402 |
| | $ - | $ 1,390 | $ 284,402 | $ 285,792 |

*In thousands of Canadian dollars*

**6. Financial instruments (continued)**

**(b) Fair values versus carrying amounts**

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

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

| | March 31, 2014 | | December 31, 2013 | |
|---|---|---|---|---|
| | Amount | Fair Value | Amount | Fair Value |
| Long-term debt | $ 836,039 | $ 874,129 | $ 712,046 | $ 742,776 |

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

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

**7. Subsequent events**

The Board of Directors has declared a dividend of $0.2500 for the Class B non-voting shares and $0.2375 on the Class A voting shares that will be payable to shareholders of record at the close of business on June 16, 2014, to be paid on June 30, 2014.

# MANAGEMENT'S DISCUSSION AND ANALYSIS
# First Quarters Ended March 31, 2014 and 2013

This Management's Discussion and Analysis of the financial condition and results of operations ("MD&A") of CCL Industries Inc. ("CCL" or the "Company") relates to the first quarters ended March 31, 2014 and 2013. The information in this interim MD&A is current to May 1, 2014, and should be read in conjunction with the Company's March 31, 2014, unaudited first quarter consolidated condensed interim financial statements released on May 1, 2014, and the 2013 Annual MD&A document and consolidated financial statements, which form part of the CCL Industries Inc. 2013 Annual Report, dated February 20, 2014.

**Basis of Presentation**

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and unless otherwise noted, both the financial statements and this interim MD&A are expressed in Canadian dollars as the reporting currency. The major measurement currencies of CCL's operations are the Canadian dollar, U.S. dollar, euro, Argentine peso, Australian dollar, Brazilian real, Chilean peso, Chinese renminbi, Danish krone, Japanese yen, Mexican peso, Polish zloty, Russian rouble, South African rand, Thai baht, 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. CCL's Audit Committee and its Board of Directors have reviewed this interim MD&A to ensure consistency with the approved strategy of the Company and the financial results of the Company.

**Cautionary Statement Regarding Forward-Looking Statements**

This MD&A contains forward-looking information and forward-looking statements, as defined under applicable securities laws, (hereinafter collectively referred to as "forward-looking statements") that involve a number of risks and uncertainties. Forward-looking statements include all statements that are predictive in nature or depend on future events or conditions. Forward-looking statements are typically identified by the words "believes," "expects," "anticipates," "estimates," "intends," "plans" or similar expressions. Statements regarding the operations, business, financial condition, priorities, ongoing objectives, strategies and outlook of the Company, other than statements of historical fact, are forward-looking statements. Specifically, this MD&A contains forward-looking statements regarding the anticipated growth in sales, income and profitability of the Company's segments; the Company's improvement in market share; the Company's capital spending levels and planned capital expenditures in 2014; the adequacy of the Company's financial liquidity; the Company's targeted return on equity, earnings per share and EBITDA growth rates; the Company's effective tax rate; the Company's ongoing business strategy and the Company's expectations regarding general business and economic conditions.

Forward-looking statements are not guarantees of future performance. They involve known and unknown risks and uncertainties relating to future events and conditions including, but not limited to, the after-effects of the global financial crisis and its impact on the world economy and capital markets; the impact of competition; consumer confidence and spending preferences; general economic and geopolitical conditions; currency exchange rates; interest rates and credit availability; technological change; changes in government regulations; risks associated with operating and product hazards; and CCL'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: global economic recovery and higher consumer spending; improved customer demand for the Company's products; continued historical growth trends, market growth in specific sectors and entering into new markets; the Company's ability to provide a wide range of products to multinational customers on a global basis; the benefits of the Company's focused strategies and operational approach; the achievement of the Company's plans for improved efficiency and lower costs, including stable aluminum costs; the availability of cash and credit; fluctuations of currency exchange rates; the Company's continued relations with its customers; Company's ability to realize targeted operational synergies and cash flows from the restructuring of Avery, Designed & Engineered Solutions ("DES"), Sancoa and TubeDec ("Sancoa") and the Canadian

Container operation; the Company's expectation that its new operation in the Philippines and new joint venture in Thailand will not post profitable returns until 2015; the Company's expectation that low growth forecasts for Europe could underpin solid performance for 2014; the Company's expectation for strong cash flow from the business; the Company's expected order intake levels; 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" of the 2013 Annual MD&A.

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

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

## 1. Overview

The first quarter of 2014 was a record quarter and the fourteenth consecutive quarter of year-over-year improvement in quarterly adjusted basic earnings per share for CCL. This result was driven by strong first quarter performance in all three of the Company's Segments, Label, Avery and Container. The Label Segment posted an increase of 35.7% in sales and 22.8% in operating income (a non-IFRS financial measure; refer to definition in Section 13) due to the acquisitions over the past twelve months and solid organic growth. The new Avery Segment for the first quarter of 2014 posted operating income that exceeded management expectations in its seasonally slowest quarter. The Container Segment recorded a 13.2% improvement in operating income. Accordingly, adjusted basic earnings (a non-IFRS financial measure; refer to definition in Section 13) for the Company improved 50.0% to $1.56 per Class B share compared to adjusted basic earnings per Class B share of $1.04 in the 2013 first quarter.

