Consolidated Financial Statements
(In thousands of Canadian dollars)

CCL INDUSTRIES INC.

Years ended December 31, 2015 and 2014

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of CCL Industries Inc.

We have audited the accompanying consolidated financial statements of CCL Industries Inc. ("the Company"), which comprise the consolidated statement of financial position as at December 31, 2015 and December 31, 2014, the consolidated income statements, statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2015 and December 31, 2014, and of its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
February 24, 2016
Toronto, Canada

CCL Industries Inc.
Consolidated statements of financial position

In thousands of Canadian dollars

	Note		As at December 31, 2015		As at December 31, 2014
Assets					
Current assets					
Cash and cash equivalents	6	**$**	**405,692**	$	221,873
Trade and other receivables	7		**524,621**		380,965
Inventories	8		**260,600**		192,286
Prepaid expenses			**20,562**		14,949
Income taxes recoverable			**18,389**		11,810
Total current assets			**1,229,864**		821,883
Non-current assets					
Property, plant and equipment	10		**1,085,506**		925,512
Goodwill	11,12		**876,838**		563,730
Intangible assets	11		**285,340**		226,567
Deferred tax assets	14		**12,293**		4,183
Equity accounted investments	9		**61,502**		54,652
Other assets			**30,962**		21,848
Total non-current assets			**2,352,441**		1,796,492
Total assets		**$**	**3,582,305**	$	2,618,375

See accompanying explanatory notes to the consolidated financial statements.

CCL Industries Inc.

Consolidated statements of financial position (continued)

In thousands of Canadian dollars

	Note		**As at December 31, 2015**		As at December 31, 2014
Liabilities					
Current liabilities					
Trade and other payables	13	**$**	**710,999**	$	519,440
Current portion of long-term debt	17		**167,103**		59,058
Income taxes payable			**33,652**		21,419
Derivative instruments	23		**1,095**		280
Total current liabilities			**912,849**		600,197
Non-current liabilities					
Long-term debt	17		**838,416**		600,011
Deferred tax liabilities	14		**59,860**		43,453
Employee benefits	19		**135,216**		138,594
Provisions and other long-term liabilities			**13,833**		19,413
Derivative instruments	23		**253**		488
Total non-current liabilities			**1,047,578**		801,959
Total liabilities			**1,960,427**		1,402,156
Equity					
Share capital	15		**276,882**		248,087
Contributed surplus			**50,584**		26,241
Retained earnings			**1,182,686**		938,526
Accumulated other comprehensive income	28		**111,726**		3,365
Total equity attributable to shareholders of the Company			**1,621,878**		1,216,219
Acquisitions	5				
Commitments	25				
Subsequent events	30				
Total liabilities and equity		**$**	**3,582,305**	**$**	2,618,375

See accompanying explanatory notes to the consolidated financial statements.

On behalf of the Board:

Donald G. Lang
Director

Geoffrey T. Martin
Director

CCL Industries Inc.

Consolidated income statements

Years ended December 31

In thousands of Canadian dollars, except per share information	**Note**		**2015**		2014
Sales		**$**	**3,039,112**	$	2,585,637
Cost of sales			**2,179,694**		1,891,506
Gross profit			**859,418**		694,131
Selling, general and administrative expenses			**415,086**		358,962
Restructuring and other items	29		**6,023**		9,104
Earnings in equity accounted investments			**(3,477)**		(3,686)
			441,786		329,751
Finance cost	18		**28,172**		26,705
Finance income	18		**(2,535)**		(1,152)
Net finance cost			**25,637**		25,553
Earnings before income tax			**416,149**		304,198
Income tax expense	21		**121,071**		87,632
Net earnings		**$**	**295,078**	$	216,566
Attributable to:					
Shareholders of the Company		**$**	**295,078**	$	216,566
Net earnings		**$**	**295,078**	$	216,566
Earnings per share					
Basic earnings per Class B share	16	**$**	**8.50**	$	6.31
Diluted earnings per Class B share	16	**$**	**8.38**	$	6.19

See accompanying explanatory notes to the consolidated financial statements.

CCL Industries Inc.

Consolidated statements of comprehensive income

Years ended December 31

In thousands of Canadian dollars		**2015**		2014
Net earnings	**$**	**295,078**	$	216,566
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 $11,244 for the year ended December 31, 2015 (2014 – tax expense of $4,802)		**209,278**		45,278
Net losses on hedges of net investment in foreign operations, net of tax recovery of $13,307 for the year ended December 31, 2015 (2014 – tax recovery of $6,103)		**(100,576)**		(42,685)
Effective portion of changes in fair value of cash flow hedges, net of tax recovery of $784 for the year ended December 31, 2015 (2014 – tax recovery of $14)		**(1,446)**		33
Net change in fair value of cash flow hedges transferred to the income statement, net of tax recovery of $547 for the year ended December 31, 2015 (2014 – tax recovery of $152)		**1,105**		450
Actuarial gains (losses) on defined benefit post-employment plans, net of tax expense of $535 for the year ended December 31, 2015 (2014 – tax recovery of $2,336)		**1,161**		(9,049)
Other comprehensive income (loss), net of tax		**109,522**		(5,973)
Total comprehensive income	**$**	**404,600**	$	210,593
Attributable to:				
Shareholders of the Company	**$**	**404,600**	$	210,593
Total comprehensive income	**$**	**404,600**	$	210,593

See accompanying explanatory notes to the consolidated financial statements.

CCL Industries Inc.

Consolidated statements of changes in equity

In thousands of Canadian dollars	Class A Shares (note 15)	Class B Shares (note 15)	Shares Held In Trust	Total Share Capital	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Equity
Balances, January 1, 2014	$ 4,504	$ 246,843	$ (14,158)	$ 237,189	$ 11,919	$ 768,738	$ 289	$ 1,018,135
Net earnings - 2014	-	-	-	-	-	216,566	-	216,566
Dividends declared								
Class A	-	-	-	-	-	(2,486)	-	(2,486)
Class B	-	-	-	-	-	(35,243)	-	(35,243)
Defined benefit plan actuarial losses, net of tax	-	-	-	-	-	(9,049)	-	(9,049)
Stock-based compensation plan	-	-	-	-	5,228	-	-	5,228
Shares redeemed from trust	-	-	434	434	-	-	-	434
Shares purchased and held in trust	-	-	(214)	(214)	-	-	-	(214)
Stock option expense	-	-	-	-	3,071	-	-	3,071
Stock options exercised	-	10,678	-	10,678	(1,886)	-	-	8,792
Income tax effect related to stock options	-	-	-	-	7,909	-	-	7,909
Other comprehensive income	-	-	-	-	-	-	3,076	3,076
Balances, December 31, 2014	$ 4,504	$ 257,521	$ (13,938)	$ 248,087	$ 26,241	$ 938,526	$ 3,365	$ 1,216,219
Net earnings - 2015	-	-	-	-	-	295,078	-	295,078
Dividends declared								
Class A	-	-	-	-	-	(3,433)	-	(3,433)
Class B	-	-	-	-	-	(48,646)	-	(48,646)
Defined benefit plan actuarial gains, net of tax	-	-	-	-	-	1,161	-	1,161
Stock-based compensation plan	-	-	-	-	22,738	-	-	22,738
Shares redeemed from trust	-	-	7,091	7,091	(7,091)	-	-	-
Shares purchased and held in trust	-	-	(582)	(582)	-	-	-	(582)
Stock option expense	-	-	-	-	4,153	-	-	4,153
Stock options exercised	-	22,286	-	22,286	(3,970)	-	-	18,316
Income tax effect related to stock options	-	-	-	-	8,513	-	-	8,513
Other comprehensive income	-	-	-	-	-	-	108,361	108,361
Balances, December 31, 2015	**$ 4,504**	**$ 279,807**	**$ (7,429)**	**$ 276,882**	**$ 50,584**	**$ 1,182,686**	**$ 111,726**	**$ 1,621,878**

See accompanying explanatory notes to the consolidated financial statements.

CCL Industries Inc.
Consolidated statements of cash flows

Years ended December 31

In thousands of Canadian dollars	**2015**	2014
Cash provided by (used for)		
Operating activities		
Net earnings	**$ 295,078**	$ 216,566
Adjustments for:		
Depreciation and amortization	**164,081**	146,421
Earnings in equity accounted investments, net of dividends received	**(618)**	(1,498)
Net finance costs	**25,637**	25,553
Current income tax expense	**121,677**	78,810
Deferred tax expense	**(606)**	8,822
Equity-settled share-based payment transactions	**8,425**	8,726
Gain on sale of property, plant and equipment	**(2,863)**	(1,122)
	610,811	482,278
Change in inventories	**(38,268)**	2,934
Change in trade and other receivables	**(83,103)**	5,758
Change in prepaid expenses	**(225)**	(847)
Change in trade and other payables	**129,445**	15,446
Change in income taxes receivable and payable	**(6,608)**	(1,534)
Change in employee benefits	**(3,378)**	29,526
Change in other assets and liabilities	**2,827**	(19,363)
	611,501	514,198
Net interest paid	**(23,909)**	(24,163)
Income taxes paid	**(112,332)**	(86,505)
Cash provided by operating activities	**475,260**	403,530

See accompanying explanatory notes to the consolidated financial statements.

CCL Industries Inc.

Consolidated statements of cash flows (continued)

Years ended December 31

In thousands of Canadian dollars		**2015**		2014
Financing activities				
Proceeds on issuance of long-term debt		**324,610**		138,663
Repayment of long-term debt		**(99,845)**		(249,903)
Proceeds from issuance of shares		**18,316**		8,792
Repayment of executive share purchase plan loans		**-**		2,186
Dividends paid		**(52,296)**		(37,943)
Cash (used for) provided by financing activities		**190,785**		(138,205)
Investing activities				
Additions to property, plant and equipment		**(172,214)**		(153,657)
Proceeds on disposal of property, plant and equipment		**17,595**		14,312
Business acquisitions (note 5)		**(356,703)**		(115,876)
Cash used for investing activities		**(511,322)**		(255,221)
Net increase in cash and cash equivalents		**154,723**		10,104
Cash and cash equivalents at beginning of year		**221,873**		209,095
Translation adjustments on cash and cash equivalents		**29,096**		2,674
Cash and cash equivalents at end of year	**$**	**405,692**	$	221,873

See accompanying explanatory notes to the consolidated financial statements.

(In thousands of Canadian dollars, except share and per share information)

1. Reporting entity

CCL Industries Inc. (the "Company") is a public company, listed on the Toronto Stock Exchange, and is incorporated and domiciled in Canada. These consolidated financial statements of the Company as at and for the years ended December 31, 2015 and 2014 comprise the results of the Company and its subsidiaries and the Company's interest in joint ventures and associates. The Company has manufacturing facilities around the world and is primarily involved in the manufacture of labels, containers and consumer printable media products.

2. Basis of preparation

(a) Statement of compliance

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

These consolidated financial statements were authorized for issue by the Company's Board of Directors on February 25, 2016.

(b) Basis of measurement

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

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

(c) Functional and presentation currency

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

2. Basis of preparation (continued)

(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.

Judgment is used mainly in determining whether a balance or transaction should be recognized in the consolidated financial statements. 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 of tax losses and provisions, the determination of cash-generating units ("CGUs"), the identification of the indicators of impairment for property and equipment and intangible assets, the level of componentization of property and equipment and the allocation of purchase price adjustments on business combinations.

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

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 of 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.

3. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(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 foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognized in the income statement, except for differences arising on the translation of a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognized directly in other comprehensive income (see note 3(b)(iii) below). Foreign currency-denominated non-monetary items, measured at historical cost, have been translated at the rate of exchange at the transaction date.

3. Significant accounting policies (continued)

(b) Foreign currency (continued)

(ii) Foreign operations

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

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

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

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

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

(iii) Hedge of net investment in a foreign operation

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

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

3. Significant accounting policies (continued)

(c) Financial instruments

(i) Non-derivative financial instruments

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

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

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

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

Loans and receivables

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

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

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

3. Significant accounting policies (continued)

(c) Financial instruments (continued)

(i) Non-derivative financial instruments (continued)

Financial assets at fair value through profit or loss

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

Available-for-sale financial assets

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

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

Non-derivative financial liabilities

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

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

(ii) Derivative financial instruments, including hedge accounting

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

3. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Derivative financial instruments, including hedge accounting (continued)

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

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

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

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

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

Cash flow hedges

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

3. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Derivative financial instruments, including hedge accounting (continued)

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

Fair value hedges

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

Separable embedded derivatives

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

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

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

3. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

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

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

(ii) Depreciation

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

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

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

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

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

(e) Intangible assets

(i) Goodwill

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

Subsequent measurement

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

3. Significant accounting policies (continued)

(e) Intangible assets (continued)

(ii) Other intangible assets

Intangible assets consist of patents, trademarks, brands, software and the value of acquired customer contracts and 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 value of brands and 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.

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

• patents and trademarks	Up to 10 years
• software	Up to 5 years
• customer relationships	Up to 15 years
• brands	Indefinite useful life

(f) Leases

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

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

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

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

3. Significant accounting policies (continued)

(g) Inventories

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

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

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

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

(h) Impairment

(i) Financial assets, including receivables

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

3. Significant accounting policies (continued)

(h) Impairment (continued)

(i) Financial assets, including receivables (continued)

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

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

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

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

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

(ii) Non-financial assets

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

3. Significant accounting policies (continued)

(h) Impairment (continued)

(ii) Non-financial assets (continued)

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

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

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

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

(i) Employee benefits

(i) Defined contribution plans

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

(In thousands of Canadian dollars, except share and per share information)

3. Significant accounting policies (continued)

(i) Employee benefits (continued)

(ii) Defined benefit plans

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

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

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

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

(iii) Termination benefits

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

(iv) Short-term benefits

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

3. Significant accounting policies (continued)

(i) Employee benefits (continued)

(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 share price on measurement date, exercise price of the instrument, expected volatility, weighted average expected life of the instrument, 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 cost in the income statement.

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

(j) Provisions

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

(k) Revenue

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

3. Significant accounting policies (continued)

(l) Finance income and costs

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

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

(m) Taxation

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

(i) Current tax

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

(In thousands of Canadian dollars, except share and per share information)

3. Significant accounting policies (continued)

(m) Taxation (continued)

(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 the profit or loss attributable to shareholders of the Company by the weighted average number of shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to shareholders and the weighted average number of shares outstanding for the effects of all potentially dilutive shares, which primarily comprise share options granted to employees.

3. Significant accounting policies (continued)

(p) Segment reporting

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

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly other investments and related revenue, loans and borrowings and related expenses, corporate assets (primarily the Company's headquarters) and head office expenses.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets, other than goodwill.

(q) New standards and interpretations not yet effective

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

In May 2014, IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15") was issued and provides guidance on the timing and amount of revenue that should be recognized and also requires more informative and relevant disclosures. The standard provides a single, principles-based five-step model to be applied to all contracts with customers. This standard is effective for annual periods beginning January 1, 2017; however, early adoption is permitted. The Company is currently evaluating the impact of IFRS 15 on its consolidated financial statements.

3. Significant accounting policies (continued)

(q) New standards and interpretations not yet effective (continued)

In December 2014, the IASB issued amendments to IAS 1, *Presentation of Financial Statements* as part of its major initiative to improve presentation and disclosure in financial reports. The amendments are effective for annual periods beginning on or after January 1, 2016; however, early adoption is permitted. The Company intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2016. The Company is currently evaluating the impact of IAS 1 on its consolidated financial statements.

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

4. Segment reporting

Business segments

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 chief executive officer and the chief operating decision maker review internal management reports regularly.

The Company's reportable segments are:

- 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 and laminated plastic tubes, folded instructional leaflets, precision printed and die cut metal components with LED displays and other complementary products and services are sold in parallel to specific end-user markets.
- Avery – Includes the manufacturing and selling of various consumer products, including labels, binders, dividers, sheet protectors and writing instruments in North America, Latin America, Asia Pacific and Europe.
- 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, except share and per share information)

4. Segment reporting (continued)

Business segments (continued)

	Sales		Operating income	
	2015	2014	**2015**	2014
Label	**$ 2,030,322**	$ 1,718,347	**$ 317,252**	$ 242,723
Avery	**782,686**	666,413	**152,753**	109,274
Container	**226,104**	200,877	**26,593**	17,888
	$ 3,039,112	$ 2,585,637	**$ 496,598**	$ 369,885
Corporate expenses			**(52,266)**	(34,716)
Restructuring and other items			**(6,023)**	(9,104)
Earnings in equity accounted investments			**3,477**	3,686
Finance cost			**(28,172)**	(26,705)
Finance income			**2,535**	1,152
Income tax expense			**(121,071)**	(87,632)
Net earnings			**$ 295,078**	$ 216,566

	Total assets		Total liabilities		Depreciation and amortization		Capital expenditures	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
Label	**$ 2,285,169**	$ 1,668,565	**$ 596,902**	$ 436,527	**$ 132,796**	$ 118,679	**$ 145,974**	$ 106,739
Avery	**615,893**	490,337	**230,293**	189,567	**15,123**	12,882	**13,765**	24,957
Container	**173,688**	162,460	**50,929**	54,701	**15,191**	14,064	**12,475**	20,077
Equity accounted investments	**61,502**	54,652	**-**	-	**-**	-	**-**	-
Corporate	**446,053**	242,361	**1,082,303**	721,361	**971**	796	**-**	1,884
Total	**$ 3,582,305**	$ 2,618,375	**$ 1,960,427**	$ 1,402,156	**$ 164,081**	$ 146,421	**$ 172,214**	$ 153,657

(In thousands of Canadian dollars, except share and per share information)

4. Segment reporting (continued)

Geographical segments

The Label, Avery and Container segments are managed on a worldwide basis but operate in the following geographical areas:

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

	Sales		**Property, plant and equipment and goodwill**	
	2015	2014	**2015**	2014
Canada	**$ 176,502**	$ 174,964	**$ 130,594**	$ 103,399
United States and Puerto Rico	**1,567,008**	1,266,140	**787,173**	581,383
Mexico, Brazil and Argentina	**220,140**	193,995	**183,296**	180,542
Europe	**809,576**	727,248	**537,574**	473,029
Asia, Australia and Africa	**265,886**	223,290	**323,707**	150,889
Consolidated	**$ 3,039,112**	$ 2,585,637	**$ 1,962,344**	$ 1,489,242

The geographical segment is determined by the location of the Company’s country of operation.

5. Acquisitions

(a) In February 2015, the Company acquired pc/nametag Inc. and Meetings Direct, LLC (collectively referred to as "PCN"); two privately owned companies with common shareholders. PCN is an important addition to the Avery Segment adding depth to its meeting supplies and promotional materials product offerings. The purchase price was $37.6 million net of cash acquired and inclusive of a $2.5 million promissory note due February 2016.

5. Acquisitions (continued)

The following table summarizes the allocation of the consideration to the fair value of the assets acquired and liabilities assumed:

(In millions of Canadian dollars)	
Cash consideration	$35.1
Promissory note	2.5
Total consideration	$37.6
Trade and other receivables	$ 1.8
Inventories	2.1
Other current assets	0.3
Property, plant and equipment	5.3
Other long-term assets	0.2
Goodwill	20.0
Intangible assets	16.4
Trade and other payables	(2.2)
Deferred tax	(6.3)
Net assets acquired	$37.6

The fair value of intangible asset has been measured on a provisional basis pending completion of the valuation.

Goodwill is comprised of the excess fair value of the consideration paid over the fair value of the net assets acquired. Factors that make up the amount of goodwill recognized include expected synergies from combining operations, the expertise of the assembled workforce and cost saving opportunities in the delivery of certain shared administrative and other services. The total amount of goodwill is $20.0 million of which $5.0 million is deductible for tax purposes.

(b) In February 2015, the Company acquired INT America LLC (“INTA”); a private company based in Detroit, Michigan, expanding CCL Design’s presence in the North American automotive durables market. The purchase price was $2.9 million after a reduction of $1.9 million for post-closing adjustments.

(c) In July 2015, the Company acquired Fritz Brunnhoefer GmbH (“FritzB”) based in Nurnberg, Germany, for a net cash purchase price of $7.6 million, inclusive of the cost of a manufacturing facility. The acquisition builds on the Company's developing presence in the German durable goods market. The total amount of goodwill is $2.6 million and is not deductible for tax purposes.

5. Acquisitions (continued)

(d) In October 2015, the Company acquired assets of Sennett Security Products LLC and the equity of its subsidiary, Banknote Corporation of America Inc. (collectively referred to as "BCA"), based in Greensboro, North Carolina for approximately $45.7 million. The acquisition expands CCL Label's offerings to include security labels and other high security cards and document components.

The following table summarizes the preliminary allocation of the consideration to the fair value of the assets acquired and liabilities assumed:

(In millions of Canadian dollars)

Cash consideration		$45.7
Trade and other receivables	$	3.0
Inventories		4.4
Property, plant and equipment		10.9
Goodwill and intangible assets		30.1
Trade and other payables		(0.8)
Deferred tax		(1.9)
Net assets acquired		$45.7

The determination of the fair value of assets and liabilities acquired is based upon preliminary estimates and assumptions as the Company continues to collect information. The Company will continue to review information prior to finalizing the fair value of the assets acquired and liabilities assumed. The actual fair values of the assets acquired and liabilities assumed may differ from the amounts noted above.

Goodwill is comprised of the excess fair value of the consideration paid over the fair value of the net assets acquired. Factors that make up the amount of goodwill recognized include expected synergies from the acquisition, the expertise and the knowledge of the assembled workforce and cost saving opportunities in the delivery of certain shared administrative and other services. The total amount of goodwill and intangible assets amounted to $30.1 million of which approximately $11.7 million of goodwill is deductible for tax purposes.

(e) In November 2015, the Company acquired Worldmark Ltd. ("Worldmark"), headquartered in Scotland, for approximately $252.6 million, net of cash received. Worldmark has six manufacturing facilities in China, one each in Mexico, Hungary and Scotland and sales offices and prototyping design centres around the world. The Worldmark acquisition enhances CCL Label's presence in the electronic device and IT sector.

5. Acquisitions (continued)

The following table summarizes the preliminary allocation of the consideration to the fair value of the assets acquired and liabilities assumed:

(In millions of Canadian dollars)

Cash consideration	$252.6
Trade and other receivables	$ 52.7
Inventories	19.8
Other current assets	6.1
Property, plant and equipment	40.4
Goodwill and intangible assets	191.7
Trade and other payables	(58.1)
Net assets acquired	$252.6

The determination of the fair value of assets and liabilities acquired is based upon preliminary estimates and assumptions as the Company continues to collect information. The Company will continue to review information prior to finalizing the fair value of the assets acquired and liabilities assumed. The actual fair values of the assets acquired and liabilities assumed may differ from the amounts noted above.

Goodwill is comprised of the excess fair value of the consideration paid over the fair value of the net assets acquired. Factors that make up the amount of goodwill recognized include expected synergies from the acquisition, the expertise and the knowledge of the assembled workforce and cost saving opportunities in the delivery of certain shared administrative and other services. Goodwill is not deductible for tax purposes.

(f) In December 2015, the Company acquired Mabel’s Labels, Inc. and Mabel’s Labels Retail, Inc. (collectively referred to as “Mabel’s”), two privately held companies with common shareholders, based in Hamilton, Ontario, Canada. The purchase price, subject to customary closing conditions was approximately $12.0 million. Mabel’s expands the Avery Segment’s printable media platform into web-to-print personalized identifiable labels for families with children. The new business will continue to trade as Mabel’s Label’s, Inc. and report within CCL’s Avery Segment. Total goodwill is not deductible for tax purposes.

5. Acquisitions (continued)

The following table summarizes the combined sales and earnings that PCN, INTA, FritzB, BCA, Worldmark and Mabel's contributed to the Company since their respective acquisition dates:

(In millions of Canadian dollars)

Sales	$	91.5
Net earnings	$	6.1

(g) Pro Forma Information

The unaudited pro forma consolidated financial information below has been prepared following the accounting policies of the Company as if the acquisitions took place January 1, 2015.

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

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

The following table summarizes the sales and earnings of the Company combined with PCN, INTA, FritzB, BCA, Worldmark and Mabel's as though the acquisitions took place on January 1, 2015:

(In millions of Canadian dollars)		Year ended December 31, 2015
Sales	$	3,262.6
Net earnings	$	320.7

6. Cash and cash equivalents

		December 31, 2015		December 31, 2014
Bank balances	**$**	**356,596**	$	193,261
Restricted cash		**1,141**		-
Short-term investments		**47,955**		28,612
Cash and cash equivalents	**$**	**405,692**	$	221,873

(In thousands of Canadian dollars, except share and per share information)

7. Trade and other receivables

	December 31, 2015	December 31, 2014
Trade receivables	**$ 494,080**	$ 364,195
Other receivables	**30,541**	16,770
Trade and other receivables	**$ 524,621**	$ 380,965

8. Inventories

	December 31, 2015	December 31, 2014
Raw material	**$ 115,535**	$ 83,299
Work in progress	**23,157**	15,045
Finished goods	**121,908**	93,942
Total inventories	**$ 260,600**	$ 192,286

The total amount of inventories recognized as an expense in 2015 was $2,179.7 million (2014 - $1,891.5 million), including depreciation of $151.9 million (2014 - $136.6 million).

(In thousands of Canadian dollars, except share and per share information)

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:

At December 31, 2015	**Associates**	**Joint Ventures**	**Total**
Net earnings	**$ 2,805**	**$ 3,888**	**$ 6,693**
Other comprehensive income	**9,900**	**6,158**	**16,058**
Total comprehensive income	**$ 12,705**	**$ 10,046**	**$ 22,751**
Carrying amount of investments in associates and joint ventures	**$ 21,326**	**$ 40,176**	**$ 61,502**

At December 31, 2014	**Associates**	**Joint Ventures**	**Total**
Net earnings	$ 2,289	$ 5,029	$ 7,318
Other comprehensive income (loss)	(10,559)	4,049	(6,510)
Total comprehensive income (loss)	$ (8,270)	$ 9,078	$ 808
Carrying amount of investments in associates and joint ventures	$ 20,785	$ 33,867	$ 54,652

(In thousands of Canadian dollars, except share and per share information)

10. Property, plant and equipment

	Land and Buildings	Machinery and Equipment	Fixtures, Fittings and Other	Total
Cost				
Balance at January 1, 2014	$ 375,840	$ 1,184,338	$ 21,777	$ 1,581,955
Acquisitions through business combinations	21,882	21,019	736	43,637
Other additions	39,952	109,919	3,786	153,657
Disposals	(23,297)	(11,875)	(1,123)	(36,295)
Effect of movements in exchange rates	7,937	46,509	(1,446)	53,000
Balance at December 31, 2014	$ 422,314	$ 1,349,910	$ 23,730	$ 1,795,954
Acquisitions through business combinations	15,283	45,057	231	60,571
Other additions	14,033	156,464	1,717	172,214
Disposals	(10,942)	(22,850)	(481)	(34,273)
Effect of movements in exchange rates	46,055	158,727	1,456	206,238
Balance at December 31, 2015	**$ 486,743**	**$ 1,687,308**	**$ 26,653**	**$ 2,200,704**
Accumulated depreciation and impairment losses				
Balance at January 1, 2014	$ 98,979	$ 613,201	$ 13,774	$ 725,954
Depreciation for the year	16,839	117,382	2,422	136,643
Disposals	(10,949)	(11,172)	(984)	(23,105)
Effect of movements in exchange rates	2,333	29,918	(1,301)	30,950
Balance at December 31, 2014	$ 107,202	$ 749,329	$ 13,911	$ 870,442
Depreciation for the year	18,568	130,704	2,644	151,916
Disposals	(841)	(18,355)	(345)	(19,541)
Effect of movements in exchange rates	16,013	96,130	238	112,381
Balance at December 31, 2015	**$ 140,942**	**$ 957,808**	**$ 16,448**	**$ 1,115,198**
Carrying amounts				
At December 31, 2014	$ 315,112	$ 600,581	$ 9,819	$ 925,512
At December 31, 2015	**$ 345,801**	**$ 729,500**	**$ 10,205**	**$ 1,085,506**

(In thousands of Canadian dollars, except share and per share information)

11. Intangible assets

	Customer Relationships	Patents and Trademarks	Software	Brands	Total	Goodwill
Cost						
Balance at January 1, 2014	$ 110,455	$ 13,129	$ 10,777	$ 140,810	$ 275,171	$ 494,231
Acquisitions through business combinations	12,756	105	-	-	12,861	57,974
Additions	1,196	274	6	-	1,476	-
Effect of movements in exchange rates	7,784	(5,491)	365	10,093	12,751	11,525
Balance at December 31, 2014	$ 132,191	$ 8,017	$ 11,148	$ 150,903	$ 302,259	$ 563,730
Acquisitions through business combinations	31,380	-	-	-	31,380	245,235
Additions	-	236	103	-	339	-
Effect of movements in exchange rates	15,058	1,383	758	26,757	43,956	67,873
Balance at December 31, 2015	**$ 178,629**	**$ 9,636**	**$ 12,009**	**$ 177,660**	**$ 377,934**	**$ 876,838**
Amortization and impairment losses						
Balance at January 1, 2014	$ 50,485	$ 6,618	$ 10,499	$ -	$ 67,602	$ -
Amortization for the year	9,104	555	119	-	9,778	-
Effect of movements in exchange rates	(298)	(1,723)	333	-	(1,688)	-
Balance at December 31, 2014	$ 59,291	$ 5,450	$ 10,951	$ -	$ 75,692	$ -
Amortization for the year	11,803	232	130	-	12,165	-
Effect of movements in exchange rates	2,773	1,231	733	-	4,737	-
Balance at December 31, 2015	**$ 73,867**	**$ 6,913**	**$ 11,814**	**$ -**	**$ 92,594**	**$ -**
Carrying amounts						
At December 31, 2014	$ 72,900	$ 2,567	$ 197	$ 150,903	$ 226,567	$ 563,730
At December 31, 2015	**$ 104,762**	**$ 2,723**	**$ 195**	**$ 177,660**	**$ 285,340**	**$ 876,838**

(In thousands of Canadian dollars, except share and per share information)

12. Goodwill and indefinite-life intangible assets

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

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

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

	December 31, 2015	December 31, 2014
Goodwill		
Label	**$ 747,629**	$ 472,902
Avery	**116,423**	78,071
Container	**12,786**	12,757
	$ 876,838	$ 563,730
Indefinite-life intangible assets – brands		
Avery	**$ 177,660**	$ 150,903

Impairment testing for goodwill and indefinite-life intangible assets was done by a comparison of the asset's carrying amount to its estimated value in use, determined by discounting the CGUs future cash flows. Key assumptions used in the determination of the value in use include a growth rate of 2%-5%, and a pre-tax discount rate of 15%-20%. 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 test as at September 30, 2015.

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

(In thousands of Canadian dollars, except share and per share information)

13. Trade and other payables

	December 31, 2015	December 31, 2014
Trade payables	**$ 379,600**	$ 269,229
Other payables	**331,399**	250,211
	$ 710,999	$ 519,440

14. Deferred tax

(a) Unrecognized deferred tax assets

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

	December 31, 2015	December 31, 2014
Deductible temporary differences	**$ 9,778**	$ 8,708
Tax losses	**39,337**	20,111
Income tax credits	**436**	680
	$ 49,551	$ 29,499

The unrecognized deferred tax assets on tax losses of $12,087 will expire between 2016 and 2026, $4,598 will expire beyond 2026 and $22,652 may be carried forward indefinitely. The deductible temporary differences do not expire under current tax legislation. The increase in the unrecognized deferred tax assets relating to tax losses are due to current year acquisitions. 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. Income tax credits of $436 expire in 2016 and 2017.

In 2015, $4,938 (2014 – nil) of previously unrecognized deferred tax assets in respect of tax losses were recognized as management considered it probable that future taxable income will be available against which they can be utilized.

(In thousands of Canadian dollars, except share and per share information)

14. Deferred tax (continued)

(b) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net (Assets)/Liabilities	
	December 31, 2015	December 31, 2014	**December 31, 2015**	December 31, 2014	**December 31, 2015**	December 31, 2014
Property, plant and equipment	**$ 1,977**	$ 971	**$ 73,638**	$ 62,202	**$ 71,661**	$ 61,231
Intangible assets	**271**	50	**77,593**	55,704	**77,322**	55,654
Derivatives	**49**	142	**24**	1,392	**(25)**	1,250
Inventory reserves	**8,546**	6,760	**-**	-	**(8,546)**	(6,760)
Employee benefit plans	**49,770**	41,899	**-**	-	**(49,770)**	(41,899)
Share-based payments	**21,049**	15,513	**-**	-	**(21,049)**	(15,513)
Provisions	**15,833**	12,370	**-**	-	**(15,833)**	(12,370)
Other items	**-**	-	**26**	233	**26**	233
Tax loss carry-forwards	**6,219**	2,556	**-**	-	**(6,219)**	(2,556)
Balance before offset	**103,714**	80,261	**151,281**	119,531	**47,567**	39,270
Offset of tax	**(91,421)**	(76,078)	**(91,421)**	(76,078)	**-**	-
Balance after offset	**$ 12,293**	$ 4,183	**$ 59,860**	$ 43,453	**$47,567**	$ 39,270

	Balance December 31, 2014 Liability/(Asset)	Recognized in Income Statement	Acquisitions	Translation and Others	Recognized in Other Comprehensive Income/equity	**Balance December 31, 2015 Liability/(Asset)**
Property, plant and equipment	$ 61,231	$ 1,086	$ (40)	$ 9,384	$ -	**$ 71,661**
Intangible assets	55,654	5,686	8,232	7,750	-	**77,322**
Derivatives	1,250	1,043	-	(18)	(2,300)	**(25)**
Inventory reserves	(6,760)	(1,017)	(36)	(733)	-	**(8,546)**
Employee benefit plans	(41,899)	(1,928)	-	(6,478)	535	**(49,770)**
Share-based payments	(15,513)	(97)	-	3,074	(8,513)	**(21,049)**
Provisions	(12,370)	(1,780)	-	(1,683)	-	**(15,833)**
Other items	233	(221)	-	14	-	**26**
Tax loss carry-forwards	(2,556)	(3,378)	-	(285)	-	**(6,219)**
	$ 39,270	$ (606)	$ 8,156	$ 11,025	$ (10,278)	**$ 47,567**

(In thousands of Canadian dollars, except share and per share information)

14. Deferred tax (continued)

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

	Balance December 31, 2013 Liability/(Asset)	Recognized in Income Statement	Acquisitions	Translation and Others	Recognized in Other Comprehensive Income/Equity	Balance December 31, 2014 Liability/(Asset)
Property, plant and equipment	$ 55,092	$ (137)	$ 2,165	$ 4,111	$ -	$ 61,231
Intangible assets	50,049	4,196	-	1,409	-	55,654
Derivatives	2,684	(274)	-	3	(1,163)	1,250
Inventory reserves	(5,045)	(1,554)	175	(336)	-	(6,760)
Employee benefit plans	(35,660)	(1,707)	(478)	(1,718)	(2,336)	(41,899)
Share-based payments	(6,018)	(1,344)	-	(242)	(7,909)	(15,513)
Provisions	(14,417)	3,742	(881)	(814)	-	(12,370)
Other items	(404)	593	44	-	-	233
Tax loss carry-forwards	(7,735)	5,307	-	(128)	-	(2,556)
	$ 38,546	$ 8,822	$ 1,025	$ 2,285	$ (11,408)	$ 39,270

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, 2015, is $732 million (2014 - $689 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, 2015, is $16 million (2014 - $16 million).

(In thousands of Canadian dollars, except share and per share information)

15. Share capital

Shares issued:

	Class A		Class B		
	Shares (000s)	Amount	Shares (000s)	Amount	**Total**
Balance, January 1, 2014	2,368	$ 4,504	32,021	$ 246,843	**$ 251,347**
Stock options exercised	-	-	304	10,678	**10,678**
Balance, December 31, 2014	2,368	$ 4,504	32,325	$ 257,521	**$ 262,025**
Stock options exercised	-	-	404	22,286	**22,286**
Balance, December 31, 2015	2,368	$ 4,504	32,729	$ 279,807	**$ 284,311**

At December 31, 2015, the authorized share capital comprised an unlimited number of Class A voting shares and an unlimited number of Class B non-voting shares. The Class A and Class B shares have no par value. All issued shares are fully paid. Both Class A and Class B shares are classified as equity.

(i) Class A

The holders of Class A shares receive dividends set at $0.05 per share per annum less than Class B shares, are entitled to one vote per share at meetings of the Company and their shares are convertible at any time into Class B shares.

(ii) Class B

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

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

(b) 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.

(c) 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 $0.05 per share per annum greater than Class A shares.

Dividends

The annual dividends per share were as follows:

	2015	2014
Class A share	**$ 1.45**	$ 1.05
Class B share	**$ 1.50**	$ 1.10

Shares held in trust

During 2013, the Company granted awards totalling 190,300 Class B shares of the Company. Shares to be used to satisfy this obligation were purchased in the open market and are restricted in nature. These share awards are dependent on the Company's performance and continuing employment. The grant date fair value of these stock awards were amortized over the vesting period and recognized as compensation expense. In 2015, 94,468 shares were distributed to employees.

(In thousands of Canadian dollars, except share and per share information)

16. Earnings per share

Basic earnings per share

The calculation of basic earnings per share for the year ended December 31, 2015, was based on profit attributable to Class A shares of $20.0 million (2014 - $14.8 million) and Class B shares of $275.1 million (2014 - $201.8 million) and a weighted average number of Class A shares outstanding of 2,367,525 (2014 - 2,367,525) and Class B shares outstanding of 32,348,527 (2014 - 31,997,181).

Weighted average number of shares

	2015		2014	
	Class A shares	**Class B shares**	**Class A shares**	**Class B shares**
Issued and outstanding shares at January 1	2,367,525	32,132,729	2,367,525	31,819,938
Effect of stock options exercised	-	181,464	-	169,931
Effect of reciprocal shares purchased	-	(1,092)	-	(559)
Effect of reciprocal shares vested	-	35,426	-	7,871
Weighted average number of shares at December 31	2,367,525	32,348,527	2,367,525	31,997,181

Diluted earnings per share

The calculation of diluted earnings per share for the year ended December 31, 2015, was based on profit attributable to Class A shares of $19.7 million (2014 - $14.5 million) and Class B shares of $275.4 million (2014 - $202.0 million) and a weighted average number of Class A shares outstanding of 2,367,525 (2014 – 2,367,525) and Class B shares outstanding of 32,842,319 (2014 – 32,648,658).

Weighted average number of shares (diluted)

	December 31, 2015	December 31, 2014
Weighted average number of shares (basic)	**34,716,052**	34,364,706
Effect of deferred share units on issue	**94,700**	103,047
Effect of reciprocal shareholdings	**154,251**	193,781
Effect of share options on issue	**244,841**	354,649
Weighted average number of shares (diluted)	**35,209,844**	35,016,183

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.

(In thousands of Canadian dollars, except share and per share information)

17. Loans and borrowings

		December 31, 2015		December 31, 2014
Current liabilities				
Current portion of unsecured senior notes (i)	**$**	**152,225**	$	-
Current portion of unsecured syndicated bank credit facility (ii)		**-**		46,405
Current portion of finance lease liabilities		**2,905**		1,600
Current portion of other loans (iii)		**11,973**		11,053
	$	**167,103**	$	59,058
Short-term operating credit lines available (iv)	**$**	**29,097**	$	26,249
Short-term operating credit lines used	**$**	**10,336**	$	8,770
Non-current liabilities				
Unsecured syndicated bank credit facility (ii)	**$**	**653,905**	$	316,172
Unsecured senior notes (i)		**178,226**		276,832
Finance lease liabilities		**5,089**		4,100
Other loans (iii)		**1,196**		2,907
	$	**838,416**	$	600,011

(i) Senior notes

The Company has three private debt placements completed in 1998, 2006 and 2008 for a total of US$239.0 million ($330.8 million) with interest rates ranging from 5.57% to 7.09%. US$110.0 million matures on March 7, 2016, US$51.0 million matures on July 8, 2018, and US$78.0 million matures on September 26, 2018.

(ii) Syndicated bank credit facility

In December 2015, the Company amended its syndicated bank credit facility. The amendment increased the revolving commitment to US$1.2 billion from $300 million, removed the $400.0 million non-revolving commitment with its scheduled repayments and rolled its borrowings into the amended facility. The maturity date was extended to December 23, 2020. Prior to the amendment, the non-revolving facility had scheduled quarterly repayments of US$10.0 million until maturity.