## 2. Review of Consolidated Financial Results

The following acquisitions and joint venture developments affected the financial comparisons to 2013:

- In March 2013, the Company announced the creation of a new plastic tube manufacturing and decorating joint venture in Bangkok, Thailand. CCL will have a 50% equity interest in the venture equal to its partner Taisei Kako Co., Ltd., a leading Japanese producer of specialty plastic containers.

- In April 2013, the acquisition of INT Autotechnik GmbH ("INT"), a privately owned company based in Munich, Germany, for $14.4 million. INT is a leading supplier to German automotive original equipment manufacturers alongside CCL Design.

- On July 1, 2013, the acquisition of the Avery and DES businesses of Avery Dennison Corporation for US$486.7 million. Avery, CCL's newest business segment is the world's largest supplier of labels, specialty converted media and software solutions to enable short run digital printing for businesses and consumers. The DES business has augmented the CCL Design and other businesses within the Label Segment.

- In October 2013, the acquisition of Advanced Packaging Films, a privately owned company based in Schkopau, Germany, for $9.3 million. This new business trades as Advanced Performance Films ("APF") and forms an integral part of the CCL Label global Food & Beverage business.

- In January 2014, the acquisition of an additional 12.5% interest in Acrus-CCL, the Company's Chilean wine label joint venture, for US$1.2 million bringing CCL's total ownership to 62.5% of the equity.

- In February 2014, the acquisition of Sancoa, privately owned companies with a common controlling shareholder based in New Jersey, USA, for approximately US$71.0 million, subject to typical post-closing adjustments. Sancoa produces labels and tubes and will be a vital part of the North American CCL Label Home & Personal Care business.

- In February 2014, the acquisition of DekoPak Ambalaj SAN. Ve Tic. A.S. ("Dekopak"), a privately owned company based in Istanbul, Turkey, for approximately $4.7 million, plus contingent consideration payable in 2017 subject to incremental EBITDA improvement. Dekopak is a leading producer of shrink sleeve labels for global and domestic customers in Turkey and was CCL Label's exclusive license holder for the country.

Sales for the first quarter of 2014 were $609.7 million, an increase of 67.7% compared to $363.6 million recorded in the first quarter of 2013. The increase in sales can be attributed to organic growth of 4.2%, acquisition related growth of 55.3% and an 8.2% positive impact from foreign currency translation.

Selling, general and administrative expenses ("SG&A") were $78.6 million for the first quarter of 2014 compared to $41.3 million for the first quarter of 2013. The increase was primarily attributable to SG&A expenses associated with the aforementioned acquisitions, particularly Avery and DES. Corporate expenses included within SG&A, included a net reduction in legal reserves due to the final settlement of an outstanding dispute, partially offset by an increase in management variable compensation expense and director equity linked compensation expense. The net impact of these corporate expense fluctuations was a $2.8 million reduction in SG&A.

The Company recorded an expense of $0.9 million ($0.7 million after tax) in restructuring and other items for the first quarter of 2014. The downsizing of a small label plant in France cost $0.1 million and the Company incurred $0.3 million of transaction costs and $0.5 million of restructuring expenses related to the reorganization of Sancoa. Restructuring and other items were $1.3 million ($1.1 million after tax) for the 2013 first quarter.

Operating income for the first quarter of 2014 was $88.6 million, compared to $61.9 million for the first quarter of 2013. For the first quarter of 2014 compared to the same period in 2013, the Label and Container Segments improved operating income 22.8% and 13.2%, respectively. The newly acquired Sancoa and Dekopak businesses, now included in the Label Segment, met performance expectations for the quarter. The Avery Segment posted operating income of $13.1 million exceeding management expectations for what was historically a poor operating quarter. Foreign currency translation contributed an improvement of 8.4% to the consolidated operating income.

Earnings before net finance cost, taxes, earnings in equity accounted investments, depreciation and amortization, non-cash acquisition accounting adjustments to finished goods inventory, restructuring and other items ("EBITDA," a non-IFRS financial measure; refer to definition in Section 13) was $117.8 million for the first quarter of 2014, an increase of 45.4% compared to $81.0 million for the first quarter of 2013. Foreign currency had a positive impact of 8.6% on EBITDA for the first quarter of 2014.

Net finance cost was $6.7 million for the first quarter of 2014 compared to $5.2 million for the first quarter of 2013. The increase was attributable to the added interest expense associated with the additional funded debt that was used to acquire the Avery, DES and Sancoa businesses.

The overall effective income tax rate was 29.7% for the first quarter of 2014 compared to 29.6% for the first quarter of 2013. The tax rate in future quarters may increase as a higher portion of income will be earned in higher tax jurisdictions.