As at December 31, 2015, US$128.0 million (LIBOR plus 1.0%), €61.6 million (EURIBOR plus 1.0%), £134.0 million (GBP LIBOR plus 1.0%) and $3.6 million of contingent letters of credit were drawn on the amended syndicated bank credit facility. A further US$80.0 million (LIBOR plus 1.0%) was also drawn under the syndicated bank credit facility; however, the interest rate, excluding the 1% spread, on this US$80.0 million was hedged, using a floating to fixed interest rate swap, for a fixed rate of 1.047%.

As at December 31, 2014, except for contingent letters of credit of $3.6 million, no additional amounts were drawn under the revolving portion of the previous version of the syndicated bank credit facility, and US$158.0 million (LIBOR plus 1.0%) and €61.6 million (EURIBOR plus 1.0%) were drawn under the term portion of the previous version of the syndicated bank credit facility. In addition, US$80.0 million was also drawn under the non-revolving facility of this syndicated bank credit facility and hedged using a floating to fixed interest rate swap.

(In thousands of Canadian dollars, except share and per share information)

The unused portion of the syndicated bank credit facility was US$720.4 million at December 31, 2015 (December 31, 2014 - $296.4 million).

(iii) Other loans

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

(iv) Operating credit lines

Interest rates charged on the credit lines are based on rates varying with London Interbank Offered Rate ("LIBOR"), the prime rate and similar market rates for other currencies.

As at December 31, 2015, the carrying amount of financial and non-financial assets pledged as collateral, against $6.7 million of long-term debt, amounted to $19.4 million.

18. Finance income and cost

Recognized in income statement

	2015	2014
Interest expense on financial liabilities measured at amortized cost	**$ 25,325**	$ 23,960
Fees and interest recognized on other financial instruments	**2,847**	2,745
Finance cost	**28,172**	26,705
Interest income on cash and cash equivalents	**2,535**	944
Interest income on loans and receivables and other financial instruments	**-**	208
Finance income	**2,535**	1,152
Net finance cost recognized in income statement	**$ 25,637**	$ 25,553
The above financial income and expense includes the following in respect of assets (liabilities) not at fair value through profit or loss:		
Total finance income on financial assets	**$ 2,535**	$ 1,152
Total finance expense on financial liabilities	**$ 28,172**	$ 26,705

(In thousands of Canadian dollars, except share and per share information)

19. Employee benefits

		December 31, 2015		December 31, 2014
Present value of wholly unfunded defined benefit obligations	**$**	**114,548**	$	98,504
Present value of partially funded defined benefit obligations		**86,263**		82,290
Total present value of obligations		**200,811**		180,794
Fair value of plan assets		**(67,247)**		(63,005)
Recognized liability for defined benefit obligations		**133,564**		117,789
Liability for long-service leave and jubilee plans		**3,795**		3,276
Liability for long-term incentive plan		**17,964**		6,942
Cash-settled share-based payment liability		**-**		13,211
Total employee benefits		**155,323**		141,218
Total employee benefits reported in other payables		**20,107**		2,624
Total employee benefits reported in non-current liabilities	**$**	**135,216**	$	138,594

(i) Defined contribution post-employment plans

The Company sponsors defined contribution post-employment plans in Canada, the U.S., Thailand and the U.K. A post-employment plan is classified as a defined contribution plan if the Company pays fixed contributions into a fund at a separate entity and the Company has no further obligation to pay any further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The expense for company-sponsored defined contribution post-employment plans was $17.2 million in 2015 (2014 - $14.6 million) of which $0.1 million (2014 - $0.1 million) was for key management personnel. Company contributions into defined contribution state plans are included in the "Compulsory social security contributions" of note 20.

(ii) Defined benefit post-employment plans

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

Partially funded defined benefit obligations

The Company's defined benefit post-employment plans are not fully funded. The obligation of these plans, net of any assets is recorded in Non-Current Liabilities on the Statement of Financial Position in Employee Benefits or, for payments expected to be made within the next twelve months, in Trade and Other Payables in Current Liabilities. Fluctuations in the pension liabilities resulting from actuarial gains or losses due to changes in risk factors are recorded in Other Comprehensive Income. The primary partially funded plans are in Canada, the United Kingdom and Switzerland. Details of these plans are as follows:

19. Employee benefits (continued)

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

(b) In the U.K., the Company has a registered partially funded defined benefit pension plan that 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 GBP650 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.

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

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

19. Employee benefits (continued)

Wholly unfunded defined benefit obligations

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

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

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

(c) In Germany, the Company has several wholly unfunded defined benefit plans. There are three salary-based annuity plans that are closed to new membership, but currently have 11 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, making up approximately forty percent of the total liability of the German 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 factors for these three plans is discount rate volatility.

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

(In thousands of Canadian dollars, except share and per share information)

19. Employee benefits (continued)

The following table shows 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.

2015	Partially Funded	Wholly Unfunded	Total
Accrued benefit obligation:			
Balance, beginning of year	$ 82,290	$ 98,504	$ 180,794
Current service cost	1,430	2,928	4,358
Interest cost	2,235	3,467	5,702
Employee contributions	853	1,467	2,320
Benefits paid	(9,138)	(2,760)	(11,898)
Actuarial gains	(2,403)	(30)	(2,433)
Effect of curtailment	-	(243)	(243)
Effect of movements in exchange rates	10,996	11,215	22,211
Balance, end of year	$ 86,263	$ 114,548	$ 200,811
Plan assets:			
Fair value, beginning of year	$ 63,005	$ -	$ 63,005
Expected return on plan assets	1,587	-	1,587
Actuarial losses	(737)	-	(737)
Employee contributions	853	146	999
Employer contributions	2,543	2,614	5,157
Benefits paid	(9,138)	(2,760)	(11,898)
Effect of movements in exchange rates	9,134	-	9,134
Fair value, end of year	$ 67,247	$ -	$ 67,247
Funded status, net deficit of plans	$ (19,016)	$ (114,548)	$ (133,564)
Accrued benefit liability	$ (19,016)	$ (114,548)	$ (133,564)

(In thousands of Canadian dollars, except share and per share information)

19. Employee benefits (continued)

2014	Partially Funded	Wholly Unfunded	Total
Accrued benefit obligation:			
Balance, beginning of year	$ 37,553	$ 85,638	$ 123,191
Opening balance from acquisitions	31,877	2,450	34,327
Current service cost	474	2,625	3,099
Interest cost	2,381	3,948	6,329
Employee contributions	378	1,163	1,541
Benefits paid	(1,313)	(2,278)	(3,591)
Actuarial loss	10,372	2,966	13,338
Reinstatements and transfers	-	(21)	(21)
Effect of movements in exchange rates	568	2,013	2,581
Balance, end of year	$ 82,290	$ 98,504	$ 180,794
Plan assets:			
Fair value, beginning of year	$ 25,058	$ -	$ 25,058
Opening balance from acquisitions	32,665	-	32,665
Expected return on plan assets	1,871	-	1,871
Actuarial gains	1,953	-	1,953
Employee contributions	378	137	515
Employer contributions	1,905	2,141	4,046
Benefits paid	(1,313)	(2,278)	(3,591)
Effect of movements in exchange rates	488	-	488
Fair value, end of year	$ 63,005	$ -	$ 63,005
Funded status, net deficit of plans	$ (19,285)	$ (98,504)	$ (117,789)
Accrued benefit liability	$ (19,285)	$ (98,504)	$ (117,789)

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

2015	Partially Funded	Wholly Unfunded	Total
Current service cost	$1,430	$ 2,928	$ 4,358
Net interest cost on net defined benefit liability	648	3,467	4,115
Net defined benefit plan expense	$ 2,078	$ 6,395	$ 8,473
Net defined benefit plan expense recorded in:			
Cost of sales	$ 907	$ 2,138	$ 3,045
Selling, general and administrative expenses	1,171	4,198	5,369
Finance cost	-	59	59
Net defined benefit plan expense	$ 2,078	$ 6,395	$ 8,473

(In thousands of Canadian dollars, except share and per share information)

19. Employee benefits (continued)

2014	Partially Funded	Wholly Unfunded	Total
Current service cost	$ 474	$ 2,625	$ 3,099
Net interest cost on net defined benefit liability	510	3,948	4,458
Net defined benefit plan expense	$ 984	$ 6,573	$ 7,557
Net defined benefit plan expense recorded in:			
Cost of sales	$ 272	$ 1,579	$ 1,851
Selling, general and administrative expenses	712	4,942	5,654
Finance cost	-	52	52
Net defined benefit plan expense	$ 984	$ 6,573	$ 7,557

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

	2015	2014
Cumulative amount at January 1	$ (23,254)	$ (11,869)
Recognized during the year in other comprehensive income	1,696	(11,385)
Cumulative amount at December 31	$ (21,558)	$ (23,254)
Experience gains/(losses) on plan liabilities	$ 2,667	$ (860)
Experience gains/(losses) on plan assets	(737)	1,953

Plan assets consist of the following:

2015	Partially Funded	Wholly Unfunded	Total
Equity securities	49%	-	49%
Debt securities	33%	-	33%
Real estate	9%	-	9%
Other	9%	-	9%
Total	100%	-	100%

2014	Partially Funded	Wholly Unfunded	Total
Equity securities	47%	-	47%
Debt securities	34%	-	34%
Real estate	5%	-	5%
Other	14%	-	14%
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.

(In thousands of Canadian dollars, except share and per share information)

19. Employee benefits (continued)

The actual returns on plans assets are as follows:

	Partially Funded	Wholly Unfunded	Total
2015	$ 850	-	$ 850
2014	$ 3,824	-	$ 3,824

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

	Partially Funded	Wholly Unfunded	Total
December 31, 2015			
Discount rate	2.47%	2.31%	2.39%
Expected rate of compensation increase	2.16%	2.57%	2.44%
December 31, 2014			
Discount rate	2.55%	2.44%	2.50%
Expected rate of compensation increase	2.19%	2.59%	2.45%

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

	Partially Funded	Wholly Unfunded	Total
December 31, 2015			
Discount rate	2.55%	2.44%	2.50%
Expected rate of compensation increase	2.19%	2.59%	2.45%
December 31, 2014			
Discount rate	4.58%	2.95%	3.48%
Expected rate of compensation increase	3.00%	2.51%	2.68%

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%)	(16,347)	(7,577)
Discount rate (decrease 1%)	17,593	7,895
Longevity (+1 year)	3,360	869
Inflation (+0.25%)	1,322	45
Inflation (-0.25%)	(1,322)	(295)
Salary (increase 1%)	2,356	1,333
Salary (decrease 1%)	(2,274)	(1,150)
Duration (years)	19	11

The Company expects to contribute $2.5 million to the partially funded defined benefit plans and pay $2.1 million in benefits for the wholly unfunded plans in 2016.

(In thousands of Canadian dollars, except share and per share information)

19. Employee benefits (continued)

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

The Company has long-term incentive plans with cash and share-based payments, long-service leave plans and jubilee plans in various countries around the world. As at December 31, 2015, $18.0 million (2014 – nil) of the total obligation of $21.8 million (2014 - $23.4 million) is classified as current, and reported in other payables. During 2015, $3.2 million in share-based payments were settled for cash (2014 – nil) and $18.4 million was transferred to contributed surplus (note 22). The expense for these plans was $21.0 million in 2015 (2014 - $15.9 million).

20. Personnel expenses

	2015	2014
Wages and salaries	$ 602,840	$ 511,884
Compulsory social security contributions	61,535	55,188
Contributions to company-sponsored defined contribution plans	17,193	14,574
Expenses related to defined benefit plans	8,473	7,557
Equity-settled share-based payment transactions	8,425	8,726
	$ 698,466	$ 597,929

21. Income tax expense

Current tax expense	2015	2014
Current tax on earnings before earnings in equity accounted investments for the year	$ 121,677	$ 78,810
Deferred tax expense (benefit) (note 14)		
Origination and reversal of temporary differences	$ 14,964	$ 13,519
Impact of tax rate changes	108	-
Recognition of previously unrecognized tax losses and deductible temporary differences	(15,678)	(4,697)
	$ (606)	$ 8,822
Total income tax expense	$ 121,071	$ 87,632

(In thousands of Canadian dollars, except share and per share information)

21. Income tax expense (continued)

Reconciliation of effective tax rate

	2015	2014
Combined Canadian federal and provincial income tax rates	**25.27%**	25.27%
The income tax expense on the Company's earnings differs from the amount determined by the Company's statutory rates as follows:		
Net earnings for the year	**$ 295,078**	$ 216,566
Add: income tax expense	**121,071**	87,632
Deduct: earnings in equity accounted investments	**3,477**	3,686
Earnings before income tax and equity accounted investments	**412,672**	300,512
Income tax using the Company's domestic combined Canadian federal and provincial income tax rates	**104,282**	75,939
Effect of tax rates in foreign jurisdictions	**25,350**	16,234
Impact of tax rate changes	**108**	-
Recognition of previously unrecognized tax losses and deductible temporary differences	**(15,678)**	(4,697)
Losses and deductible temporary differences for which no deferred tax asset was recognized	**950**	2,046
Non-deductible expenses and other items	**6,059**	(1,890)
	$ 121,071	$ 87,632

Income tax recovery recognized directly in other comprehensive income

	2015	2014
Derivatives and foreign currency translation adjustments	**$ (2,300)**	$ (1,163)
Actuarial gains and losses	**535**	(2,336)
Total income tax recovery recognized directly in other comprehensive income	**$ (1,765)**	$ (3,499)

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.

(In thousands of Canadian dollars, except share and per share information)

22. Share-based payments

At December 31, 2015, the Company had three share-based compensation plans, which are described below:

(i) Employee stock option plan

Under the employee stock option plan, the Company may grant options to employees, officers and inside directors of the Company. The Company does not grant options to outside 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, $8.4 million (2014 - $8.7 million) has been recognized in the financial statements as an expense with a corresponding offset to contributed surplus. The fair value of options granted has been estimated using the Black-Scholes model and the following assumptions:

	2015	2014
Risk-free interest rate	**0.73%**	1.62%
Expected life	**4.5 years**	4.5 years
Expected volatility	**25%**	25%
Expected dividends	**$ 1.50**	$ 1.00

(In thousands of Canadian dollars, except share and per share information)

22. Share-based payments (continued)

(i) Employee stock option plan (continued)

A summary of the status of the Company's Employee Stock Option Plan as of December 31, 2015 and 2014, and changes during the years ended on those dates, is presented below:

	2015			2014		
	Shares (000s)		**Weighted average exercise price**	Shares (000s)		Weighted average exercise price
Outstanding at beginning of year	**755**	**$**	**56.00**	829	$	37.44
Granted	**195**		**137.39**	235		87.17
Exercised	**(404)**		**45.34**	(304)		28.94
Forfeited	**-**		**-**	(5)		87.17
Outstanding at end of year	**546**	**$**	**92.96**	755	$	56.00
Options exercisable at end of year	**120**	**$**	**79.75**	216	$	36.53

The weighted average share price at the date of exercise in 2015 was $171.66 (2014 - $104.07).

The following table summarizes information about the employee stock options outstanding at December 31, 2015.

	Options outstanding			Options exercisable	
Range of exercisable prices	Options outstanding (000s)	Weighted average remaining contractual life	Weighted average exercise price	Options exercisable (000s)	Weighted average exercise price
$35.65 - $56.00	173	1.9 years	$ 50.86	56	$ 53.71
$56.01 - $88.00	185	3.1 years	$ 87.17	45	$ 87.17
$88.01 - $137.39	188	4.2 years	$137.39	19	$137.39
$35.65 - $137.39	546	3.1 years	$ 92.96	120	$ 79.75

22. Share-based payments (continued)

(ii) Deferred share units

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

Prior to November 2015, the Company accounted for DSUs as cash-settled share-based payment transactions. In November 2015, the DSU plan was amended from a cash-settled plan to an equity-settled plan, with settlement in treasury shares. As a result, the Company accounts for the amended DSU plan as equity-settled share-based payment transactions. At the date of modification, the Company reclassified the liability of $18.4 million to contributed surplus.

The Company had 85,882 DSUs outstanding as at December 31, 2015. The amount recognized as an expense in 2015 totalled $8.7 million (2014 – $5.3 million).

(iii) Restricted share units

The Company has shares held in trust to be used to satisfy future employee benefits related to its long-term incentive plan as outlined in note 15.

(In thousands of Canadian dollars, except share and per share information)

23. Financial instruments

(a) Cash flow hedges

The Company is party to an interest rate swap agreement ("IRSA"), the hedging item, in order to redistribute the Company's exposure to fixed and floating interest rates with a view to reducing interest rates over the long term. The hedged item was US$80.0 million of the syndicated bank credit facility. Fair value of this IRSA is recorded in derivative instruments on the consolidated statements of financial position. Change in fair value of the IRSA and the change in fair value of the debt are recorded in other comprehensive income. No ineffectiveness was recognized in the consolidated income statement as this has been and continues to be a fully effective hedge. This swap matures in September 2016.

	Interest Rate		Fair Value December 31			
Notional Principal Amount	Paid (USD)	Received (USD)	2015 (CAD)	2014 (CAD)	Maturity	Effective date
USD80.0 million	1.047%	3-month LIBOR	$ (253.0)	$ (488.1)	September 13, 2016	September 13, 2013

The Company has in place numerous aluminum derivative contracts (hedging item) that are used to fix the price the Company is required to pay for its anticipated aluminum manufacturing requirements (hedged item). Aluminum is the major raw material used in the Container Segment. The Company uses these contracts along with fixed price customer contracts to minimize the impact of aluminum price fluctuations. The Company does not enter into these contracts for speculative purposes.

The changes in value of the aluminum derivative contracts are recorded in other comprehensive income. Any ineffective portion is recorded in selling, general and administrative expenses. For 2015 and 2014, no ineffectiveness was recognized. Payments made or proceeds received upon the settlement of these contracts are recorded in cost of goods sold.

Prices for aluminum fluctuate in response to changes in supply and demand, market uncertainty and a variety of other factors beyond the Company's control. A US$100/MT increase (decrease) in the price of aluminum would have resulted in a $0.6 million (2014 – $0.2 million) decrease (increase) in other comprehensive income and no impact on the earnings from operations (2014 – nil) of the Company. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

23. Financial instruments (continued)

(b) Hedges of net investment in self-sustaining operations

US$239.0 million (2014 - US$239.0 million) of unsecured senior notes and US$208.0 million (2014 - US$238.0 million) of the unsecured syndicated bank credit facility (hedging items) have been used to hedge the Company's exposure to its net investment in self-sustaining U.S. dollar-denominated operations with a view to reducing foreign exchange fluctuations. The foreign exchange effect of the unsecured senior notes, the unsecured syndicated bank credit facility and the net investment in U.S. dollar-denominated subsidiaries is reported in other comprehensive income. These have been and continue to be 100% fully effective hedges as the notional amounts of the hedging items equal the portion of the net investment balance being hedged. No ineffectiveness has been recognized in the income statement.

€61.6 million (2014 - €61.6 million) of the unsecured syndicated bank credit facility (hedging item) have been used to hedge the Company's exposure to its net investment in self-sustaining euro-denominated operations with a view to reducing foreign exchange fluctuations. The foreign exchange effect of both the unsecured syndicated bank credit facility and the net investment in euro-denominated subsidiaries is reported in other comprehensive income. This has been and continues to be a 100% fully effective hedge as the notional amount of the hedging item equals the portion of the net investment balance being hedged. No ineffectiveness has been recognized in the income statement.

£134.0 million (2014 - nil) of the unsecured syndicated bank credit facility (hedging item) have been used to hedge the Company's exposure to its net investment in self-sustaining UK pound sterling-denominated operations with a view to reducing foreign exchange fluctuations. The foreign exchange effect of both the unsecured syndicated bank credit facility and the net investment in UK pound sterling-denominated subsidiaries is reported in other comprehensive income. This has been and continues to be a 100% fully effective hedge as the notional amount of the hedging item equals the portion of the net investment balance being hedged. No ineffectiveness has been recognized in the income statement.

(In thousands of Canadian dollars, except share and per share information)

23. Financial instruments (continued)

(c) Credit risk

Exposure to credit risk

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

	December 31, 2015	December 31, 2014
Cash and cash equivalents	$ 405,692	$ 221,873
Trade and other receivables	524,621	380,965
Available-for-sale financial assets	21,016	16,463
	$ 951,329	$ 619,301

Impairment losses

The aging of trade receivables at the reporting date was:

	December 31, 2015	December 31, 2014
Under 31 days	$ 299,639	$ 216,820
Between 31 and 90 days	187,463	138,918
Greater than 90 days	22,125	20,862
	$ 509,227	$ 376,600

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

	December 31, 2015	December 31, 2014
Balance at January 1	$ 12,405	$ 13,809
Increase (decrease) during the year	2,742	(1,404)
Balance at December 31	$ 15,147	$ 12,405

Based on historical default rates, the Company believes that no impairment allowance is necessary in respect of trade receivables not past due.

23. Financial instruments (continued)

(d) Liquidity risk

Exposure to liquidity risk

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

(In millions of Canadian dollars)	December 31, 2014 Carrying Amount	December 31, 2015 Carryin Amount	Contractual Cash Flows	Payments due by period 0-6 Months	6-12 Months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities								
Secured bank loans	$ 2.4	$ 1.3	$ 1.3	$ 0.5	$ 0.5	$ 0.3	$ -	$ -
Unsecured bank loans	10.8	11.4	11.4	0.1	10.5	0.2	0.5	0.1
Unsecured senior notes	276.8	330.5	330.8	152.2	-	-	178.6	-
Finance lease liabilities	5.7	8.0	8.0	1.5	1.4	2.6	2.3	0.2
Unsecured syndicated bank credit facility	362.6	653.9	653.9	-	-	-	653.9	-
Other long-term obligations	0.8	0.4	0.4	0.2	0.2	-	-	-
Interest on unsecured senior notes	*	*	27.0*	-	6.8	12.2	8.0	-
Interest on unsecured syndicated bank credit facility	-	-	46.8*	4.9	5.3	10.6	26.0	-
Interest on other long-term debt	-	-	1.6	0.6	0.5	0.3	0.2	-
Trade and other payables	519.4	711.0	711.0	711.0	-	-	-	-
Derivative financial liabilities								
Outflow - CF hedges	0.8	1.4	1.1	1.1	-	-	-	-
Interest on derivatives	*	*	0.4*	0.2	0.2	-	-	-
Accrued post-employment benefit liabilities	*	*	44.7*	1.5	1.5	5.2	15.7	20.8
Operating leases	-	-	95.1	10.8	10.8	17.8	32.7	23.0
Total contractual cash obligations	$ 1,179.3	$ 1,717.9	$ 1,933.5	$ 884.6	$ 37.7	$ 49.2	$ 917.9	$ 44.1

*Accrued long-term employee benefit and post-employment benefit liability of $2.1 million, accrued interest of $7.3 million on unsecured senior notes and unsecured syndicated bank credit facility and accrued interest of nil on derivatives are reported in trade and other payables in 2015 (2014: $2.6 million, $6.5 million and nil, respectively).

23. Financial instruments (continued)

(d) Liquidity risk (continued)

The following tables indicate the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to impact the income statement:

	December 31, 2014	December 31, 2015						
				Payments due by period				
(In millions of Canadian dollars)	Carrying Amount	Carrying Amount	Contractual Cash Flows	0-6 Months	6-12 Months	1-2 years	2-5 years	More than 5 years
Assets	$ -	$ -	$ 0.4	$ 0.2	$ 0.2	$ -	$ -	$ -
Liabilities	0.3	1.1	1.9	1.5	0.4	-	-	-
Total	$ (0.3)	$ (1.1)	$ (1.5)	$ (1.3)	$ (0.2)	$ -	$ -	$ -

(e) Currency risk

Exposure to currency risk

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

	December 31, 2015			December 31, 2014		
	U.S. Dollar	**U.K. Pound**	**Euro**	U.S. Dollar	U.K. Pound	Euro
Cash and cash equivalents	**122,366**	**17,676**	**63,918**	70,578	7,429	44,679
Trade and other receivables	**165,973**	**40,236**	**68,588**	148,000	11,946	66,549
Trade and other payables	**239,684**	**33,670**	**92,028**	227,816	9,418	76,717
Long-term debt	**447,000**	**134,046**	**64,795**	476,642	-	67,323

Sensitivity analysis

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

	Equity		Income Statement	
	2015	**2014**	2015	2014
Euro	**8,906**	**5,868**	346	812
U.S. dollar	**20,380**	**11,289**	948	337
U.K. pound	**5,836**	**6,765**	(4)	(47)

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

(In thousands of Canadian dollars, except share and per share information)

23. Financial instruments (continued)

(f) Interest rate risk

An increase of 100 basis points in interest rates on the floating rate debt and cash as at the reporting date would decrease net income by $2.0 million (2014 - $2.0 million decrease) and have no impact on other comprehensive income. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

(g) Fair values versus carrying amounts

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

	December 31, 2015		December 31, 2014	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Assets carried at fair value:				
Available-for-sale financial assets	**$ 21,016**	**$ 21,016**	$ 16,463	$ 16,463
Assets carried at amortized cost:				
Loans and receivables	**524,621**	**524,621**	380,965	380,965
Cash and cash equivalents	**405,692**	**405,692**	221,873	221,873
	$ 930,313	**$ 930,313**	$ 602,838	$ 602,838
Liabilities carried at fair value:				
Contingent consideration	**-**	**-**	5,305	5,305
Derivative financial liabilities	**1,348**	**1,348**	768	768
	$ 1,348	**$ 1,348**	$ 6,073	$ 6,073
Liabilities carried at amortized cost:				
Trade and other payables	**710,999**	**710,999**	519,440	519,440
Unsecured syndicated bank credit facility	**653,905**	**653,884**	362,576	362,578
Unsecured senior notes	**330,451**	**355,170**	276,832	307,415
Other loans	**13,169**	**13,169**	13,960	13,960
Finance lease liabilities	**7,994**	**7,994**	5,700	5,700
	$ 1,716,518	**$ 1,741,216**	$1,178,508	$1,209,093

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

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

(In thousands of Canadian dollars, except share and per share information)

23. Financial instruments (continued)

(h) 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
December 31, 2015				
Available-for-sale financial assets	$ -	$ 21,016	$ -	$ 21,016
Derivative financial liabilities	$ -	$ 1,348	$ -	$ 1,348
Unsecured senior notes	-	-	355,170	355,170
	$ -	$ 1,348	$ 355,170	$ 356,518

	Level 1	Level 2	Level 3	Total
December 31, 2014				
Available-for-sale financial assets	$ -	$ 16,463	$ -	$ 16,463
Derivative financial liabilities	$ -	$ 768	$ -	$ 768
Contingent consideration	-	-	5,305	5,305
Unsecured senior notes	-	-	307,415	307,415
	$ -	$ 768	$ 312,720	$ 313,488

24. Financial risk management

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

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

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

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

24. Financial risk management (continued)

Credit risk

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

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

The Company is potentially exposed to credit risk arising from derivative financial instruments if a counterparty fails to meet its obligations. These counterparties are large international financial institutions and, to date, no such counterparty has failed to meet its financial obligations to the Company. As at December 31, 2015, the Company did not have any exposure to credit risk arising from derivative financial instruments.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity by monitoring expected cash flows and ensuring the availability of credit to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they are due. The financial obligations of the Company include trade and other payables, long-term debts and other long-term items. The contractual maturity of trade payables is six months or less. Long-term debts have varying maturities extending to 2020.

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.

24. Financial risk management (continued)

(j) Currency risk (continued)

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 risks 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

Aluminum is the major raw material used in the Container Segment. Prices for aluminum fluctuate in response to changes in supply and demand, market uncertainty and a variety of other factors beyond the Company's control. The Company uses customer specific aluminum derivative instruments (hedging items) along with fixed price contracts (hedged items) to minimize the impact of aluminum price fluctuations.

Aluminum derivative contracts are accounted for as cash flow hedges and changes in value are recorded on the statement of financial position in other comprehensive income. Any ineffective portion is recorded in selling, general and administrative expenses. Payments made or proceeds received upon the settlement of these contracts are recorded in cost of goods sold.

Capital management

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

The Company defines capital as total equity and measures the return on capital (or return on equity) by dividing annual net earnings before goodwill impairment loss and restructuring and other items by the average of the beginning and the end-of-year shareholders' equity. In 2015, the return on capital was 21.1% (2014 – 20.1%) and was well within the range of the Company's leading specialty packaging peers.

Management and the Board maintain a balance between the expected higher return on capital that might be possible with a higher level of financial debt and the advantages and security afforded by a lower level of financial leverage. The Company believes that an optimum level of net debt (defined as current debt, including bank advances, plus long-term debt, less cash and cash equivalents) to total book capitalization (defined as net debt plus equity) is a maximum of 45%. This ratio was 27% at December 31, 2015 (2014 – 26%) and therefore the Company has further capacity to invest in the business with additional debt without exceeding the optimum level. In comparison, the weighted average interest rate on interest-bearing borrowings (excluding liabilities with imputed interest) was 3.1% (2014 - 3.6%).

(In thousands of Canadian dollars, except share and per share information)

24. Financial risk management (continued)

Capital management (continued)

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 covenants on its unsecured senior notes and its unsecured syndicated bank credit facility. This includes a covenant requiring a minimum consolidated net worth. The Company monitors the ratios on a quarterly basis and at December 31, 2015, was in compliance with all its covenants.

25. Commitments

Non-cancellable operating lease rentals are payable as follows:

	2015	2014
Less than one year	**$ 21,586**	$ 17,090
Between one and five years	**50,572**	41,728
More than five years	**22,934**	24,690
	$ 95,092	$ 83,508

The Company enters into operating leases in the ordinary course of business, primarily for real property and equipment. Payments and other terms for these leases vary per agreement. During the year ended December 31, 2015, $18.8 million was recognized as an expense in the income statement in respect of operating leases (2014 - $16.3 million).

(In thousands of Canadian dollars, except share and per share information)

26. Related parties

Beneficial ownership

The directors and officers of CCL Industries Inc. as a group beneficially own, control, or direct, directly or indirectly, approximately 2,244,030 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 totalling $40.8 million.

27. Key management personnel compensation

	2015	2014
Short-term employee compensation and benefits	**$ 13,032**	$ 10,403
Share-based compensation	**4,561**	3,640
Post-employment benefits	**612**	601
	$ 18,205	$ 14,644

28. Accumulated other comprehensive income

	2015	2014
Unrealized foreign currency translation gains, net of tax recovery of $4,896 (2014 – tax recovery of $2,833)	**$ 112,584**	$ 3,882
Losses on derivatives designated as cash flow hedges, net of tax recovery of $374 (2014 – tax recovery of $137)	**(858)**	(517)
	$ 111,726	$ 3,365

29. Restructuring and other items

	2015	2014
Label Segment restructuring	**$ 5,025**	$ 6,343
Avery Segment restructuring	**4,632**	1,447
Contingent consideration	**(3,634)**	-
Acquisition costs	**-**	1,314
Total restructuring and other items	**$ 6,023**	$ 9,104

(In thousands of Canadian dollars, except share and per share information)

29. Restructuring and other items (continued)

In 2015, the Label Segment recorded $5.0 million ($4.4 million, net of tax) in restructuring costs primarily related to severance and closure costs for the recent Worldmark and 2014 Bandfix AG acquisitions, as well as severance costs associated with the closing of a plant in France.

In 2015, the Avery Segment recorded $4.6 million ($3.0 million, net of tax) in restructuring costs for the previously announced closure of the Avery Meridian, Mississippi, binder manufacturing facility and for final European severance costs.

In 2015, the Company reversed $3.6 million, with no tax impact, of accrued contingent consideration related to the 2014 acquisition of DekoPak Ambalaj San. Ve Tic. A.S.

In 2014, the Avery Segment recorded $1.4 million ($1.1 million, net of tax) in restructuring costs primarily related to severance costs for European operations.

In 2014, the Label Segment recorded $6.3 million ($5.4 million, net of tax) in restructuring costs primarily related to severance costs associated with the closure of a facility in France as well as severance costs associated with the 2013 acquisition of the Designed & Engineered Solutions and the 2014 Sancoa businesses.

30. Subsequent events

In January 2016, CCL acquired Woelco AG, a supplier of durable labeling systems for Industrial & Automotive customers based near Stuttgart with subsidiary operations in both the United States and China for approximately $27.0 million net cash purchase consideration.

In January 2016, CCL acquired Label Art Ltd. and Label Art Digital Ltd., two privately owned companies with common shareholders, based in Dublin, Ireland. Label Art is a leading pressure sensitive label producer in Ireland with a focus on Healthcare & Specialty customers in Ireland and the United Kingdom. The agreed purchase consideration in acquired debt and cash is approximately $15.0 million, subject to customary closing adjustments.

CCL invested $6.0 million in cash to increase its stake to 75% in the tube manufacturing joint venture in Bangkok, Thailand, with Taisei Kako Co. Ltd. of Japan.

The Board of Directors has declared a dividend of $0.50 per Class B non-voting share and $0.4875 per Class A voting share, which will be payable to shareholders of record at the close of business on March 17, 2016, to be paid on March 31, 2016.

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED DECEMBER 31, 2015 AND 2014

(TABULAR AMOUNTS IN MILLIONS OF CANADIAN DOLLARS, EXCEPT PER SHARE DATA)

This Management's Discussion and Analysis of the financial condition and results of operations ("MD&A") of CCL Industries Inc. ("CCL" or "the Company") relates to the years ended December 31, 2015 and 2014. In preparing this MD&A, the Company has taken into account information available until February 25, 2016, unless otherwise noted. This MD&A should be read in conjunction with the Company's December 31, 2015, year-end consolidated financial statements, which form part of the CCL Industries Inc. 2015 Annual Report dated February 25, 2016. 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 CCL's operations are the Canadian dollar, the Chilean peso, the U.S. dollar, the euro, the Argentinian peso, the Australian dollar, the Brazilian real, the Chinese renminbi, the Danish krone, the Egyptian pound, the Japanese yen, the Korean won, the Mexican peso, the Philippine peso, the Polish zloty, the Russian ruble, the South African rand, the Swiss franc, the Thai baht, the Turkish lira, the U.A.E. dirham, the U.K. pound sterling and the 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 (the "Board") have reviewed this MD&A to ensure consistency with the approved strategy of the Company and the results of the Company.

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5. **Accounting Policies and Non-IFRS Measures**

6. **Outlook**

Forward-Looking Information

This MD&A contains forward-looking information and forward-looking statements as defined under applicable securities laws (hereinafter collectively referred to as "forward-looking statements") that involve a number of risks and uncertainties. Forward-looking statements include all statements that are predictive in nature or depend on future events or conditions. Forward-looking statements are typically identified by, but not limited to, the words "believes," "expects," "anticipates," "estimates," "intends," "plans" or similar expressions. Statements regarding the operations, business, financial condition, priorities, ongoing objectives, strategies and outlook of the Company, other than statements of historical fact, are forward-looking statements. Specifically, this MD&A contains forward-looking statements regarding the anticipated growth in sales, income and profitability of the Company's segments; the Company's improvement in market share; the Company's capital spending levels and planned capital expenditures in 2016; the adequacy of the Company's financial liquidity; the Company's targeted return on equity, earnings per share, EBITDA growth rates and dividend payout; the Company's effective tax rate; the Company's ongoing business strategy; and the Company's expectations regarding general business and economic conditions.

Forward-looking statements are not guarantees of future performance. They involve known and unknown risks and uncertainties relating to future events and conditions including, but not limited to, the uncertainty of the recovery from the global financial crisis and its impact on the world economy and capital markets; the impact of competition; consumer confidence and spending preferences; general economic and geopolitical conditions; currency exchange rates; interest rates and credit availability; technological 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 segments and entering into new segments; the Company's ability to provide a wide range of products to multinational customers on a global basis; the benefits of the Company's focused strategies and operational approach; the Company's ability to implement its acquisition strategy and successfully integrate acquired businesses; the achievement of the Company's plans for improved efficiency and lower costs, including the ability to pass on aluminum cost increases to its customers; the availability of cash and credit; fluctuations of currency exchange rates; the Company's continued relations with its customers; and general business and economic conditions. Should one or more risks materialize or should any assumptions prove incorrect, then actual results could vary materially from those expressed or implied in the forward-looking statements. Further details on key risks can be found throughout this report and particularly in Section 4: "Risks and Uncertainties."

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

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

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

1. CORPORATE OVERVIEW

A) The Company

CCL Industries Inc. is the world's largest converter of pressure sensitive and extruded film materials for a wide range of decorative, instructional and functional applications for large global customers in the consumer packaging, healthcare, automotive and consumer durables markets. Extruded plastic tubes, folded instructional leaflets, precision printed and die cut metal components with LED displays and other complementary products and services are sold in parallel to specific end-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 office products sold through distributors and mass market retailers. CCL's Container Segment is a leading producer of impact extruded aluminum aerosol cans and bottles for consumer packaged goods customers in the United States, Canada and Mexico.

Founded in 1951, the Company has been publicly listed under its current name since 1980. CCL's corporate offices are located in Toronto, Canada, and

Framingham, Massachusetts, United States. The corporate offices provide executive and centralized services such as finance, accounting, internal audit, treasury, risk management, legal, tax, human resources, information technology and environmental, health and safety and oversight of operations. CCL employs approximately 13,000 people in 119 production facilities located in North America, Latin America, Europe, Australia, Asia and the Middle East, including equity investments in Russia operating five facilities, the Middle East operating five facilities, Chile operating one facility, Thailand operating one facility and the United States, operating one aluminum slug facility supporting the Container Segment. The Company also has a label and tube license holder operating two plants in Indonesia.

B) Customers and Markets

The state of the global economy and geopolitical events can affect consumer demand and ultimately CCL's customers' plans to promote competitive activity in their categories by developing marketing and sales strategies including the introduction of new products. These factors directly influence the demand for CCL's products. The Company's growth expectations generally mirror the trends of each of the markets and product lines in which CCL's customers compete and the growth of the economy in each geographic region. CCL anticipates improving its market share generally in each market and category over time, which is consistent with its overall historical trend.

The label market is large and highly fragmented with many players but with no single competitor having the substantial operating breadth or global reach of CCL's Label Segment. Avery has a dominant market-leading position for its products in North America, Europe and Australia. It also has a small developing presence in Latin America. The Container Segment operates only in North America including Mexico. There are three direct competitors in the Container business in the United States and one in Mexico.

C) Strategy and Financial Targets

CCL's vision is to increase shareholder value through leading supply chain solutions and product innovations around the world. CCL 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 consumer insights and the growth of its customers, by following market developments such as globalization, new product innovation, branding and consumer trends.

A key attribute of CCL's strategy is maintaining its focus and discipline. The Company aspires to be the market leader and the highest value-added producer in each customer sector and region in which it chooses to compete. CCL's primary objective is to invest in the growth of the Label Segment globally both organically and by acquisition. The Avery Segment has similar objectives aligned to applications in labels and specialty converted media that enable short run digital printing in businesses and homes. In 2015, the Label Segment augmented its Healthcare & Specialty operation in the United States with the acquisition of a specialty security printing business, and significantly expanded CCL Design with three acquisitions increasing its product depth and geographic presence in China, Germany, Hungary, Mexico, the United States and the United Kingdom. The Avery Segment acquired two companies enhancing its printable media suite of software enabled digital print products for small business, home consumers as well as meeting planners in North America.

CCL expects to continue improving the performance of the Container Segment, realizing further operational and financial advances subsequent to the completion of the restructuring plan in mid-2017. Furthermore, with the qualification of the Rheinfelden joint venture aluminum slug supply approved, the operation is proceeding to ramp up capacity and production with the expectation of reaching profitability in 2017.

The Company's strategic objective in the past decade has been the long-term growth of earnings through the building of a global business platform with investment in new plants and equipment, acquisitions and innovation in new product development. This approach is intended to allow the Company to increase market share and to grow internationally. The acquisition strategy includes seeking attractively priced targets within CCL's core competencies and manufacturing capabilities that will be immediately accretive to earnings. In addition, such acquisitions should generally support its strategic geographic expansion plans and/or provide new technologies, customer relationships and products to CCL's portfolio.

The Company's financial strategy is to be fiscally prudent and conservative. The Company's reported resilient financial results, ensuing strong cash flow, resulted in a strong balance sheet. During good and difficult economic times, the Company has maintained high levels of cash on hand and unused lines of credit to reduce its financial risk and to provide flexibility when acquisition opportunities are available. Just prior to the 2015 year end, CCL negotiated an amended syndicated US$1.2 billion unsecured revolving credit facility, which at December 31, 2015, provided US$720 million of undrawn capacity.