Net earnings for the first quarter of 2014 were $52.6 million, an increase of 54.3% compared to $34.1 million for the first quarter of 2013. This resulted in basic and diluted earnings of $1.54 and $1.51 per Class B share, respectively, in the current quarter compared to basic and diluted earnings of $1.01 and $0.99 per Class B share, respectively, for the prior year first quarter.

Adjusted basic earnings per Class B share (a non-IFRS financial measure – see Section 13) was $1.56 for the first quarter of 2014, compared to $1.04 for the first quarter of 2013.

The following table is presented to provide context to the comparative change in the financial performance of the business.

**(in Canadian dollars)**

| | First Quarter | |
|---|---|---|
| **Adjusted Basic Earnings per Class B Share** | **2014** | **2013** |
| Basic earnings | $ 1.54 | $ 1.01 |
| Net loss from restructuring and other items | 0.02 | 0.03 |
| Adjusted basic earnings [1] | $ 1.56 | $ 1.04 |

(1) Adjusted Basic Earnings per Class B Share is a non-IFRS financial measure. Refer to definition in Section 13.

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

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

| | Qtr 1 | Qtr 2 | Qtr 3 | Qtr 4 | Total |
|---|---|---|---|---|---|
| **Sales** | | | | | |
| 2014 | $ 609.7 | $ - | $ - | $ - | $ 609.7 |
| 2013 | 363.7 | 361.4 | 606.6 | 557.7 | 1,889.4 |
| 2012 | 341.4 | 337.1 | 316.6 | 313.5 | 1,308.6 |
| **Net earnings** | | | | | |
| 2014 | 52.6 | - | - | - | 52.6 |
| 2013 | 34.1 | 26.4 | 23.6 | 19.5 | 103.6 |
| 2012 | 30.4 | 25.9 | 21.3 | 19.9 | 97.5 |
| **Net earnings per Class B share** | | | | | |
| **Basic** | | | | | |
| 2014 | 1.54 | - | - | - | 1.54 |
| 2013 | 1.01 | 0.77 | 0.68 | 0.58 | 3.04 |
| 2012 | 0.91 | 0.77 | 0.64 | 0.59 | 2.91 |
| **Diluted** | | | | | |
| 2014 | 1.51 | - | - | - | 1.51 |
| 2013 | 0.99 | 0.76 | 0.67 | 0.57 | 2.99 |
| 2012 | 0.89 | 0.76 | 0.63 | 0.58 | 2.86 |
| **Adjusted basic net earnings per Class B share** | | | | | |
| 2014 | 1.56 | - | - | - | 1.56 |
| 2013 | 1.04 | 0.82 | 1.38 | 1.19 | 4.43 |
| 2012 | 0.91 | 0.77 | 0.64 | 0.59 | 2.91 |

The quarterly financial results above are affected by the seasonality of its business Segments. The first and second quarters are traditionally higher sales periods for the Label and Container Segments as a result of the greater number of work days and various customer activities undertaken during this period versus the third and fourth quarters of a year. For Avery, the third quarter has historically been its strongest, as it benefits from the increased demand related to back-to-school activities in North America. Furthermore on July 1, 2013, the CCL acquired the Avery and DES businesses of Avery Dennison Corporation the most significant acquisition in the past nine quarters.

## 3. Business Segment Review

### Label Segment

| ($ millions) | First Quarter | | |
|---|---|---|---|
| | **2014** | **2013** | **+/-** |
| Sales | $ 423.8 | $ 312.2 | 35.7% |
| Operating Income [(1)] | $ 69.5 | $ 56.6 | 22.8% |
| Return on Sales [(1)] | 16.4% | 18.1% | |
| Capital Spending | $ 46.5 | $ 38.4 | 21.1% |
| Depreciation and Amortization | $ 28.4 | $ 22.8 | 24.6% |

(1) Operating Income and Return on Sales are non-IFRS financial measures. Refer to definitions in Section 13.

Sales for the Label Segment were $423.8 million for the first quarter of 2014, compared to $312.2 million for the same quarter last year. The increase in sales can be attributed to organic growth of 5.3%, the impact from the INT, DES, Sancoa and Dekopak acquisitions of 21.9% and the positive 8.5% effect from foreign currency translation.

**North American** sales increased double digits, excluding currency translation, compared to the first quarter of 2013, entirely attributable to the acquisitions of DES and Sancoa; organic growth was flat. CCL Design, a significant portion of the acquired DES operations, posted strong results, benefiting from a robust North American automotive market. Home & Personal Care sales, excluding the Sancoa acquisition improved on new business momentum. Healthcare & Specialty improved sequentially compared to the fourth quarter of 2013, but continued to be negatively impacted by U.S. FDA sanctions at certain pharmaceutical customers compared to the prior year first quarter. This issue will be lapped in the coming quarter. Food & Beverage sales and profitability improved year-over-year on market share gains in Wine & Spirits and the new Sonoma plant moving into profit. Overall profitability improved in North America, driven by the DES acquisition and modest underlying performance gains. Sancoa closed late in the quarter and reported only a stub period, therefore having minimal impact on results.