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

A key financial target is return on equity before goodwill impairment loss, restructuring and other items and tax adjustments ("ROE," a non-IFRS measure; see "Key Performance Indicators and Non-IFRS Measures" in Section 5A below).

CCL continues to execute its strategy with a goal of achieving a comparable ROE level to its leading peers in specialty packaging. Despite a substantial increase in the company's equity base from retained earnings over the last five years, ROE increased dramatically compared to 2010 due to significant accretive earnings from acquisitions, as well as improved results in its legacy operations. 2015 ROE of 21.1% was a record for CCL:

	2015	2014	2013	2012	2011	2010
Return on Equity	21.1%	20.1%	15.8%	11.4%	10.7%	9.5%

Another metric used by the investment community as a comparative measure is return on total capital before goodwill impairment loss, restructuring and other items and tax adjustments ("ROTC," a non-IFRS measure; see "Key Performance Indicators and Non-IFRS Measures" in Section 5A below). The chart below details performance since 2010. CCL targets delivering returns in excess of its cost of capital and has improved its performance consistently since 2010. ROTC of 15.4% for 2015 was also a record despite the late fourth quarter debt financed acquisition of Worldmark Ltd. ("Worldmark"):

	2015	2014	2013	2012	2011	2010
Return on Total Capital	15.4%	14.1%	11.9%	9.5%	8.3%	6.7%

The long-term growth rate of adjusted basic earnings per Class B share is another important and related financial target. This measure excludes goodwill impairment loss, restructuring and other items, tax adjustments, gains on business dispositions and non-cash acquisition accounting adjustments (a non-IFRS measure; see "Key Performance Indicators and Non-IFRS Measures" in Section 5A below). 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.

CCL has achieved significant positive growth in its adjusted basic earnings per share since 2010:

	2015	2014	2013	2012	2011	2010
EPS Growth Rate	32%	47%	52%	13%	18%	23%

In 2015, adjusted basic earnings increased by 32% to $8.61 per Class B share. Improved earnings from acquired businesses over the past three years, in particular the new Avery Segment, contributed meaningfully to the significant increase in adjusted basic earnings per share. Excluding the impact of currency translation, adjusted basic earnings per share increased 22.8%. The Company believes continuing growth in earnings per share is achievable in the future as the global economy stabilizes; as operating efficiencies are solidified for the

Container and Avery Segments post-restructuring and as CCL executes its global business strategies for the Label and Avery 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 below) is considered a good indicator of cash flow and is used by many financial institutions and investment advisors to measure operating results and for business valuations. As a key indicator of cash flow, EBITDA demonstrates the Company's ability to incur or service existing debt, to invest in capital additions and to take advantage of organic growth opportunities and acquisitions that are accretive to earnings per share. Historically, the Company has experienced positive growth in EBITDA, excluding discontinued operations:

	2015	**2014**	**2013**	**2012**	**2011**	**2010**
EBITDA	$608.4	$481.6	$355.6	$254.6	$239.1	$219.8
% of sales	20%	19%	19%	19%	19%	18%

In 2015, EBITDA increased by approximately 19%, excluding the positive impact of foreign currency translation to an all-time best 20% of sales. CCL's EBITDA margins remain at the top end of the range of the Company's specialty packaging peers. The Company expects positive growth in EBITDA in the future as the Company carries out its global growth initiatives.

The framework supporting the above performance indicators is an appropriate level of financial leverage. Based on the dynamics within the specialty packaging industry and the risks that higher leverage may bring, CCL has a comfort level up to a target of approximately 4.0 times net debt to EBITDA (a non-IFRS measure; see "Key Performance Indicators and Non-IFRS Measures" in Section 5A below). As at December 31, 2015, net debt to EBITDA was 0.99 times compared to 0.91 times at December 31, 2014, despite the significant acquisitions made during the fourth quarter of 2015. This current level of leverage and profitability, including the expectation of significant future deleveraging from operating cash flow, would imply that CCL's debt would be in the investment-grade category. 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 below). This leverage level also allows the Company the flexibility to quickly execute its acquisition growth strategy, including larger targets, without significantly exposing its credit quality.

The Board also believes that the dividend payout ratio (a non-IFRS measure; see "Key Performance Indicators and Non-IFRS Measures" in Section 5A below) is an important metric. CCL has paid dividends quarterly for over thirty years without an omission or reduction and has doubled the annualized rate since March 2014. The Board views this consistency and dividend growth as important factors in enhancing shareholder value. For 2015, as in 2014, the dividend payout ratio was 17% of adjusted earnings. This dividend payout ratio reflects the strong net earnings generated by newly acquired businesses in 2014 and 2015, as well as the improved results for the legacy operations of the Company. After careful review of the current year results and considering the cash flow and income budgeted for 2016, the Board has declared a 33.3% increase in the annual dividend; twelve and a half cents per Class B share per quarter, from $0.375 to $0.50 per Class B share per quarter ($2.00 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.

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

D) Recent Acquisitions and Dispositions

CCL is a global company with significant diversification across the world economy including emerging markets, a broad customer base, with distinct product lines, and many different currencies.

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

- In February 2015, INT America LLC ("INTA"), a privately owned company based in Michigan, USA, for $2.9 million. INTA expanded CCL Design North America's product offering in the automotive durable labels sector.

- In February 2015, pc/nametag Inc. and Meetings Direct, LLC ("PCN"), privately owned companies with common shareholders, based in Wisconsin, USA, for $37.6 million. PCN added to Avery North America's printable media depth in the meetings and events planning industry.

- In July 2015, Fritz Brunnhoefer GmbH ("FritzB"), a privately owned company based in Nurnburg, Germany, for $7.6 million. This new business expanded CCL Design's presence in the German industrial and aerospace durable goods markets.

- In October 2015, the assets of privately owned Sennett Security Products LLC and its wholly owned subsidiary Banknote Corporation of America Inc. (“BCA”) based in North Carolina, USA, for $45.7 million. This acquisition broadened the Label Segment’s technology base and product offering to include security labels, cards and document components.

- In November 2015, the global operations of private equity owned Worldmark headquartered in East Kilbride, Scotland, for approximately $252.6 million. Worldmark is a leading supplier of functional labels for the electronics sector.

- In December 2015, Mabel’s Labels Inc. and Mabel’s Labels Retail Inc. (“Mabel’s”), privately owned companies with common shareholders based in Ontario, Canada, for approximately $12.0 million. Mabel’s expanded the Avery Segment’s printable media platform into web-to-print personalized identification labels for children and families.

- In February 2014, Sancoa and TubeDec (“Sancoa”), privately owned companies with a common controlling shareholder based in New Jersey, USA, for $73.1 million. Sancoa produces labels and tubes and is an integral part of the North American Home & Personal Care business.

- In February 2014, DekoPak Ambalaj SAN. Ve Tic. A.S. (“Dekopak”), a privately owned company based in Istanbul, Turkey, for $4.7 million. Dekopak is a leading producer of shrink sleeve labels for global and domestic customers in Turkey.

- In September 2014, Bandfix AG (“Bandfix”), a privately owned company based in Zurich, Switzerland, for $17.9 million. Bandfix produces Specialty labels for European customers, complementing CCL’s Healthcare & Specialty business.

- In November 2014, Label Connections Ltd. (“LCL”), a privately owned company based in St. Neots, England, for $2.8 million. LCL is a leading supplier to the commercial graphic arts sector and was the first acquisition within the Avery Segment.

- In December 2014, Druckerei Nilles GmbH (“Nilles”), a privately owned company based in Trittenheim, Germany, for $16.2 million. The Nilles wine label business was added to CCL’s Food & Beverage operations and the Nilles e-commerce platform became a new business unit within the Avery Segment.

Strategically, CCL has positioned itself as a growing specialty packaging company. The acquisitions completed over the past few years, in conjunction with the building of new plants in Argentina, Thailand, Philippines, Korea and

Russia have positioned the Label Segment as the global leader for labels in the personal care, healthcare, food & beverage, durables and specialty categories. Furthermore with the addition of Avery, CCL is now 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.

E) Subsequent Events

On January 21, 2016, CCL announced it had completed three transactions for the Label Segment. CCL acquired privately owned Woelco AG ("Woelco"), a supplier of durable labels to the Industrial and Automotive customers near Stuttgart, Germany, together with its subsidiaries in the United States and China, for approximately $27.0 million.

CCL also acquired Label Art Ltd. and Label Art Digital Ltd., ("LAL"), privately owned companies with common shareholders, based in Dublin, Ireland, for approximately $15.0 million. LAL is a leading pressure sensitive label producer in Ireland with a focus on Healthcare & Specialty customers.

Finally, CCL invested $6.0 million in cash to increase its stake to 75% in the tube manufacturing joint venture in Bangkok, Thailand, with Taisei Kako Co. Ltd. of Japan. Results for this business will be consolidated with a minority interest adjustment on a go-forward basis.

F) Consolidated Annual Financial Results

Selected Financial Information

Results of Consolidated Operations

	2015	2014	2013
Sales	**$ 3,039.1**	$ 2,585.6	$ 1,889.4
Cost of sales	**2,179.7**	1,891.5	1,414.0
Selling, general and administrative expenses	**415.1**	358.9	256.7
	444.3	335.2	218.7
Earnings in equity accounted investments	**3.5**	3.7	1.9
Net finance cost	**(25.6)**	(25.6)	(25.6)
Restructuring and other items – net loss	**(6.0)**	(9.1)	(45.2)
Earnings before income taxes	**416.2**	304.2	149.8
Income taxes	**121.1**	87.6	46.2
Net earnings	**$ 295.1**	$ 216.6	$ 103.6
Basic earnings per Class B share	**$ 8.50**	$ 6.31	$ 3.04
Restructuring and other items loss per Class B share	**$ 0.11**	$ 0.22	$ 1.03
Diluted earnings per Class B share	**$ 8.38**	$ 6.19	$ 2.99
Adjusted basic earnings per Class B share	**$ 8.61**	$ 6.53	$ 4.43
Dividends per Class B share	**$ 1.50**	$ 1.10	$ 0.86
Total assets	**$ 3,582.3**	$ 2,618.4	$ 2,401.6
Total non-current liabilities	**$ 1,047.6**	$ 802.0	$ 839.0

Comments on Consolidated Results

Sales were a record $3,039.1 million in 2015, an increase of 17.5% compared to $2,585.6 million recorded in 2014. This improvement in sales can be attributed to acquisition related growth of 5.7% augmented by organic growth of 4.5% and the positive 7.3% impact from foreign currency translation.

Consistent with CCL's 2014 year, approximately 4.0% of CCL's 2015 sales to end use customers are denominated in Canadian dollars. Consequently, changes in foreign exchange rates can have a material impact on sales and profitability when translated into Canadian dollars for public reporting. The 2015 and 2014 results have been positively impacted by the weakening of the Canadian dollar. The appreciation of the U.S. dollar and the U.K. pound by 15.8%, and 7.4%, respectively, was slightly offset by a 3.3%, 2.9% and 17.5%

depreciation of the euro, Mexican peso and Brazilian real, respectively, relative to the Canadian dollar in 2015 compared to average exchange rates in 2014. Partially offsetting this translation trend, some of CCL's foreign operations were negatively impacted by their local currency depreciation to the U.S. dollar on transactions.

Earnings after cost of goods sold and selling, general and administrative ("SG&A") expenses in 2015 were $444.3 million, up $109.1 million from $335.2 million in 2014; primarily reflecting the impact of eleven acquisitions made over the last two years and significant organic growth in legacy operations in the current year with the corresponding incremental profitability.

SG&A expenses were $415.1 million for 2015, compared to $358.9 million reported in 2014. The increase in SG&A expenses in 2015 relates primarily to the significant acquisitions made over the last two years as well as higher corporate expenses. Corporate expenses for 2015 were $52.3 million, compared to $34.7 million for 2014. The increase in corporate expenses relative to those in 2014 relates predominantly to an increase in executive long-term compensation expenses and an increase in director equity compensation expense connected to their deferred share unit ("DSU") plan and is directly a result of the gain in the Company's share price in 2015. Late in the fourth quarter of 2015, the settlement method for the director DSU plan was amended from cash-settled plan to an equity-settled plan, specifically with treasury shares. Therefore future remeasurement to fair value will no longer be recorded, thereby no impact to corporate expenses, pending shareholder approval at the 2016 annual general meeting.

Operating income (a non-IFRS measure; see "Key Performance Indicators and Non-IFRS Measures" in Section 5A below) for 2015 was $496.6 million, an increase of 34.3% compared to $369.9 million for 2014. Foreign currency translation positively impacted consolidated operating income by 7.6% for 2015 compared to 2014. The Label, Avery and Container Segments each improved operating income for 2015 by 30.7%, 39.8% and 48.6%, respectively compared to 2014. Further details on the business segments follow later in this report.

EBITDA (a non-IFRS measure; see "Key Performance Indicators and Non-IFRS Measures" in Section 5A below) in 2015 was $608.4 million, an improvement of 26.3% compared to $481.6 million recorded in 2014. Excluding the impact of currency translation, EBITDA increased by 18.9% over the prior year.

Net finance cost was $25.6 million for 2015 and 2014 consisting of an increase in interest expense due to an increase in drawn debt offset by the increase in interest income due to higher cash balances for the year.

For the full year 2015, restructuring cost and other items represented an expense of $6.0 million ($3.7 million after tax) as follows:

- For the Avery Segment, $4.6 million ($3.0 million after tax), the majority of which was for the closure of the Meridian, Mississippi, binder manufacturing plant and final European severance costs.

- For the Label Segment, $1.4 million ($0.7 million after tax) of which $2.7 million related to severance and other costs associated with the Worldmark acquisition, $1.2 million of severance costs for the closure of a plant in France, $1.1 million of restructuring expenses related to the Bandfix acquisition partially offset by $3.6 million of forgone contingent consideration to be paid pertaining to the Dekopak acquisition.

The negative earnings impact of these restructuring and other items in 2015 was $0.11 per Class B share.

For the full year 2014, restructuring cost and other items represented an expense of $9.1 million ($7.5 million after tax) as follows:

- For the Avery Segment, $1.6 million ($1.3 million after tax) representing the final European severance costs in CCL's reorganization plan and trailing transaction fees associated with the acquisition of the business.

- For the Label Segment, $7.5 million ($6.2 million after tax) primarily costs associated with the closure of a plant in France, severance expenses associated with the Designed & Engineered Solutions ("DES") and Sancoa business acquisitions and transaction costs related to the six Label Segment acquisitions closed in 2014.

The negative earnings impact of these restructuring and other items in 2014 was $0.22 per Class B share.

In 2015, the consolidated effective tax rate was 29.3%, compared to 29.2% in 2014, excluding earnings in equity accounted investments. The combined Canadian federal and provincial statutory tax rate was 25.3% for 2015 (2014 – 25.3%). The slight increase in the effective tax rate for 2015 can be attributed to a release of valuation allowances, primarily due to the renewed profitability in Canada, offset by an increase in withholding taxes and other discreet tax addbacks in higher taxed jurisdictions.

Over 96% of CCL'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 varies from year to year as a result of the level of income in the various countries, recognition or reversal of tax losses, tax reassessments and income and expense items not subject to tax. The Company's tax rate may increase in the future if the Company earns a higher percentage of its income in higher tax jurisdictions or if the Company is not able to tax-benefit its future tax losses in certain countries.

Net earnings for 2015 were $295.1 million, an increase of 36.2% compared to $216.6 million recorded in 2014 due to the items described above.

Basic earnings per Class B share were $8.50 for 2015 versus the $6.31 recorded for 2014. Diluted earnings per Class B share were $8.38 for 2015 and $6.19 for 2014.

Adjusted basic earnings per Class B share (a non-IFRS measure; see "Key Performance Indicators and Non-IFRS Measures" in Section 5A below) was $8.61 for 2015, up 31.9% from $6.53 in 2014.

The movement in foreign currency exchange rates in 2015 versus 2014 had an estimated positive translation impact of $0.48 on adjusted basic earnings per Class B share. This estimated foreign currency impact reflects the currency translation in all foreign operations and the translation of U.S. dollar-denominated transactions in the Canadian Container operation, where almost all sales and a significant portion of input costs are U.S. dollar-denominated.

G) Seasonality and Fourth Quarter Financial Results

2015	Qtr 1	Qtr 2	Qtr 3	Qtr 4	**Year**
Sales					
Label	$ 486.1	$ 468.9	$ 522.2	$ 553.1	$ **2,030.3**
Avery	160.2	198.2	233.1	191.2	**782.7**
Container	59.6	54.4	57.6	54.5	**226.1**
Total sales	$ 705.9	$ 721.5	$ 812.9	$ 798.8	$ **3,039.1**
Segment operating income					
Label	$ 81.8	$ 71.9	$ 81.6	$ 81.9	$ **317.2**
Avery	26.6	45.3	46.5	34.4	**152.8**
Container	8.7	5.4	6.2	6.3	**26.6**
Operating income	117.1	122.6	134.3	122.6	**496.6**
Corporate expenses	13.4	13.0	12.4	13.5	**52.3**
Restructuring and other items	0.9	-	0.9	4.2	**6.0**
Earnings in equity accounted investments	(0.5)	(0.2)	(1.2)	(1.6)	**(3.5)**
	103.3	109.8	122.2	106.5	**441.8**
Finance cost, net	6.3	6.2	6.3	6.8	**25.6**
Earnings before income taxes	97.0	103.6	115.9	99.7	**416.2**
Income taxes	28.9	30.3	34.1	27.8	**121.1**
Net earnings	$ 68.1	$ 73.3	$ 81.8	$ 71.9	$ **295.1**
Per Class B share					
Basic earnings	$ 1.97	$ 2.12	$ 2.36	$ 2.05	$ **8.50**
Diluted earnings	$ 1.93	$ 2.09	$ 2.33	$ 2.03	$ **8.38**
Adjusted basic earnings	$ 1.99	$ 2.12	$ 2.34	$ 2.16	$ **8.61**

G) Seasonality and Fourth Quarter Financial Results (continued)

2014	Qtr 1	Qtr 2	Qtr 3	Qtr 4	**Year**
Sales					
Label	$ 423.8	$ 423.8	$ 437.3	$ 433.4	$ **1,718.3**
Avery	132.9	174.2	204.7	154.6	**666.4**
Container	53.0	52.4	47.7	47.8	**200.9**
Total sales	$ 609.7	$ 650.4	$ 689.7	$ 635.8	$ **2,585.6**
Segment operating income					
Label	$ 69.5	$ 56.0	$ 59.2	$ 58.0	$ **242.7**
Avery	13.1	28.4	44.9	22.9	**109.3**
Container	6.0	4.8	3.0	4.1	**17.9**
Operating income	88.6	89.2	107.1	85.0	**369.9**
Corporate expenses	6.3	7.4	11.1	9.9	**34.7**
Restructuring and other items	0.9	1.1	-	7.1	**9.1**
Earnings in equity accounted investments	(0.1)	(1.0)	(0.5)	(2.1)	**(3.7)**
	81.5	81.7	96.5	70.1	**329.8**
Finance cost, net	6.7	6.3	6.6	6.0	**25.6**
Earnings before income taxes	74.8	75.4	89.9	64.1	**304.2**
Income taxes	22.2	20.1	26.8	18.5	**87.6**
Net earnings	$ 52.6	$ 55.3	$ 63.1	$ 45.6	$ **216.6**
Per Class B share					
Basic earnings	$ 1.54	$ 1.61	$ 1.83	$ 1.33	$ **6.31**
Diluted earnings	$ 1.51	$ 1.58	$ 1.79	$ 1.31	$ **6.19**
Adjusted basic earnings	$ 1.56	$ 1.63	$ 1.83	$ 1.51	$ **6.53**

Fourth Quarter Results

Sales for the fourth quarter of 2015 improved 25.6% to $798.8 million, compared to $635.8 million recorded in the 2014 fourth quarter. Excluding currency translation, sales for the fourth quarter of 2015 increased by 15.9% compared to the prior year period. This increase was due to 7.1% of organic growth and 8.8% impact from acquisitions. The Label, Avery and Container Segments posted sales increases of 27.6%, 23.7% and 14.0%, respectively.

Operating income (a non-IFRS measure; see "Key Performance Indicators and Non-IFRS Measures" in Section 5A below) in the fourth quarter of 2015 was $122.6 million, an increase of 44.2% from $85.0 million in the fourth quarter of 2014. For the fourth quarter of 2015 compared to the same period in 2014, the Label, Avery and Container Segments recorded improvements in operating income of 41.2%, 50.2% and 53.7% respectively. The improvement in the Label Segment was driven by strong results in North America and emerging markets;

enhanced by the acquired BCA and Worldmark businesses. Results for the Container Segment benefited from solid organic growth particularly in Mexico and a sharp appreciation of the U.S. dollar as all production from the Canadian plant is sold in the United States. Operating income at the Avery segment was a stellar $34.4 million for the fourth quarter of 2015 compared to $22.9 million in the prior year period. Avery generated a fourth quarter return on sales of 18.0% (a non-IFRS measure; see "Key Performance Indicators and Non-IFRS Measures" in Section 5A below), due to significantly improved results for North America. Foreign currency translation contributed an improvement of 9.8% to the consolidated operating income.

EBITDA (a non-IFRS measure; see "Key Performance Indicators and Non-IFRS Measures" in Section 5A below) for the fourth quarter of 2015 was $153.2 million, an increase of 37.2% compared to the $111.7 million for the 2014 comparable period.

Corporate expenses were $13.5 million in the fourth quarter of 2015, compared to $9.9 million recorded in the prior-year period. The change is attributable to increased executive long term variable compensation expense and director equity compensation expense connected to their DSU plan which is directly a result of the gain in the Company's share price in the fourth quarter of 2015.

Net finance cost was $6.8 million for the fourth quarter of 2015 compared to $6.0 million for the fourth quarter of 2014. This increase was attributable to the additional interest expense associated with the $270.0 million drawn on the revolving credit facility to fund the acquisition of Worldmark during the fourth quarter of 2015.

For the fourth quarter of 2015, restructuring cost and other items represented an expense of $4.2 million ($3.7 million after tax) entirely for the Label Segment. Severance costs of $2.8 million associated with the Worldmark acquisition and severance costs of $1.4 million related to the closure of a plant in France.

The negative earnings impact of these restructuring and other items for the 2015 fourth quarter was $0.11 per Class B share.

For the fourth quarter of 2014, restructuring cost and other items represented a loss of $7.1 million ($6.1 million after tax) as follows:

- For the Avery Segment, $1.5 million ($1.1 million after tax) representing the final European severance costs in CCL's reorganization plan and trailing transaction fees associated with the acquisition of the business.

- For the Label Segment, $5.6 million ($5.0 million after tax) primarily for costs associated with the closure of a plant in France, severance expenses associated with the DES business and transaction costs related to the Label Segment acquisitions closed in 2014.

The negative earnings impact of these restructuring and other items for the 2014 fourth quarter was $0.18 per Class B share.

Tax expense in the fourth quarter of 2015 was $27.8 million compared to $18.5 million in the prior year period. The effective tax rates for these two periods are 28.4% and 29.8%, respectively. The decrease in the effective tax rate, excluding earnings in equity accounted investments, resulted from a higher portion of the Company's taxable income being earned in lower tax jurisdictions.

The net earnings in the fourth quarter of 2015 were $71.9 million compared to net earnings of $45.6 million in last year's fourth quarter. This increase reflects the items described above.

Basic earnings per Class B share were $2.05 in the fourth quarter of 2015 compared to $1.33 in the fourth quarter of 2014. The movement in foreign currency exchange rates in the fourth quarter of 2015 compared to 2014 had an estimated positive impact on the translation of CCL's basic earnings of $0.12 per Class B share.

Adjusted basic earnings per Class B share (a non-IFRS measure; see "Key Performance Indicators and Non-IFRS Measures" in Section 5A below) were $2.16 for the fourth quarter of 2015, an improvement of 43.0% compared to $1.51 in the corresponding quarter of 2014.

<u>Summary of Seasonality and Quarterly Results</u>

Historically, the seasonality of the Label and Container Segments had evolved such that the first and second quarters were 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 CCL in the first half of the year. However, with the addition of Avery, the third quarter will be the strongest for CCL sales as Avery benefits from the "back-to-school" surge in North America. 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 2015 and 2014, were primarily affected by regional economic variances, the impact of dramatic foreign currency changes relative to the Canadian dollar, the timing of acquisitions and the effect of restructuring, tax adjustments and other items.

The Label Segment has generally experienced strong demand in its existing and newly acquired operations in the past few years. The Segment increased sales, excluding the impact of currency translation, in all four quarters of 2015, primarily driven by organic growth and acquisitions.

The Avery Segment quarterly results mirrored its expected seasonal pattern for 2015, posting robust results for the third quarter of the year reflecting the "back-to-school" intensity in North America. However, since the Avery acquisition in July of 2013, management has implemented initiatives that have reduced the magnitude of the third quarter back-to-school spike attributable to ring binder sales volumes. Therefore operating results for the other three quarters of 2015 improved over 2014 more significantly than the increase for the third quarter of 2015 compared to the third quarter 2014. 2015 annual return on sales in the Avery segment was a remarkable 19.5%. This seasonal pattern should continue in 2016.

The Container Segment's quarterly results were true to its seasonal pattern, however, the year-over-year sharp depreciation in the Canadian dollar to the U.S. dollar in the fourth quarter of 2015 bolstered the results for the Segment as all the production in the Canadian plant is sold to U.S. based customers.

Net earnings in 2015 increased 36.2% compared to 2014. Adjusted basic earnings per Class B share (a non-IFRS measure; see "Key Performance Indicators and Non-IFRS Measures" in Section 5A below), which excludes the impact of restructuring charges, was a record $8.61 for 2015, up 31.9% from $6.53 in 2014.

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. CCL 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 across the Company. Since 2009, average annual capital spending has been broadly in line with annual depreciation expense. The new Avery Segment is less capital intensive as a percentage of sales than CCL's legacy business. Further discussion on capital spending is provided in the "Business Segment Review" sections below.

Although each Segment is a leader in market share or has a significant position in the markets it serves in each of its operating locales, it also operates generally in a mature and competitive environment. In recent years, consumer products and healthcare companies have experienced steady pressure to maintain or even reduce prices to their major retail and distribution channels, which has driven significant consolidation in CCL's customer base. This has resulted in many customers seeking supply-chain efficiencies and cost savings in order to maintain profit margins. The global economic crisis experienced in 2008 and early 2009, the instability of the economic recovery that followed and its effect on the availability of capital accentuated this trend. Volatile commodity costs have also created challenges to manage pricing with customers. These dynamics have been an ongoing challenge for CCL and its competitors, requiring greater management and financial control and flexible cost structures. Unlike some of its competitors, CCL 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.

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

The cost of many of the key raw material inputs for CCL, 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 significant cost fluctuations for these inputs can have an impact on the Company's profitability. CCL generally has the ability, due to its size and the use of long-term contracts with both its suppliers and its customers, to mitigate volatility in costs from its suppliers and, where necessary, to pass on price movements to its customers. The success of the Company is dependent on each business managing the cost-and-price equation with suppliers and customers. The cost of aluminum represents the largest component of the Container Segment's product cost. The significant volatility in aluminum costs over the past few years has made it especially challenging to manage pricing with its customers who are generally accustomed to more stable pricing in other product lines. Consequently, the Container Segment successfully introduced pricing mechanisms in its customer contracts that passes through the fluctuations in the cost of aluminum as the commodity price changes on the London Metals Exchange (“LME”).

Most of CCL’s facilities are in locations with adequate skilled labour, resulting in moderate pressure on wage rates and employee benefits. CCL’s labour costs are competitive in each of its businesses. The Company uses a combination of annual and long-term incentive plans specifically designed for corporate, divisional and plant staff to focus key employees on the objectives of achieving annual business plans and creating shareholder value through growth, innovation, cost reductions and cash flow generation in the longer term.

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.

Performance measures used by the divisions that are critical to meeting their operating objectives and financial targets are return on sales, cash flow, days of working capital employed and return on investment. Measures used at the corporate level include operating income, return on sales, EBITDA, leverage ratio, return on equity, return on total capital, free cash flow and adjusted basic earnings per Class B share (all of which are non-IFRS measures; see “Key Performance Indicators and Non-IFRS Measures” in Section 5A below). Growth in adjusted earnings per per Class B share is a key metric that the Company monitors. It represents earnings per share before restructuring and other items since the timing and extent of restructuring and other items do not reflect or relate to the Company’s future ongoing operating performance. Performance measures are primarily evaluated against a combination of prior year, budget, industry standards and other internal benchmarks to promote continuous improvement in each business and process.

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.

CCL is not particularly dependent upon specialized manufacturing equipment. Most of the manufacturing equipment employed by the divisions can be sourced from many different suppliers. CCL, 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. Most of CCL's direct competitors in the Label Segment are much 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 Company also uses strategic partnerships as a method of obtaining proprietary technology in order to support growth plans and to expand its product offerings. CCL'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 CCL's employees is a key element in achieving the Company's business plans. This know-how is broadly distributed throughout the Company and its 119 facilities 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 CCL's entrepreneurial culture of considering creative alternative applications and processes for the Company's manufactured products.

The nature of the research carried out by the Label and Container Segments can be characterized as application or process development. As a leader in specialty packaging, 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. Company and customer 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 Label Segment's applications and technology to deliver product innovation that aligns with consumer printable media trends.

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 Label Segment communicates with many customers and suppliers electronically, particularly with regard to supply-chain management solutions and when transferring and confirming design formats and colours. A core attribute of Avery's printable media products is the customized software to enable short run digital printing in businesses and homes. Avery recognizes that it is critical to relentlessly innovate in 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 and Mabel's e-commerce platform 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. The Company recognizes that in order to maintain the pre-eminent positions for Avery and Zweckform, it must continually invest in promoting these brands. The Company also acquired two important, distinct, 'direct to consumer' brands in 2015 with "pc/nametag" and "Mabel's Labels". Unique consumer insights result in successful easy-to-use products supported by the largest end user website in CCL's industry, advertising, promotions and other brand development activities in a variety of communication mediums. 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. These include collaborative logistic partnerships with the Company's customers and suppliers to reduce the usage of wooden pallets and corrugated boxes. CCL continues to develop unique products that help its customers reduce their carbon footprint such as CCL's Super Stretch Sleeves that decorate PET beverage containers without adhesive or energy and CCL's 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 CCL's carbon footprint and some plants have adopted the use of solar power to run their facilities.

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

Business Segment Results

	2015	2014
Segment sales		
Label	**$ 2,030.3**	$ 1,718.3
Avery	**782.7**	666.4
Container	**226.1**	200.9
Total sales	**$ 3,039.1**	$ 2,585.6
Operating income*		
Label	**$ 317.2**	$ 242.7
Avery	**152.8**	109.3
Container	**26.6**	17.9
Segment operating income	**$ 496.6**	$ 369.9

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

Comments on Business Segments

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

Operating income in 2015 was $496.6 million, an improvement of 34.3% compared to $369.9 million in 2014. The increase in operating income was attributable to the improvements in all of CCL’s Segments, Label, Avery and Container in 2015 compared to 2014. Excluding the impact of foreign currency translation, operating income increased by 26.7% over the prior year. Return on sales (a non-IFRS measure; see “Key Performance Indicators and Non-IFRS Measures” in Section 5A below) increased to 16.3% in 2015 compared to 14.3% in 2014, primarily reflecting stellar results achieved in the Avery and Label Segments for 2015.

B) Label Segment

Overview

The Label Segment is the leading global producer of innovative label solutions for consumer product marketing companies in the personal care, food & beverage, household chemical and promotional segments of the industry, and also supplies regulated labels to major pharmaceutical, healthcare and industrial chemical customers plus long life labels to automotive, electronics and other durable goods companies. The Segment's product lines include pressure sensitive, shrink sleeve, stretch sleeve, in-mould, precision printed and die cut metal and plastic components, expanded content labels, pharmaceutical instructional leaflets and plastic tubes. It currently operates 105 production facilities located in Canada, the United States (including Puerto Rico), Argentina, Australia, Austria, Brazil, Chile, China, Denmark, Egypt, France, Hungary, Germany, Ireland, Italy, Japan, Korea, Mexico, the Netherlands, Oman, Pakistan, Philippines, Poland, Russia, Saudi Arabia, Switzerland, Thailand, Turkey, United Arab Emirates, the United Kingdom and Vietnam. The five plants in Russia, five plants in the Middle East, one plant in Chile and a plant in Thailand are connected to the equity investments in CCL-Kontur, Pacman-CCL, Acrus-CCL and CCL-Taisei respectively, and are included in the above locations.

This Segment operates within a sector of the packaging industry made up of a very large number of competitors that manufacture a vast array of decorative, product information and identification labels. There are some label categories that do not fall within the Segment's target market. The Company believes that the Label Segment is the largest consolidated operator in most of its defined global label market sectors. Competition largely comes from single-plant businesses, often owned by private operators who compete in local markets with CCL. 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 CCL Label.

CCL Label's mission is to be the global supply-chain leader of innovative premium package and promotional label solutions for the world's largest consumer product, healthcare and durable goods companies. It aspires to do this from regional facilities that focus on specific customer groups, products and manufacturing technologies in order to maximize management's expertise and manufacturing efficiencies to enhance customer satisfaction. The Label Segment is expected to continue to grow and expand its global reach through acquisitions, joint ventures and greenfield start-ups as well as expand its product offerings in segments of the label industry that it has not yet entered.

The Company has completed several label acquisitions over the past few years that have positioned the Label Segment as a global leader within its multinational customer base in the personal care, healthcare, household, food, beverage, automotive, durable goods and specialty label categories.

The Segment 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 second half of 2014 and all of 2015. This should provide opportunities for the Segment to improve market share and increase profitability in these regions.

The Segment 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 Label also extrudes films and 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 for these labels is updated, reflecting current market costs and new shapes and designs.

CCL Design now represents a significant fourth component of the Label Segment. Recent acquisitions of INTA, FritzB, Woelco and most notably Worldmark significantly expanded CCL Design, solidifying its global footprint and technological capabilities.

There is a close alignment in label demand to consumer staples other than CCL Design, which is completely aligned to the automotive, electronics and durable goods industry. Management believes the Company 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 Label'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 CCL'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. 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.

Label Segment Financial Performance

	2015	**% Growth**	2014
Sales	**$ 2,030.3**	**18.2%**	$ 1,718.3
Operating income	**$ 317.2**	**30.7%**	$ 242.7
Return on sales	**15.6%**		14.1%

Sales in the Label Segment for 2015 increased to $2,030.3 million, compared to $1,718.3 million in 2014. Foreign currency translation had a favourable impact of 6.3%. The Label Segment increased 5.7% from strong organic growth and 6.2% due to the positive benefit of seven acquisitions since the beginning of the 2014 year.

Sales in 2015 for **North America** increased low single digits compared to 2014, excluding the impact of currency translation and the acquisitions of Sancoa, INTA and BCA. The stronger U.S. dollar significantly augmented Canadian dollar reported revenues but profit margins were negatively impacted as raw materials are largely imported from the United States. Healthcare & Specialty results were mixed with significant improvement in Healthcare, partially offset by a soft Ag-Chem market reported by many global customers and slow promotional sales compared to a World Cup influenced prior year. Profitability was aided $2.0 million pre-tax by a fourth quarter gain on sale of a property in Memphis. The Home & Personal care business increased, benefiting from foreign currency translation and a full twelve months of Sancoa's sales, offsetting a slow consumer market for these staples. Sales in the Food and Beverage sector improved on market share wins in both the Sleeve and Wine & Spirit operations. Sales for CCL Design, increased only modestly despite continued strong demand in the automotive market but operating margins improved significantly year-over-year due to cost reduction and productivity initiatives. Overall profitability, excluding the acquisitions, was up significantly due to strong performance in Healthcare & Specialty, good results in Home & Personal Care benefitting from strong improvement at Sancoa, a return to profitability in the Sleeve operation and substantial gains in the Wine & Spirits sector. Including the results of the aforementioned acquisitions, return on sales improved notably in North America.

European sales were up high single digits for 2015, excluding currency translation and the impact of acquisitions in the region compared to 2014. Solid results for the Home & Personal Care businesses in the UK, Germany and Poland were more than offset by share loss and operational challenges of adjusting to customers moving production from locations in France. Healthcare & Specialty sales, excluding foreign currency translation, were up modestly compared to 2014 and profitability improved with good performances in France, Italy and the Netherlands partly offset by declines in the UK and Scandinavia. Results in Food & Beverage in local currencies, excluding the Dekopak acquisition, were again strong on continued good performance in the Sleeve business, new applications for pressure sensitive Beverage labels plus excellent results in the new Closures sector with solid contribution from Bandfix. Results in Wine & Spirits improved in the UK but the Nilles performance in Germany was a little disappointing. Sales and profitability improved significantly at the CCL Design business due to market share gains and the global success of German automobile OEM customers. Profitability improved significantly and especially comparatively as the prior year was impacted by a large German customer's insolvency that resulted in a receivable write-off of $1.7 million. Overall, European operating income, excluding acquisitions and currency translation, increased maintaining a comparable return on sales. The newly acquired businesses: FritzB and the European portion of Worldmark met management expectations for the year but did not contribute meaningfully to results.

Sales in **Latin America** increased double digits for 2015 compared to 2014 excluding the impact of currency translation. Sales improved in both Mexico and Brazil in all lines of business driven by market share gains and price increases attempting to recover the impact of local currency declines and its impact on imported raw material costs, especially in Brazil. Operating income increased significantly in absolute terms and as a percent of sales, despite a lag in recovering the full impact of rising input costs, the economic recession in Brazil and start-up costs for CCL Design in Mexico and the new Home & Personal Care plant in Argentina. Results for the Latin American portion of Worldmark met management expectations for the year but did not contribute meaningfully to results.

Asia Pacific sales excluding currency translation and the Asian portion of the Worldmark acquisition, increased low-single digits for 2015 compared to 2014. For the year, operations in China delivered solid sales growth in all lines of business due to market share wins on slower but still solid domestic demand. Operating income improved significantly on productivity gains and the Tianjin Healthcare operation swinging to an operating profit in 2015 compared to an operating loss in 2014. ASEAN profitability expanded on a very significant increase in Thailand aided by rich mix and foreign exchange gains on customer contracts priced in euros. Results in Vietnam improved significantly while start-up costs were incurred in Korea and the Philippines. Australian results improved in Wine & Spirits but poor performance in Healthcare, driven by a problematic facility consolidation, more than offset these gains. Sales in South Africa declined on currency related challenges and an unusually strong prior year that included a large Beverage product launch. Overall profitability in the Asia Pacific region increased, inclusive of the start-up expenses for the Korean and Philippines operation. Results for the Asian portion of Worldmark met management expectations for the year and will have a significant impact on the importance weighting of the region going forward.

Operating income for the Label Segment improved 30.7% to $317.2 million for 2015 compared to $242.7 million for 2014. Foreign currency translation had a positive effect of 6.1% on 2015 operating income compared to 2014. Operating income as a percentage of sales was 15.6% in 2015 compared to the 14.1% return generated in the prior year. The exceptional return on sales stemmed from the significant margin improvements at the DES and the Sancoa acquisitions as well as strong performance from the Food & Beverage business.

The Label Segment invested $145.9 million in capital spending in 2015 compared to $106.7 million last year partly offset by the sale of properties in New Jersey and Tennessee and some equipment disposals. The most significant capital investments for 2015 were related to the Home & Personal Care and CCL Design businesses in North America and the Food & Beverage sector globally. Capital expenditures in the Label Segment are expected to continue in line with depreciation in order to increase its capabilities, expand geographically and replace or upgrade existing plants and equipment. Depreciation and amortization for the Label Segment was $132.8 million in 2015 compared to $118.6 million in 2014.

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 two primary lines, (1) Printable Media including address labels, shipping labels, marketing and product identification labels, indexes and dividers, business cards, name badges and specialty media labels supported by customized software solutions, and (2) BOPWI including binders, sheet protectors and writing instruments. The majority of products in the Printable Media category are used by businesses and individual consumers consistently throughout a year; however, in the BOPWI category, North American consumers engage in the back-to-school surge during the third quarter.

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”, and from 2016, “Mabel’s Labels” brands.