Sales in **Europe** were up mid-single digits for the first quarter of 2014, excluding currency translation and acquisitions, compared to the first quarter of 2013. The Home & Personal Care business posted market share gains and profitability improved significantly on strong operational execution. Sales in Healthcare & Specialty, excluding foreign currency translation, were up slightly compared to the first quarter of 2013 but profitability declined as advances in Scandinavia and the Netherlands were offset by a change in business mix in France and foreign exchange issues in the UK. Results in Food & Beverage were strong on continued solid performance in Sleeves and double digit sales gains in Beverage on export orders to emerging markets, partially offset by start-up losses at APF. Sales more than doubled for the CCL Design business due to the acquisitions of INT and a small Italian operation coming from DES; profitability improved considerably due to the acquisitions and strong automotive demand. Overall, European operating income, excluding incremental acquisitions and foreign currency translation, increased modestly, compared to the prior year first quarter.

**Latin American** operations in the first quarter of 2014 recorded double digit improvement in sales led by significant market share gains in Mexico. In Brazil, sales growth excluding currency translation was modest, as consumer sentiment contracted sharply on interest rises and a deteriorating macro-economic outlook. Operating margin levels in this region remain above the CCL average, but the weaker Brazilian real drove inflationary cost pressures on imported materials and continued to negatively impact translated results year-over-year, offsetting the profitability improvements from the Mexican business.

**Asia Pacific** delivered strong double digit sales and profitability growth for the first quarter of 2014, compared to the first quarter of 2013. China posted significant quarterly improvement in both sales and operating income as losses reduced at the operation in Tianjin and consumer demand remained robust. ASEAN customer demand declined in Home & Personal Care export markets from Thailand, but this was more than offset by increases in Specialty and Food & Beverage plus improved results in Vietnam. The change in business mix and the efficiency realized from operating the newly constructed third plant in Bangkok for an entire quarter resulted in a significant increase in return on sales. Australian results declined on a poor quarter at one of the Healthcare plants and start-up costs at the new Wine plant in Sydney. Sales volume for beverage labels in South Africa was strong. Despite start-up costs for the new plant in Philippines, overall profitability in the Asia Pacific region improved.

Operating income, for the first quarter of 2014 improved 22.8% to $69.5 million, compared to $56.6 million for the first quarter of 2013. Operating income as a percentage of sales was 16.4%, below the 18.1% recorded for the same period in 2013, due entirely to the mix impact of acquisitions.

Results from the joint ventures in CCL-Kontur, Russia; Pacman-CCL, Middle East; Acrus-CCL, Chile; and CCL-Taisei, Thailand, are not proportionately consolidated into the Label Segment but instead are accounted for as equity investments. CCL's share of the joint ventures' net income is disclosed in "Earnings in Equity Accounted Investments" in the consolidated condensed interim income statements. Sales at CCL-Kontur improved for the 2014 first quarter; however, results were significantly impacted by the devaluation of the ruble to the euro. Pacman-CCL contributed meaningfully to overall earnings for the 2014 first quarter but profits were lowered due to mix in Dubai and foreign exchange challenges in Egypt where all materials are imported. For the first quarter of 2014, Acrus-CCL posted its second consecutive quarterly operating profit compared to start-up losses in the 2013 first quarter. CCL-Taisei continued to build its new tube plant during the quarter and incurred a start-up loss. The operation is not expected to trade until the second half of 2014. Earnings in equity accounted investments amounted to $0.1 million for the 2014 first quarter compared to $0.4 million for the 2013 first quarter.

Sales backlogs for the label business rarely exceed one month of sales, making forecasts one quarter ahead difficult. So far order intake levels remain good in aggregate in the second quarter. Management continues to watch the global economic situation closely along with associated volatility in foreign exchange rates.

The Label Segment invested $46.5 million in capital spending in the first quarter of 2014, compared to $38.4 million in the same period in 2013. The investments for the first quarter are in line with Company's planned capital expenditures for 2014. The major expenditures for the first quarter were related to equipment installations to support the Home & Personal Care business in North America and adding more digital printing capabilities throughout the Label Segment footprint. As in the past, investments in the Label Segment are expected to continue in order to increase its capabilities, expand geographically, and replace or upgrade existing plants and equipment. Depreciation and amortization for the Label Segment was $28.4 million for the first quarter of 2014, compared to $22.8 million for the same period of 2013.

## Avery Segment

| ($ millions) | First Quarter 2014 | First Quarter 2013 |
|---|---|---|
| Sales | $ 132.9 | $ - |
| Operating Income [(1)] | $ 13.1 | $ - |
| Return on Sales [(1)] | 9.9% | - |
| Capital Spending | $ 3.8 | $ - |
| Depreciation and Amortization | $ 3.4 | $ - |

(1) Operating Income and Return on Sales are non-IFRS financial measures. Refer to definitions in Section 13.