Avery operates ten manufacturing and four 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. Avery markets its products to consumers and small businesses through many channels that include the mass-market merchandisers, retail superstores, wholesalers, “e-tailers” and contract stationers. The business reaches consumers through marketing activities including avery.com, pcnametag.com and mabelslabels.com.

Subsequent to CCL’s acquisition on July 1, 2013, Avery implemented a comprehensive restructuring plan to right size operations and the management organization. In addition to headcount reductions throughout the acquired business, the Company reduced its North American supply chain infrastructure closing the two facilities in Massachusetts. Operations from these two facilities were reallocated to the remaining footprint in the United States and Mexico, and a new state-of-the-art manufacturing and distribution facility in Whitby, Ontario. The final steps associated with this restructuring initiative and the closure of the Meridian, Mississippi, manufacturing and distribution centre were announced in the third quarter of 2015. The label production from this facility will consolidate into the existing facility in Tijuana, Mexico, by mid-2016 and the binder manufacturing will transition to a new Mexican plant concluding after the 2017 back-to-school season. The majority of the aforementioned restructuring charges were taken in 2013 and 2014, but final charges of $4.6 million were recorded in 2015, with the expectation of reducing annual costs for Avery by approximately $8.0 million from 2018 onward.

Although Avery remains the clear market leader in its industry, over the last decade it has experienced secular declines in its core mailing address label and other product lines vulnerable to the rise of internet-based digital communication and data storage mediums. In 2015, Avery posted a modest organic growth rate for the first time since 2000 under either CCL or prior ownership. Growth in new printable media products and new markets for existing products exceeded the decline in products challenged by secular decline.

Avery Segment Financial Performance

	2015	% Growth	2014
Sales	$ **782.7**	**17.5%**	$ 666.4
Operating income	$ **152.8**	**39.8%**	$ 109.3
Return on sales	**19.5%**		16.4%

Sales in the Avery Segment for 2015 were $782.7 million, an increase of 17.5% compared to the $666.4 million posted in 2014. Foreign currency translation had a favourable influence of 10.4%, the LCL, Nilles and PCN acquisition added 6.2% and organic growth added to 0.9% for 2015.

North American sales were up low single digits for 2015, excluding currency translation and the impact of acquisitions in the region compared to 2014. Printable Media products outperformed expectations with innovations and new distribution channels offsetting projected declines in the BOPWI category, particularly in the back-to-school oriented low margin ring binders. Overall profitability improved dramatically across all categories due to new product and marketing initiatives, price increases, cost cutting and productivity programs implemented in 2013 and 2014. The newly acquired PCN recorded sales and profits above management expectations for 2015. Mabel's acquired on the last day of the fiscal year will begin posting operating results in 2016. Return on sales in this region remains above the Segment average.

International sales are mostly generated from products in the Printable Media category, representing approximately 21.5% of the Avery Segments sales for 2015. Sales, excluding acquisitions and currency translation, declined mid-single digits with soft consumer markets in all geographies. A weaker euro and Australian dollar to the Canadian dollar also had a significant impact on absolute sales for 2015 compared to 2014 and the stronger U.S. dollar presented pricing and margin challenges with materials imported from the United States in certain countries. Profitability improved modestly compared to 2014 due to cost reduction programs and productivity initiatives. The acquired operations of LCL were consolidated with existing UK operations; results for the acquired Nilles digital print business did not materially impact results.

Operating income for 2015 increased 39.8% to $152.8 million compared to $109.3 million in 2014. Return on sales was an outstanding 19.5% for 2015 compared to 16.4% for 2014, reflecting the financial benefits achieved following the restructuring initiatives since the July 2013 acquisition.

The Avery Segment invested $13.8 million in capital spending for 2015 compared to $25.0 million for 2014. The expenditures in 2015 were primarily for equipment additions in North America to reduce supply chain cost within the BOPWI category and equipment to support digital print capabilities for Printable Media, significantly offset by the sale of the property in Chicopee, Massachussets. In

2014, expenditures were primarily for equipment upgrades and the purchase of the key manufacturing facility in Germany. Depreciation and amortization for the Avery Segment was $15.1 million for 2015 compared to $12.9 million for 2014. Capital expenditures for the Avery segment in 2016 will largely be in support of the aforementioned restructuring initiative to build a new binder manufacturing facility in Mexico.

D) Container Segment

Overview

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

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

The Container Segment currently operates from five plants, two each in the United States and Mexico and one in Canada. The Canadian operation for the last number of years has exported its entire output into the United States while posting operating losses since the economic downturn in 2009 through 2013. Therefore, during the fourth quarter of 2013, the decision was made to close the Canadian operation and redistribute the sales volume to the existing Container operations. The immediate plan for this Segment is to focus on improving overall profitability in the United States and growing CCL's presence in Mexico, while redeploying the equipment from the Canadian operation through mid-2017.

In December 2014, CCL contributed a 50% equity investment in Rheinfelden Americas, LLC ("Rheinfelden"), a newly established joint venture with Rheinfelden Semis GmbH, a leading German producer of aluminum slugs. This new facility in North Carolina will provide an alternate source of aluminum slugs in North America.

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

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

Aluminum trades as a commodity on the LME and the Container Segment uses pricing mechanisms in its customer contracts that pass through the fluctuations in the cost of aluminum to its customers. In specific situations, the Container Segment will hedge some of its anticipated future aluminum purchases using futures contracts on the LME if they are matched to specific fixed-price customer contracts. The Segment hedged 14.2% of its 2015 volume but has only hedged 12.6% and 4.9% of its expected 2016 and 2017 requirements, respectively, and all, including matured 2015 hedges, were matched to fixed-price customer contracts. Existing hedges are priced in the US$1,630 to US$1,810 range per metric ton. The unrealized loss on the aluminum futures contracts as at December 31, 2015, was $1.1 million. Pricing for aluminum in 2015 ranged from US$1,420 to US$1,920 per metric ton, compared to US$1,640 to US$2,120 per metric ton in 2014.

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

The success of new products promoted heavily in the market will have a material impact on the Segment’s sales and profitability. Beverage products packaged in CCL’s shaped re-sealable aluminum bottles, for example, are directly impacted by the success or failure of these new products in the market. Another growth opportunity is the possibility of acquiring market share from competitors in existing product lines.

Container Segment Financial Performance

		2015	% Growth		2014
Sales	$	**226.1**	**12.5%**	$	200.9
Operating income	$	**26.6**	**48.6%**	$	17.9
Return on sales		**11.8%**			8.9%

For 2015, the Container Segment posted sales of $226.1 million compared to $200.9 million in 2014. The 12.5% increase in sales can be attributed to organic growth of 6.2% and a 6.3% positive impact of currency translation. Volume declines principally in the Canadian operation were offset by price and mix improvements in the U.S. operation. Volumes in Mexico improved, and strong export demand priced in U.S. dollars and currency related domestic price increases more than offset the impact of a weaker peso on imported aluminum. Prior year results for the Mexican operation were negatively impacted by start-up costs associated with the first production line moved from the Canadian plant. The Segment also benefitted from significantly lower aluminum costs and “mid-west premiums” year-over-year on spot sales to customers without contractual pricing agreements. As a result operating income improved 48.6%, and return on sales improved to 11.8% for 2015 compared to return on sales of 8.9% for 2014.

At current exchange rates the planned closure of the Canadian operation and redistribution of its manufacturing equipment to existing operations in the U.S. and Mexico has been postponed until the second half of 2017; consequently, there were no equipment relocation expenses incurred in 2015 compared to $0.5 million in 2014. The Company has budgeted a further $3.5 million of move costs to be incurred over the balance of the relocation initiative. When announcing, in late 2013, the closure of the Canadian facility and redistribution of the business to the remaining plants, management had expected annualized operating improvements totalling $10.0 million. These savings have now been realized through exchange rate benefits and other operational improvements.

The Container Segment invested $12.5 million of capital in 2015 compared to $20.1 million last year. The majority of the 2015 expenditures were for the previously announced facility expansion and installation of new manufacturing equipment at the U.S. operation to enable the efficient redistribution of part of the Canadian plant’s equipment. Depreciation and amortization in 2015 and 2014 were $15.2 million and $14.1 million, respectively.

E) Joint Ventures

For the years ended December 31	2015	2014	+/-
Sales (at 100%)			
Label joint ventures	$ 106.7	$ 84.6	26.1%
	$ 106.7	$ 84.6	26.1%
Earnings (losses) in equity accounted investments			
Label joint ventures	$ 9.1	$ 7.3	24.7%
Rheinfelden	(2.4)	-	n.m.
	$ 6.7	$ 7.3	(8.2)%

The following investments affected the financial comparisons for the year ended December 31, 2015:

- In July 2015, the Company signed a binding agreement with Korsini-SAF to create a North American "in-mould" label joint venture. The partners will invest approximately $20.0 million between them, in a combination of debt and equity, each owning 50% of the new company. The initial capital investment was completed in January of 2016, while trading is not expected to commence until early 2017.

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

- In December 2014, CCL contributed a 50% equity investment in Rheinfelden, a newly established joint venture with Rheinfelden Semis GmbH, a leading German producer of aluminum slugs. The initial equity investment of $4.5 million by both parties along with $13.5 million in debt financing will be used to create an alternate source of aluminum slugs in North America.

Results from the joint ventures in CCL-Kontur, Russia; Pacman-CCL, Middle East; Acrus-CCL, Chile; CCL-Taisei, Thailand; and Rheinfelden Americas, United States, are not proportionately consolidated into the Label or Container 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 income statement.

Sales increased significantly at CCL-Kontur, while profit almost doubled net of translation for 2015 compared to 2014 as share gains partly derived from interest rate increases following the ruble's depreciation negatively affected the liquidity of many local competitors. Results included start-up losses at the new shrink sleeve manufacturing facility financed entirely by bank debt. Pacman-CCL posted significantly improved profitability and contributed meaningfully to overall earnings for 2015. For 2015, Acrus-CCL posted significant sales gains and more than doubled profitability compared to 2014. The construction of CCL-Taisei's new tube plant is complete and nominal trading commenced during the second half of 2015; however start-up losses partially offset profitability improvements at the other label joint ventures. Rheinfelden Americas, the aluminum slug joint venture incurred expected start-up losses for the year, which are expected to continue for much of 2016 with profitability targeted for 2017. With qualification of the new plant's output in late 2015, a second round of debt financing has been authorized to acquire capital equipment for production optimization. Earnings in equity accounted investments amounted to $3.5 million for 2015 compared to $3.7 million for 2014.

3. FINANCING AND RISK MANAGEMENT

A) Liquidity and Capital Resources

The Company's leverage ratio is as follows:

For the years ended December 31		2015		2014
Current debt	**$**	**167.1**	$	59.1
Long-term debt		**838.4**		600.0
Total debt [1]		**1,005.5**		659.1
Cash and cash equivalents		**(405.7)**		(221.9)
Net debt [1]	**$**	**599.8**	$	437.2
EBITDA	**$**	**608.4**	$	481.6
Net debt to EBITDA [1]		**0.99**		0.91

[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 below.

In December of 2015, the Company signed an amended five-year US$1.2 billion revolving credit facility with a syndicate of banks. Outstanding debt on the previous revolving and non-revolving syndicated credit facilities were rolled into this amended facility. This amended facility incurs interest at the applicable domestic rate plus an interest rate margin linked to the Company's net debt to EBITDA.

The Company's debt structure at December 31, 2015, was comprised of three private debt placements completed in 1998, 2006 and 2008 for a total of US$239.0 million (C$330.8 million) and outstanding debt totalling $653.9 million under the amended revolving facility.

On March 7, 2016, US$110.0 million of private placement debt comes to maturity; consequently, the current portion of long-term debt has increased compared to December 31, 2014. Outstanding contingent letters of credit totalled $3.6 million; accordingly there was US$720.4 million of unused availability on the revolving credit facility at December 31, 2015. In addition, the Company had uncommitted and unused lines of credit of approximately US$5.0 million at December 31, 2015. The Company's uncommitted lines of credit do not have a commitment expiration date and may be cancelled at any time by the Company or the banks. The Company may elect to repay the aforementioned private placement debt coming due in early 2016 with unused lines of credit or cash on its balance sheet.

Net debt (a non-IFRS financial measure; see "Key Performance Indicators and Non-IFRS Measures" in Section 5A below) was $599.8 million at December 31, 2015, $162.6 million higher than the net debt of $437.2 million at December 31, 2014. The increase in net debt was primarily attributable to the additional debt drawn to acquire Worldmark and the translation impact on foreign currency denominated debt partially offset by the increase in cash and cash equivalents.

Net debt to EBITDA (a non-IFRS measure; see "Key Performance Indicators and Non-IFRS Measures" in Section 5A below) increased slightly to 0.99 times as at December 31, 2015, compared to 0.91 times at the end of 2014 due to the increase in net debt relative to the increase in EBITDA. However, the measure remains very strong just below 1.0 times.

The Company's overall average finance rate was 3.1% as at December 31, 2015, compared to 3.6% as at December 31, 2014. The decrease in the average finance rate was caused by the Company's increase in drawn debt under the syndicated credit facility, which incurs interest at lower variable rates. The Company is unable to repay, without prohibitive penalties, its fixed rate private placements, which incur an average finance rate of 6.2%.

Interest coverage (a non-IFRS measure; see "Key Performance Indicators and Non-IFRS Measures" in Section 5A below) continues at a high level and was 17.4 times and 13.1 times in 2015 and 2014, respectively, indicative of improved earnings for CCL and the low cost of financing under the revolving credit facility.

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		**2015**		2014
Cash provided by operating activities	**$**	**475.3**	$	403.5
Cash provided by (used in) financing activities		**190.8**		(138.2)
Cash used for investing activities		**(511.3)**		(255.2)
Effect of exchange rates on cash		**29.0**		2.7
Increase in cash and cash equivalents	**$**	**183.8**	$	12.8
Cash and cash equivalents – end of year	**$**	**405.7**	$	221.9

In 2015, cash provided by operating activities was $475.3 million, compared to $403.5 million in 2014. Free cash flow from operations (a non-IFRS measure; see "Key Performance Indicators and Non-IFRS Measures" in Section 5A below) reached $320.7 million for 2015 compared to $264.1 million in the prior year. The increase in operating cash flow and free cash flow from operations was primarily attributable to an increase in net earnings, continued improvement in non-cash working capital items partially offset by an increase in income taxes paid.

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 below) were 9 days at December 31, 2015, and December 31, 2014.

Cash provided by financing activities in 2015 was $190.8 million, consisting of net debt borrowings of $224.8 million, primarily used to finance the Worldmark acquisition and proceeds from the issuance of shares of $18.3 million due to the exercise of stock options partially offset by dividend payments of $52.3 million. In 2014, financing activities consumed $138.2 million primarily for the repayment of syndicated debts.

Cash used for investing activities in 2015 of $511.3 million was primarily for the acquisitions totalling $356.7 million and net capital expenditures of $154.6 million (see below). Consequently, cash and cash equivalents increased by $183.8 million in 2015 to $405.7 million.

Capital spending in 2015 amounted to $172.2 million and proceeds from capital dispositions were $17.6 million, resulting in net capital expenditures of $154.6 million, compared to $139.3 million in 2014. Net capital spending was slightly less than annual depreciation and amortization expense. The Company is continuing to seek investment opportunities to expand its business geographically, add capacity in its facilities and improve its competitiveness. As in previous years, capital spending will be monitored closely and adjusted based on the level of cash flow generated. Depreciation and amortization in 2015 amounted to $164.1 million, compared to $146.4 million in 2014.

C) Interest Rate, Foreign Exchange Management and Other Hedges

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

As CCL operates internationally, less than 5% of its 2015 sales to end-use customers are denominated in Canadian dollars, the Company has exposure to market risks from changes in foreign exchange rates. The Company partially manages these exposures by contracting primarily in Canadian dollars, euros, U.K. pounds and U.S. dollars. Additionally, each subsidiary's sales and expenses are primarily denominated in its local currency, further minimizing the foreign exchange impact on the operating results. The Company does not use financial instruments to hedge its U.S. dollar foreign exchange risk. Container Segment U.S. dollar-denominated sales to the United States from its Canadian operation are now largely balanced by U.S. dollar denominated purchases at the Label and Avery Segment operations located in Canada.

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 uses interest rate swap agreements (“IRSAs”) to allocate notional debt between fixed and floating rates. The Company believes that a balance of fixed and floating rate debt can reduce overall interest expense and is in line with its investment in short-term assets such as working capital, and long-term assets such as property, plant and equipment.

As at December 31, 2015, the Company had an IRSA in place converting US$80.0 million of floating rate debt (hedging a portion of the non-revolving syndicated credit facility) into fixed rate debt as the majority of the Company’s debt is floating rate debt. This IRSA expires in September 2016.

The Company is potentially exposed to credit risk arising from derivative financial instruments if a counterparty fails to meet its obligations. CCL’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, 2015, the Company’s exposure to credit risk arising from derivative financial instruments was nil. The effect of interest on these swap agreements was to increase net finance cost by $0.8 million in 2015 (2014 – increase by $0.7 million).

As at December 31, 2015, the Company had US$447.0 million, EUR 61.6 million and GBP134.0 million drawn under the private debt placement and revolving credit facility, which are hedging a portion of its US$-based, euro-based and GBP-based investments and cash flows.

The only other material hedges in which the Company is involved are the aluminum futures contracts discussed in Section 2D: “Container Segment.”

D) Equity and Dividends

Summary of Changes in Equity

For the years ended December 31			**2015**		2014
Net earnings		**$**	**295.1**	$	216.6
Dividends			**(52.1)**		(37.7)
Settlement of exercised stock options			**22.3**		10.7
Shares released from trust, net of purchase of shares for trust			**6.5**		0.2
Contributed surplus on expensing of stock options and stock-based compensation plans			**24.3**		14.3
Defined benefit plan actuarial losses, net of tax			**1.2**		(9.1)
Increase in accumulated other comprehensive income			**108.4**		3.1
Increase in equity		**$**	**405.7**	$	198.1
Equity		**$**	**1,621.9**	$	1,216.2
Shares issued at December 31	- Class A (000s)		**2,368**		2,368
	- Class B (000s)		**32,729**		32,325

In 2015, the Company declared dividends of $52.1 million, compared to $37.7 million declared in the prior year. As previously discussed, the dividend payout ratio in 2015 was 17% (2014 – 17%) of adjusted earnings and below the Company’s targeted payout rate of approximately 25% of adjusted earnings. After careful review of the current year’s results and considering the cash flow and income budgeted for 2016, the CCL Board of Directors has declared a 33.3% increase in the dividend; twelve and a half cents per Class B share per quarter, from $0.375 to $0.50 per Class B share ($2.00 per Class B share annualized).

If cash flow periodically exceeds attractive acquisition opportunities available, CCL 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 2015.

E) Commitments and Other Contractual Obligations

The Company's obligations relating to debt, leases and other liabilities at the end of 2015 were as follows:

(In millions of Canadian dollars)	December 31, 2014 Carrying amount	December 31, 2015						
				Payments due by period				
		Carrying amount	Contractual cash flows	0-6 months	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities								
Secured bank loans	$ 2.4	$ 1.3	$ 1.3	$ 0.5	$ 0.5	$ 0.3	$ -	$ -
Unsecured bank loans	10.8	11.4	11.4	0.1	10.5	0.2	0.5	0.1
Unsecured senior notes	276.8	330.5	330.8	152.2	-	-	178.6	-
Finance lease liabilities	5.7	8.0	8.0	1.5	1.4	2.6	2.3	0.2
Unsecured syndicated bank credit facility	362.6	653.9	653.9	-	-	-	653.9	-
Other long-term obligations	0.8	0.4	0.4	0.2	0.2	-	-	-
Interest on unsecured senior notes	*	*	27.0*	-	6.8	12.2	8.0	-
Interest on unsecured syndicated bank credit facility	-	-	46.8*	4.9	5.3	10.6	26.0	-
Interest on other long-term debt	-	-	1.6	0.6	0.5	0.3	0.2	-
Trade and other payables	519.4	711.0	711.0	711.0	-	-	-	-
Derivative financial liabilities								
Outflow - CF hedges	0.8	1.4	1.1	1.1	-	-	-	-
Interest on derivatives	*	*	0.4*	0.2	0.2	-	-	-
Accrued post-employment benefit liabilities	*	*	44.7*	1.5	1.5	5.2	15.7	20.8
Operating leases	-	-	95.1	10.8	10.8	17.8	32.7	23.0
Total contractual cash obligations	$ 1,179.3	$ 1,717.9	$ 1,933.5	$ 884.6	$ 37.7	$ 49.2	$ 917.9	$ 44.1

*Accrued long-term employee benefit and post-employment benefit liability of $2.1 million, accrued interest of 7.3 million on unsecured senior notes and unsecured syndicated bank credit facility and accrued interest of nil on derivatives are reported in trade and other payables in 2015 (2014: $2.6 million, $6.5 million and nil, respectively).