The Avery Segment was acquired July 1, 2013 from Avery Dennison Corporation. The Segment has two primary product groups, Printable Media and Binders, Organization & Presentation, Writing Instruments ("BOPWI").

Sales for the Avery Segment were $132.9 million for the first quarter of 2014, up approximately 10% compared to the pre-acquisition first quarter of 2013. The increase is partly attributable to the elimination of customer trade incentives to forward buy inventory at year end; consequently, the sales correction that occurred in the first quarter of 2013 did not occur in 2014. Seasonally, the first quarter is historically the slowest quarter for the Avery Segment as the operation manufactures and builds inventory in the BOPWI category to support the North American back-to-school surge in the summer months.

**North American** sales increased for the comparative quarter partly due to the aforementioned elimination of trade inducements, but more importantly Avery continued to exceed expectations within Avery's Printable Media category. Cost reductions stemming from the 2013 restructuring initiative, and strong operational execution from a reinvigorated workforce, resulted in a better than expected operating profit for the seasonally slow first quarter.

**International** sales principally generated in the Printable Media category represented 33% of the Avery Segment sales for the quarter. Sales were in line with expectations; however profitability, particularly in Europe, exceeded projected results as cost reduction initiatives were realized faster than anticipated.

Operating income for the Avery Segment for the first quarter of 2014 was $13.1 million.

The Avery Segment invested $3.8 million in capital spending for the first quarter of 2014. The majority of the expenditures were for equipment additions for U.S. continuing operations in order to facilitate the previously announced closure of the Chicopee, Massachusetts, operation. Depreciation and amortization for the Avery Segment was $3.4 million for the first quarter of 2014.

## Container Segment

| ($ millions) | First Quarter | | |
|---|---|---|---|
| | **2014** | **2013** | **+/-** |
| Sales | $ 53.0 | $ 51.4 | 3.1% |
| Operating Income [(1)] | $ 6.0 | $ 5.3 | 13.2% |
| Return on Sales [(1)] | 11.3% | 10.3% | |
| Capital Spending | $ 9.6 | $ 0.8 | n/a |
| Depreciation and Amortization | $ 3.5 | $ 3.6 | (2.8%) |

(1) Operating Income and Return on Sales are non-IFRS financial measures. Refer to definitions in Section 13.

Sales for the Container Segment in the 2014 first quarter were $53.0 million, an increase of 3.1% compared to $51.4 million in the first quarter of 2013. Foreign currency translation helped reported sales and offset a decline largely attributable to lower volume. The Container Segment posted operating income of $6.0 million compared to $5.3 million for the 2013 first quarter. Strong financial results from the North American operations, aided by a stronger U.S. dollar, offset lower operating income at the Mexican operations due to changes in business mix. During the quarter operational initiatives of the previously announced restructuring plan for the Canadian plant closure commenced, and $0.2 million of equipment relocation expenses were incurred.

The Container Segment invested $9.6 million and $0.8 million in capital spending for the comparative first quarters of 2014 and 2013, respectively. The majority of the expenditures in the first quarter of 2014 were for the previously announced installation of a new manufacturing line in the U.S. operation to facilitate the efficient redistribution of the Canadian plant’s equipment. Depreciation and amortization for the Container Segment was $3.5 million for the first quarter of 2014 compared to $3.6 million for the comparable first quarter of 2013.

The Container Segment continues to hedge some of its anticipated future aluminum purchases through futures contracts and has hedged 19.2% of its expected 2014 requirements. All of these hedges are specifically tied to customer contracts. Existing hedges are priced in the US$1,700 to US$2,100 range per metric ton. The Company is encouraging customers to adopt 90-day pass-through pricing for changes in aluminum cost and is only adopting long-term hedges to stabilize input prices with large blue-chip multinationals willing to accept responsibility for the hedge.

Pricing for aluminum in the first quarter of 2014 ranged from US$1,600 to US$1,800 per metric ton compared to US$1,800 to US$2,200 in the first quarter of 2013.

## 4. Currency Transaction Hedging and Currency Translation

Approximately 96% of sales made in the first three months of 2014 to end-use customers were denominated in foreign currencies leaving the Company exposed to potentially significant translation variances when reporting results publicly in Canadian dollars. The Company does not hedge or manage such translation movements but does actively manage transaction exposures. Where possible, the Company contracts its business in local currencies with both customers and suppliers of raw materials.

The results of the first quarter of 2014 were most impacted by the positive effect of the 9.4%, 13.6%, 16.7% and 4.5% appreciation of the U.S. dollar, euro, sterling and Mexican peso, respectively, partially offset by a 7.5% depreciation of the Brazilian real when comparing the rates in the first quarters of 2014 and 2013, relative to the Canadian dollar. For the first quarter of 2014, currency translation had a $0.10 positive impact on earnings per share compared to last year's first quarter.

## 5. Liquidity and Capital Resources

The Company's capital structure is as follows:

| ($ Millions, except per share data) | March 31, 2014 | December 31, 2013 | March 31, 2013 |
|---|---|---|---|
| Current debt | $ 47.6 | $ 47.0 | $ 85.1 |
| Long-term debt | 788.4 | 665.0 | 248.4 |
| Total debt | 836.0 | 712.0 | 333.5 |
| Cash and cash equivalents | (193.8) | (209.1) | (189.6) |
| Net debt [1] | $ 642.2 | $ 502.9 | $ 143.9 |
| Shareholders' equity | $ 1,115.7 | $ 1,018.1 | $ 930.2 |
| Net debt to total book capitalization [1] | 36.5% | 33.1% | 13.4% |

[1] Net Debt, Net Debt to Total Book Capitalization is a non-IFRS financial measures. Refer to definitions in Section 13.

Net debt (a non-IFRS financial measure; refer to definition in Section 13) was $642.2 million at March 31, 2014, $498.3 million higher than the net debt of $143.9 million at March 31, 2013. The increase in net debt is due to the additional debt drawn on the Company's syndicated credit facility to fund the acquisitions of Avery, DES and Sancoa, partially offset by the cash flow generated by the Company since the first quarter of 2013. Net debt at March 31, 2014, was $139.3 million higher than the net debt of $502.9 million at December 31, 2013, due to debt drawn to acquire Sancoa on March 1, 2014. Since the Canadian dollar has devalued versus the Company's primarily U.S. dollar and euro drawn debt, foreign currency translation has resulted in an increase in total debt for the comparative periods above.

Net debt to total book capitalization (a non-IFRS financial measure; refer to definition in Section 13) at March 31, 2014, was 36.5%, up from 13.4% at the end of March 2013.

The Company's debt structure at March 31, 2014, was comprised of three private debt placements completed in 1998, 2006 and 2008 for a total of US$239.0 million (C$264.2 million) and a bank syndicated US$354.4 million non-revolving credit and $300.0 million revolving facility. During the quarter, the Company made payments of US$10.0 million on the non-revolving credit facility and drew down an additional US$97.0 million on the revolving credit facility to fund the acquisition and working capital requirement of

Sancoa. During the quarter the Company, on a no-fee basis, amended the borrowing currency of the non-revolving facility from Canadian dollars to U.S. dollars. Including the $3.7 million of outstanding letters of credit, the Company had approximately $127 million of available capacity within its revolving credit facility as at March 31, 2014.

The Company's overall average finance rate was 3.1% as at March 31, 2014, compared to 6.2% as at March 31, 2013. The decline in the average finance rate was caused by the lower rates applicable to the Company's syndicated credit facilities, compared principally to the Company's historical private placement debt rates at March 31, 2013.

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

## 6. Cash Flow

| | First Quarter | |
|---|---|---|
| **Summary of Cash Flows** | **2014** | **2013** |
| Cash provided by operating activities | $ 27.1 | $ 36.5 |
| Cash provided by financing activities | 91.3 | 1.1 |
| Cash used for investing activities | (141.4) | (39.0) |
| Translation adjustments on cash and cash equivalents | 7.7 | 2.0 |
| Increase (decrease) in cash and cash equivalents | $ (15.3) | $ 0.6 |
| Cash and cash equivalents – end of period | $ 193.8 | $ 189.6 |
| Free cash flow from operations [1] | $ (27.4) | $ (2.5) |

[1] Free Cash Flow from Operations is non-IFRS financial measure. Refer to definition in Section 13.

During the first quarters of 2014 and 2013, the Company generated cash from operating activities of $27.1 million and $36.5 million, respectively. Free cash flow from operations (a non-IFRS financial measure; refer to definition in Section 13) was a use of cash of $27.4 million in the 2014 first quarter compared to a use of cash of $2.5 million in the prior year quarter. The change in operating cash flow and free cash flow from operations was primarily due the change in non-cash working capital and an increase in capital expenditures for the comparative first quarters.

Capital spending in the first quarter of 2014 amounted to $59.9 million compared to $39.2 million in the 2013 first quarter. Depreciation and amortization for the first quarters of 2014 and 2013 were $35.5 million and $26.6 million, respectively. Plans for capital spending in 2014 are expected to be approximately $130 million, in line with annualized depreciation expense. The Company is continuing to seek investment opportunities to expand its business geographically, add capacity in its facilities and improve its competitiveness.

Dividends in the first quarters of 2014 and 2013 were $8.6 million and $7.3 million, respectively. The total number of shares issued and outstanding as at March 31, 2014 and 2013, were 34.5 million and 34.1 million, respectively. Since the Company's current cash flow and financial position are strong and its outlook for the remainder of 2014 continues to be positive, the Board of Directors has approved a continuation of the dividend declared in February 2014 of $0.2375 per Class A share and $0.25 per Class B share to shareholders of record as of June 16, 2014, and payable on June 30, 2014. The annualized dividend rate is $0.95 per Class A share and $1.00 per Class B share.