Pension Obligations

Our 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 2015 was $200.8 million (2014 - $180.8 million) and the fair value of the plan assets was $67.2 million (2014 - $63.0 million), for a net deficit of $133.6 million (2014 – $117.8 million). Contributions to defined benefit plans during 2015 were $5.2 million (2014 - $4.0 million). The Company expects to contribute $19.7 million to the pension plans in 2016, inclusive of defined contribution plans. These estimated funding requirements will be adjusted annually, based on various market factors such as interest rates, expected returns and staffing assumptions, including compensation and mortality. The Company's contributions are funded through cash flows generated from operations. Management anticipates that future cash flows from operations will be sufficient to fund expected future contributions. Details of the Company's pension plans and related obligations are set out in note 19, Employee Benefits, of the consolidated financial statements.

Other Obligations and Commitments

The company has provided various loan guarantees for its joint ventures and associates totaling $40.8 million. There are no other material "off-balance sheet" financing obligations except for typical long-term operating lease agreements. The nature of these commitments is described in note 25 of the consolidated financial statements. There are no defined benefit plans funded with CCL stock.

F) Controls and Procedures

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

As at December 31, 2015, based on the continued evaluation of the disclosure controls and procedures, the CEO and the CFO have concluded that CCL's disclosure controls and procedures, as defined in National Instrument 52-109 Certificate of Disclosure in Issuers Annual and Interim Filings ("NI 52-109"), are effective to ensure that information required to be disclosed in reports and documents that CCL files or submits under Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified.

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

Based on the evaluation of the design and operating effectiveness of CCL's internal control over financial reporting, the CEO and the CFO concluded that the Company's internal control over financial reporting was effective as at December 31, 2015.

There were no material changes in internal control over financial reporting in the financial year ended December 31, 2015.

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:

Uncertainty Resulting from a Sustained Global Economic Crisis

The Company is dependent on the global economy and overall consumer confidence, disposable income and purchasing trends. A global economic downturn or period of economic uncertainty can erode consumer confidence and may materially reduce consumer spending. Any decline in consumer spending may negatively affect the demand for customers' products. This decline directly influences the demand for the Company's packaging components used in its customers' products, and may negatively affect the Company's consolidated earnings. The global economic conditions have affected interest rates and credit availability, which may have a negative impact on earnings due to higher interest costs or the inability to secure additional indebtedness to fund operations or refinance maturing obligations as they come due. In addition, the sustained global economic crisis may have an unpredictable adverse impact on the Company's suppliers of manufacturing equipment and raw materials, which in turn may have a negative impact on the availability of manufacturing equipment and the cost of raw materials. Although the Company has a strong statement of financial position, diverse businesses and a broad geographic presence, it may not be able to manage a reduction in its earnings and cash flow that may arise from lower sales, increased cost of raw materials and decreased profits if the global economic environment deteriorates for an extended period.

Potential Risks Relating to Significant Operations in Foreign Countries

The Company operates plants in North America, Europe, Latin America, Asia, Australia and the Middle East. Sales to customers located outside of Canada in 2015 were 96% of the Company's total sales, a level similar to that in 2014. 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 2015, 53% and 27% of total sales were to customers in 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 2015 were 16% of the Company's total sales. In addition, the Company has equity accounted investments in Chile, Russia, Thailand, the United States and the Middle East. There are risks associated with operating a decentralized organization in 119 facilities in countries around the world with a variety of different cultures and values. Operations outside of Canada, the United States and Europe are perceived generally to have greater political and economic risks and include CCL's operations in Latin America, Asia, Russia and the Middle East. These risks include, but are not limited to, fluctuations in currency exchange rates, inflation, unexpected 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, fit CCL's customers' needs better, or have lower costs; or by consolidation within CCL's competitors or further pricing pressure on the industry by the large retail chains.

Restructuring of the Container Segment

The Container Segment has commenced a restructuring plan that encompasses the closure of its Canadian operations and redistribution of its operations to the

Segment's other locations in the United States and Mexico. The success or failure of this restructuring initiative could have a material impact on the financial condition and results of operations of the Company.

Foreign Exchange Exposure and Hedging Activities

Sales of the Company's products to customers outside Canada account for approximately 96% 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.

Integration and Restructuring of Worldmark

The Company acquired the global operations of Worldmark on November 6, 2015, and immediately commenced detailed investigations and analysis of the restructuring that will be required at Worldmark. Worldmark has 1,900 employees, six manufacturing plants in China, one in each of Hungary, Mexico and Scotland and strategically located design and prototyping centres around the world. The size, geographic scope and complexity of Worldmark's operations exceeds the typical acquisition of CCL and therefore integration and restructuring initiative is more complex and time consuming. The initial assessment has resulted in a restructuring charge of $2.7 million for the year ended December 31, 2015. The restructuring and integration initiative will continue for the next twelve months. A failure to integrate and restructure the acquired business in a timely and effective manner 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 CCL's growth strategy includes increased development of the Company's presence in emerging markets that could create exposure to unstable political conditions, economic volatility and social challenges. If the Company cannot adjust to its anticipated growth, results of operations may be materially adversely affected.

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 tax foreign and domestic jurisdictions, to realize the tax benefit. If there is a significant change in time period within which the underlying temporary difference or loss carryforwards become taxable or deductible, the Company may have to revise its valuation allowance against deferred tax assets. This could result in an increase in the effective tax rate and could have a material adverse effect on future results. Changes in statutory tax rate may change the deferred tax asset or liability, with either a positive or negative impact on the effective tax rate. The computation and assessment of the ability to realize of the deferred tax asset balance is complex and requires significant judgement. New legislation or 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 they 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.

Dependence on Customers

The Company has a modest dependence on certain customers. The Company’s two largest customers combined accounted for approximately 14% of consolidated revenue for fiscal 2015. The five largest customers of the Company represented approximately 26% of the total revenue for 2015 and the largest 25 customers represented approximately 51% of the total revenue. Several hundred 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 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 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.

Decline in Address Mailing Labels

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

New Product Developments

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

Labour Relations

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

Legal Proceedings

Any alleged failure by the Company to comply with applicable laws and regulations in the countries of operation may lead to the imposition of fines and penalties or the denial, revocation or delay in the renewal of permits and licenses issued by governmental authorities. In addition, governmental authorities, as well as third parties, may claim that the Company is liable for environmental damages. A significant judgment against the Company, the loss of a significant permit or other approval or the imposition of a significant fine or penalty could have a material adverse effect on the business, financial condition and results of operations of the Company. Moreover, the Company may from time to time be notified of claims that it may be infringing patents, copyrights or other intellectual property rights owned by other third parties. Any litigation could result in substantial costs and diversion of resources, and could have a material adverse effect on the business, financial condition and results of operations of the Company. In the future, third parties may assert infringement claims against the Company or its customers. In the event of an infringement claim, the Company may be required to spend a significant amount of money to develop a noninfringing 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 nor that insurance coverage will continue to be available or, if available, adequate to cover all costs arising from such claims. In addition, the Company could become subject to claims relating to its prior businesses, including environmental and tax matters. There can be no assurance that insurance coverage will be adequate to cover all costs arising from such claims.

Defined Benefit Post-Employment Plans

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

Material Disruption of Information Technology Systems

The Company is increasingly dependent on information technology 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 CCL'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 CCL's information systems are inadequate to handle the Company's growth, CCL could incur losses and costs due to interruption of its operations.

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

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

As of December 31, 2015, the Company had over $1.0 billion of goodwill and indefinite life intangible assets on its statement of financial position, the value of which is reviewed for impairment at least annually. The assessment of the value of goodwill and intangible assets depends on a number of key factors requiring estimates and assumptions about earnings growth, operating margins, discount rates, economic projections, anticipated future cash flows and market capitalization. There can be no assurance that future reviews of goodwill and intangible assets will not result in an impairment charge. Although it does not affect cash flow, an impairment charge does have the effect of reducing the Company's earnings, total assets and equity.

Share Price Volatility

Changes in CCL's stock price may affect the Company's access to, or cost of financing from capital markets and may affect stock-based compensation arrangements. CCL'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 CCL's share price will not be volatile in the future.

Increase in Interest Rates

At December 31, 2015, approximately 55%, of CCL's outstanding debt was subject to variable interest rates. Increases in short-term interest rates would directly impact the amount of interest the Company pays. Significant increases in short-term interest rates will increase borrowing costs and could have a material adverse impact of the financial results of the Company.

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 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 dispositions, goodwill impairment loss, restructuring and other items and tax adjustments.

Earnings per Class B Share	**Fourth Quarter**		**Year-to-Date**	
	2015	2014	**2015**	2014
Basic earnings	**$ 2.05**	$ 1.33	**$ 8.50**	$ 6.31
Net loss from restructuring and other items	**0.11**	0.18	**0.11**	0.22
Adjusted basic earnings	**$ 2.16**	$ 1.51	**$ 8.61**	$ 6.53

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 (In millions of Canadian dollars)	**2015**	2014
Trade and other receivables	**$ 524.6**	$ 381.0
Inventories	**260.6**	192.3
Prepaid expenses	**20.6**	14.9
Income taxes recoverable	**18.4**	11.8
Trade and other payables	**(711.0)**	(519.4)
Income taxes payable	**(33.7)**	(21.4)
Net working capital	**$ 79.5**	$ 59.2
Days in quarter	**92**	92
Fourth quarter sales	**$ 798.8**	635.8
Days of working capital employed	**9**	9

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

	Year-to-Date	
Dividend Payout Ratio (In millions of Canadian dollars)	**2015**	2014
Dividends declared per equity	**$ 52.1**	$ 37.7
Adjusted earnings	**$ 298.8**	$ 224.1
Dividend payout Ratio	**17%**	17%

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

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

	Fourth Quarter		Year-to-Date	
EBITDA (In millions of Canadian dollars)	**2015**	2014	**2015**	2014
Net earnings	**$ 71.9**	$ 45.6	**$ 295.1**	$ 216.6
Corporate expense	**13.5**	9.9	**52.3**	34.7
Earnings in equity accounted investments	**(1.6)**	(2.1)	**(3.5)**	(3.7)
Finance cost, net	**6.8**	6.0	**25.6**	25.6
Restructuring and other items – net loss	**4.2**	7.1	**6.0**	9.1
Income taxes	**27.8**	18.5	**121.1**	87.6
Operating income (a non-IFRS measure)	**$ 122.6**	$ 85.0	**$ 496.6**	$ 369.9
Less: Corporate expense	**(13.5)**	(9.9)	**(52.3)**	(34.7)
Add: Depreciation and amortization	**44.1**	36.6	**164.1**	146.4
EBITDA (a non-IFRS measure)	**$ 153.2**	$ 111.7	**$ 608.4**	$ 481.6

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

Free Cash Flow from Operations (In millions of Canadian dollars)	**2015**	2014
Cash provided by operating activities	**$ 475.3**	$ 403.5
Less: Additions to property, plant and equipment	**(172.2)**	(153.7)
Add: Proceeds on disposal of property, plant and equipment	**17.6**	14.3
Free cash flow from operations	**$ 320.7**	$ 264.1

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

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

Interest Coverage (In millions of Canadian dollars)		**2015**		2014
Operating income (a non-IFRS measure: see definition below)	**$**	**496.6**	$	369.9
Less: Corporate expense		**(52.3)**		(34.7)
	$	**444.3**	$	335.2
Net finance cost	**$**	**25.6**	$	25.6
Interest coverage		**17.4**		13.1

Leverage Ratio (or "net debt to EBITDA") is a measure that indicates the financial leverage of the Company. It indicates the Company's ability to service its existing debt. Leverage ratio is calculated as net debt (see calculation below) divided by EBITDA.

For the years ended December 31		**2015**		**2014**
Current debt	**$**	**167.1**	$	59.1
Long-term debt	**$**	**838.4**	$	600.0
Total debt (1)	**$**	**1,005.5**	$	659.1
Cash and cash equivalents	**$**	**(405.7)**	$	(221.9)
Net debt (1)	**$**	**599.8**	$	437.2
EBITDA	**$**	**608.4**	$	481.6
Net debt to EBITDA (1)		**0.99**		0.91

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

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

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

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

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

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

	Year-To-Date			
Return on Equity (In millions of Canadian dollars, except per share data)		**2015**		2014
Net earnings	**$**	**295.1**	$	216.6
Restructuring and other items, (net of tax)		**3.7**		**7.5**
Adjusted net earnings	**$**	**298.8**	$	224.1
Average equity	**$**	**1,419.0**	$	1,117.2
Return on equity		**21.1%**		20.1%

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

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

		Year-To-Date		
Return on Total Capital (In millions of Canadian dollars,)		**2015**		2014
Net earnings	**$**	**295.1**	$	216.6
Restructuring and other items (net of tax)		**3.7**		7.5
Adjusted net earnings	**$**	**298.8**	$	224.1
Average total capital	**$**	**1,937.6**	$	1,587.3
Return on total capital		**15.4%**		14.1%

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

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

Return on Sales
(In millions of Canadian dollars)

Sales	Three months ended December 31 2015	Three months ended December 31 2014	Twelve months ended December 31 2015	Twelve months ended December 31 2014
Label	$ 553.1	$ 433.4	$ 2,030.3	$ 1,718.3
Avery	191.2	154.6	782.7	666.4
Container	54.5	47.8	226.1	200.9
Total sales	$ 798.8	$ 635.8	$ 3,039.1	$ 2,585.6
Operating income				
Label	$ 81.9	$ 58.0	$ 317.2	$ 242.7
Avery	34.4	22.9	152.8	109.3
Container	6.3	4.1	26.6	17.9
Total operating income	$ 122.6	$ 85.0	$ 496.6	$ 369.9
Return on sales				
Label	14.8%	13.4%	15.6%	14.1%
Avery	18.0%	14.8%	19.5%	16.4%
Container	11.6%	8.6%	11.8%	8.9%
Total return on sales	15.3%	13.4%	16.3%	14.3%

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

The following table reconciles total debt used in the total debt measure to IFRS measures reported in the consolidated statement of financial position as at the periods ended as indicated.

Total Debt
(In millions of Canadian dollars)

At December 31	**2015**	2014
Current debt, including bank advances	**$** 167.1	$ 59.1
Plus: Long-term debt	838.4	600.0
Total debt	**$** 1,005.5	$ 659.1

B) Accounting Policies and New Standards

Accounting Policies

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

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

Recently Issued New Accounting Standards, Not Yet Effective

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

In May 2014, IFRS 15, Revenue from Contracts with Customers ("IFRS 15") was issued and provides guidance on the timing and amount of revenue that should be recognized. It also requires more informative and relevant disclosures. The standard provides a single, principles-based five-step model to be applied to all contracts with customers. This standard is effective for annual periods beginning January 1, 2017; however, early adoption is permitted. The Company is currently evaluating the impact of IFRS 15 on its consolidated financial statements.

In December 2014, the IASB issued amendments to IAS 1, Presentation of Financial Statements as part of its major initiative to improve presentation and disclosure in financial reports. The amendments are effective for annual periods beginning on or after January 1, 2016; however, early adoption is permitted. The Company intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2016. The Company is currently evaluating the impact of IAS 1 on its consolidated financial statements.

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

2019. The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The Company is currently evaluating the impact of IFRS 16 on its consolidated financial statements.

C) Critical Accounting Estimates

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

Goodwill and Indefinite Life Intangibles

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

During the fourth quarter, the Company completed its impairment test as at September 30, 2015. Impairment testing for the cash-generating units ("CGU"), Label, Avery and Container Segments, was done by a comparison of the unit's carrying amount to its estimated value in use, determined by discounting future cash flows from the continuing use of the unit. Key assumptions used in the determination of the value in use include growth rates of 2.0% to 5.0% and pre-tax discount rates ranging from 17.0% to 20.0%. Discount rates reflect current market assumptions and risks related to the Segments and are based upon the weighted average cost of capital for the Segment. The Company's historical growth rates are used as a basis in determining the growth rate applied for impairment testing. Significant management judgment is required in preparing the forecasts of future operating results that are used in the discounted cash flow method of valuation. In 2015 and 2014, it was determined that the carrying amount of goodwill and indefinite life intangibles was not impaired. Since the process of determining fair values requires management judgment regarding projected results and market multiples, a change in these assumptions could impact the fair value of the reporting units resulting in an impairment charge.

Long-Lived Assets

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

Employee Benefits

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

D) Related Party Transactions

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

6. OUTLOOK

CCL posted its second consecutive record year in 2015; revenue increased 17.5%, exceeding $3.0 billion for the first time and adjusted basic earnings per share improved 31.9% to $8.61. The Company was also very successful with its acquisition growth plan completing six acquisitions for gross proceeds of approximately $357 million. The Label segment posted sales that crested $2.0 billion for first time and robust 30.7% improvement in operating income. Acquisitions of INTA, FritzB, Woelco and, most notably, Worldmark significantly expanded CCL Design, solidifying its global footprint and technological capabilities. Avery’s financial results once again exceeded management’s expectations, including modest organic growth for the first time since 2000 which contributed to the robust 19.5% return on sales. Avery acquired further strategic ‘web-to-print’ businesses with PCN and Mabel’s providing additional avenues for growth. Finally, the Container Segment, although still committed to its restructuring initiative, slowed the pace of the transition to reduce the potential for operational disruptions and posted record absolute profitability and an 11.8% return on sales, its highest in a decade.

The 2015 year started with renewed European financial challenges, a decline in consumer consumption in emerging markets and a rapidly declining oil price that continued into early 2016. The U.S. economy continued to add jobs, the automotive and housing markets did not deteriorate and the American consumer showed signs of renewed optimism in the second half of 2015 and into 2016. Financial results in emerging markets in Asia and most notably Latin America were surprisingly good for CCL in 2015 despite currency challenges and volatile domestic demand; expectations for 2016 remain unchanged.

CCL in the coming year will continue to execute its global growth strategy for its Label Segment pursuing expansion plans in new and existing markets with its core customers where the opportunity meets the Company's long-term profitability objectives. 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. With the acquisition of Worldmark and Woelco in early 2016, CCL Design is a now a global durable label enterprise with influential presence in Asia with prominence in the automotive, electronics and industrial label markets. CCL Design will undergo further restructuring to optimize Worldmark's international infrastructure within CCL to enhance financial returns.

At Avery, the final restructuring initiative was completed with the announced closure of the Meridian, Mississippi, manufacturing facility for a charge of $4.6 million. Construction of a new binder manufacturing facility will commence in earnest in early 2016; however the final transition to the new facility will be completed after the 2017 back-to-school season ends. CCL remains committed to this initiative that should drive additional cost reductions and efficiency gains totalling $8.0 million annually. New product initiatives, consumer digital print momentum and cross selling initiatives from Avery's four acquisitions over the past two years provide incremental opportunities for growth in the Segment. It is management's expectation that Avery will continue to find complementary acquisitions that add new territories, expand channels to market and complement the product offerings in the core digital print domain.

The 2016 year will continue as a year of transition for the Container Segment. Attention will be given to prepare for the redistribution of capacity from the Canadian operation to the U.S. and Mexico. Furthermore, with continued investment in Rheinfelden in 2016, the Segment plans on developing by 2017 a sustainable and profitable secondary source of aluminum slugs for its North American manufacturing requirements.

The Company remains focused on vigilantly managing working capital and prioritizing capital to higher-growth organic opportunities or unique acquisitions that are expected to enhance shareholder value. The Company has significant cash on hand of $405.7 million and unused credit lines of US$720.4 million. The Company expects capital expenditures for 2016 to be approximately $195.0 million, in line with depreciation expense.

Orders in the first weeks of 2016 have continued solid. Further deterioration of oil prices, financial markets and exchange rate instability creates only fragile confidence in 2016 global GDP growth. Continued focus will be given to monitoring volatile foreign currency markets; notwithstanding the current depreciation of the Canadian dollar to the U.S. dollar should act as a tailwind to translated results.