## 7. Interest rate and Foreign Exchange Management

The Company has entered into an interest rate swap agreement ("IRSA") to convert US$80 million notional debt from floating interest rates to a fixed interest rate since all of the underlying debt is floating rate debt within the syndicated term credit facility. The effect of the IRSA increased finance cost nominally in the first quarter of 2014.

Since the Company has developed into a global business with a significant asset base in the United States and Europe, the majority of the Company's debt is drawn in United States dollars and euros.

Interest coverage (a non-IFRS financial measure, defined later in Section 13) was 9.7 times as at March 31, 2014, compared to 7.7 times as at March 31, 2013.

## 8. Accounting Policies

### A) Critical Accounting Estimates

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

The 2013 annual audited consolidated financial statements and notes thereto, as well as the 2013 annual MD&A, have identified the accounting policies and estimates that are critical to the understanding of CCL's business operations and results of operations. For the three months ended March 31, 2014, there are no changes to the critical accounting policies and estimates from those described in the 2013 annual MD&A.

### B) Inter-Company and Related Party Transactions

The Company has entered into a number of agreements with its subsidiaries that govern the management and commercial and cost-sharing arrangements with and among the subsidiaries. These inter-company structures are established on terms typical of arm's length agreements. A summary of the Company's related party transactions are set out in note 26 of the annual consolidated financial statements for the year ended December 31, 2013.

## 9. Commitments and Contingencies

The Company has no material “off-balance sheet” financing obligations, except for long-term operating lease agreements. The nature of these commitments is described in note 25 of the annual consolidated financial statements for the year ended December 31, 2013. There are no defined benefit plans funded with CCL stock.

## 10. Controls and Procedures

There were no material changes in internal control over financial reporting in the three-month period ended March 31, 2014.

## 11. Risks and Strategies

The 2013 MD&A in the annual report detailed risks to the Company’s business and the strategies that were planned for 2014 and beyond. There have been no material changes to those risks and strategies during the first three months of 2014.

## 12. Outlook

CCL posted another strong quarter, with its legacy business outperforming the strong prior year first quarter supplemented by good results from acquisitions, resulting in a 50% improvement in adjusted basic earnings per Class B share for current period. The new Avery Segment significantly exceeded expectations. The Label Segment added to its Home & Personal Care depth and product offering acquiring Sancoa in the U.S. and expanded its geographic reach acquiring Dekopak in Turkey. Unused credit lines stand at $127 million and, with additional cash on hand, the Company has the capacity to execute its growth strategy or the flexibility to reduce its bank leverage. Moving forward the Company remains confident about its ability to deliver solid results and cash flows from its operations required to augment this growth strategy, including the financing of investment opportunities that will expand geographic, market segment reach and technological capabilities. The Company’s capital spending for the year is expected to be $130 million, in line with annualized depreciation expense.

Order intake in the Label Segment has remained steady so far this year. Management continues to see only low growth opportunities in developed economies but the outlook for emerging markets remains strong with the notable exception of Brazil. Foreign currency remains positive into the second quarter of 2014 on translated results if current levels of the Canadian dollar prevail or weaken. Expansion initiatives, such as CCL’s new Home & Personal Care operation in the Philippines and CCL’s new joint venture in Thailand that are under construction, are not expected to commence operations until the back half of 2014 and not post profitable returns until 2015. As a result of the Sancoa acquisition, further restructuring charges in the North American Home & Personal Care operations can be expected in order to achieve the incremental $5.0 million in synergies for 2016.

At Avery, restructuring programs will largely be completed before the end of 2014, cost reduction initiatives and product innovation and marketing plans are in progress with a re-invigorated workforce. The Company remains on track to deliver at least $40 million of targeted annual savings and synergies in 2014; the degree to which these will convert to earnings will depend on a successful back-to-school performance in the coming two quarters.

The Container Segment posted another solid quarter while organizing the closure and redistribution of the manufacturing equipment from its Canadian operation to the U.S. and Mexican facilities. The Container Segment is still within its announced $25.0 million infrastructure investment budget and remains committed to delivering the $10.0 million of incremental annual cash flow when this initiative is completed in mid-2015.

Overall, the Company is cautiously optimistic in its outlook for the balance of 2014. Momentum in consumer staples remains muted in North America but Eurozone economic indicators point to added confidence in the low growth forecasts and could underpin solid performance in 2014. Consumer consumption in emerging markets should support continuing strong performance at the Company's operations in those regions with the potential exception of Brazil. Foreign currency trends remain favourable at current exchange rates but related inflationary cost pressures have arisen in certain international markets.

## 13. Key Performance Indicators and Non-IFRS Financial 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 CCL's results and are concepts often seen in external analysts' research reports, financial covenants in banking agreements and note agreements, purchase and sales contracts on acquisitions and divestitures of the business, and in discussions and reports to and from the Company's shareholders and the investment community. These non-IFRS measures will be found throughout this report and are referenced alphabetically in the definition section below.

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

EBITDA - A critical financial measure used extensively in the packaging industry and other industries to assist in understanding and measuring operating results. It is also considered as a proxy for cash flow and a facilitator for business valuations. This non-IFRS measure is defined as earnings before net finance cost, taxes, depreciation and amortization, goodwill impairment loss, non-cash acquisition accounting adjustment to finished good inventory, earnings in equity accounted investments, and restructuring and other items. The Company believes that EBITDA is an important measure as it allows the assessment of CCL's ongoing business without the impact of net finance cost, depreciation and amortization and income tax expenses, as well as non-operating factors and one-time items. As a proxy for cash flow, it is intended to indicate the Company's ability to incur or service debt and to invest in property, plant and equipment, and it allows comparison of CCL'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 CCL's bank lines of credit.

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

| **(in millions of Canadian dollars)** | | | | |
|---|---|---|---|---|
| | **First Quarter** | | | |
| **EBITDA** (earnings before net finance cost, taxes, depreciation and amortization, goodwill impairment loss, earnings in equity accounted investments, non-cash acquisition accounting adjustments to finished goods inventory, restructuring and other items) | | **2014** | | **2013** |
| Net earnings | $ | 52.6 | $ | 34.1 |
| Corporate expense | | 6.3 | | 7.5 |
| Earning in equity accounted investments | | (0.1) | | (0.4) |
| Finance cost, net | | 6.7 | | 5.2 |
| Restructuring and other items – net loss | | 0.9 | | 1.3 |
| Income taxes | | 22.2 | | 14.2 |
| Operating income (a non-IFRS measure) | $ | 88.6 | $ | 61.9 |
| Less: Corporate expense | | (6.3) | | (7.5) |
| Add: Depreciation and amortization | | 35.5 | | 26.6 |
| EBITDA (a non-IFRS measure) | $ | 117.8 | $ | 81.0 |

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

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

**(in millions of Canadian dollars)**

| Free Cash Flow from Operations | First Quarter **2014** | **2013** |
|---|---|---|
| Cash provided by operating activities | $ 27.1 | $ 36.5 |
| Less: Additions to property, plant and equipment | (59.9) | (39.2) |
| Add: Proceeds on disposal of property, plant and equipment | 5.4 | 0.2 |
| Free Cash Flow from Operations | $ (27.4) | $ (2.5) |

Interest Coverage – A measure indicating the relative amount of Operating Income (see definition below) earned by the Company compared to the amount of finance cost incurred by the Company. It is calculated as Operating Income, including discontinued items, less corporate expense, divided by net finance cost on a 12-month rolling basis.

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

**(in millions of Canadian dollars)**
Interest coverage

| | **12-month rolling*** | | **Year-to-date** | | | | |
|---|---|---|---|---|---|---|---|
| | **April 1 – March 31** | | **December 31** | | **March 31** | **March 31** | **March 31** |
| | **2014** | **2013** | **2013** | **2012** | **2014** | **2013** | **2012** |
| Operating income (a non-IFRS financial measure; see definition below) | $ 278.9 | $ 187.7 | $ 252.2 | $ 178.4 | $ 88.6 | $ 61.9 | $ 52.6 |
| Less: Corporate expense | $ 32.3 | $ 27.4 | $ 33.5 | $ 26.4 | $ 6.3 | $ 7.5 | $ 6.5 |
| Operating income less corporate expense | $ 246.6 | $ 160.3 | $ 218.7 | $ 152.0 | $ 82.3 | $ 54.4 | $ 46.1 |
| Net finance cost | $ 27.1 | $ 20.9 | $ 25.6 | $ 20.9 | $ 6.7 | $ 5.2 | $ 5.2 |
| Interest coverage | 9.1 | 7.7 | | | | | |

* 12-month rolling represents December 31st annual results plus the current year's year-to-date results less the prior year's year-to-date results.

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

Net Debt to Total Book Capitalization – A measure that indicates the financial leverage of the Company. It measures the relative use of debt versus equity in the book capital of the Company. Net debt to total book capitalization is defined as Net Debt (see definition above) divided by Net Debt plus shareholders' equity, expressed as a percentage.

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

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

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

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

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

**(in millions of Canadian dollars)**

| Return on Sales | **Sales First Quarter** | | **Operating Income First Quarter** | | **Return on Sales First Quarter** | |
|---|---|---|---|---|---|---|
| Industry Segments | **2014** | **2013** | **2014** | **2013** | **2014** | **2013** |
| Label | $ 423.8 | $ 312.2 | $ 69.5 | $ 56.6 | 16.4 % | 18.1 % |
| Avery | 132.9 | - | 13.1 | - | 9.9 % | - |
| Container | 53.0 | 51.4 | 6.0 | 5.3 | 11.3 % | 10.3 % |
| Total Operations | $ 609.7 | $ 363.6 | $ 88.6 | $ 61.9 | 14.5 % | 17.0 % |