

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

CCL INDUSTRIES INC.

Interim periods ended June 30, 2019 and 2018
Unaudited

CCL Industries Inc.

Consolidated condensed interim statements of financial position

Unaudited

In millions of Canadian dollars

	As at June 30	As at December 31
	<u>2019</u>	<u>2018</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 481.5	\$ 589.1
Trade and other receivables	969.0	938.0
Inventories	537.8	524.6
Prepaid expenses	38.6	34.8
Income taxes recoverable	36.9	38.7
Total current assets	2,063.8	2,125.2
Non-current assets		
Property, plant and equipment	1,820.0	1,797.5
Right-of-use assets (note 2 (d))	154.6	-
Goodwill	1,786.8	1,830.3
Intangible assets	1,062.8	1,138.9
Deferred tax assets	29.3	32.5
Equity-accounted investments	58.8	59.8
Other assets	36.2	34.3
Derivative instruments	11.0	9.1
Total non-current assets	4,959.5	4,902.4
Total assets	\$ 7,023.3	\$ 7,027.6
Liabilities		
Current liabilities		
Trade and other payables	\$ 1,067.8	\$ 1,223.4
Current portion of long-term debt (note 8)	2.1	71.8
Lease liabilities (note 2 (d))	36.8	-
Income taxes payable	44.9	51.2
Derivative instruments	0.1	0.5
Total current liabilities	1,151.7	1,346.9
Non-current liabilities		
Long-term debt (note 8)	2,399.2	2,419.8
Lease liabilities (note 2 (d))	122.6	-
Deferred tax liabilities	238.3	216.6
Employee benefits	312.9	320.0
Provisions and other long-term liabilities	11.2	10.6
Derivative instruments	38.4	40.6
Total non-current liabilities	3,122.6	3,007.6
Total liabilities	4,274.3	4,354.5
Equity		
Share capital	352.7	306.3
Contributed surplus	70.9	92.7
Retained earnings	2,423.3	2,238.9
Accumulated other comprehensive income (loss) (note 5)	(97.9)	35.2
Total equity attributable to shareholders of the Company	2,749.0	2,673.1
Acquisitions (note 3)		
Subsequent event (note 9)		
Total liabilities and equity	\$ 7,023.3	\$ 7,027.6

CCL Industries Inc.

Consolidated condensed interim income statements

Unaudited

In millions of Canadian dollars, except per share information

	<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Sales	\$ 1,354.2	\$ 1,264.4	\$ 2,686.3	\$ 2,491.5
Cost of sales	969.0	887.7	1,915.0	1,737.6
Gross profit	385.2	376.7	771.3	753.9
Selling, general and administrative expenses	201.2	190.0	396.8	385.8
Restructuring and other items (note 6)	2.1	3.6	3.5	6.9
Earnings in equity-accounted investments	(1.2)	(0.2)	(2.3)	(1.1)
	183.1	183.3	373.3	362.3
Finance cost	19.7	22.0	41.1	41.9
Finance income	(0.7)	(1.2)	(1.8)	(2.1)
Interest on lease liabilities	1.6	-	3.3	-
Net finance cost	20.6	20.8	42.6	39.8
Earnings before income tax	162.5	162.5	330.7	322.5
Income tax expense	41.2	41.4	85.8	82.7
Net earnings for the period	\$ 121.3	\$ 121.1	\$ 244.9	\$ 239.8
Basic earnings per Class B share	\$ 0.68	\$ 0.69	\$ 1.38	\$ 1.36
Diluted earnings per Class B share	\$ 0.68	\$ 0.68	\$ 1.37	\$ 1.34

CCL Industries Inc.

Consolidated condensed interim statements of comprehensive income

Unaudited

In millions of Canadian dollars

	Three Months Ended June 30		Six Months Ended June 30	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Net earnings	\$ 121.3	\$ 121.1	\$ 244.9	\$ 239.8
Other comprehensive income (loss), net of tax:				
Items that may subsequently be reclassified to income:				
Foreign currency translation adjustment for foreign operations, net of tax recovery of \$2.5 and \$6.7 for the three-month and six-month periods ended June 30, 2019 (2018 - tax recovery of \$1.5 and expense of \$4.3)	(114.3)	(105.6)	(211.5)	93.2
Net gains (losses) on hedges of net investment in foreign operations, net of tax expense of \$4.1 and \$11.6 for the three-month and six-month periods ended June 30, 2019 (2018 - tax recovery of \$1.6 and \$8.2)	27.7	(0.2)	78.1	(67.2)
Effective portion of changes in fair value of cash flow hedges, net of tax recovery of \$0.1 and nil for the three-month and six-month periods ended June 30, 2019 (2018 - nil and tax expense of \$0.1)	(0.4)	(0.4)	-	0.1
Net change in the fair value of cash flow hedges transferred to the income statement, net of tax recovery of \$0.1 and \$0.1 for the three-month and six-month periods ended June 30, 2019 (2018 - tax expense of \$0.1 and \$0.1)	0.4	(0.2)	0.3	(0.5)
Other comprehensive income (loss), net of tax	\$ (86.6)	\$ (106.4)	\$ (133.1)	\$ 25.6
Total comprehensive income	\$ 34.7	\$ 14.7	\$ 111.8	\$ 265.4

CCL Industries Inc.

Consolidated condensed interim statements of changes in equity

Unaudited

In millions of Canadian dollars

	Class A shares	Class B shares	Shares held in trust	Total share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total equity
Balances, January 1, 2018	\$ 4.5	\$ 304.6	\$ (29.7)	\$ 279.4	\$ 78.0	\$ 1,853.4	\$ (52.9)	\$ 2,157.9
Net earnings	-	-	-	-	-	239.8	-	239.8
Dividends declared								
Class A	-	-	-	-	-	(3.0)	-	(3.0)
Class B	-	-	-	-	-	(43.0)	-	(43.0)
Stock-based compensation plan	-	4.3	-	4.3	2.6	-	-	6.9
Shares purchased and held in trust	-	-	(0.2)	(0.2)	0.2	-	-	-
Stock options expense	-	-	-	-	4.8	-	-	4.8
Stock options exercised	-	21.3	-	21.3	(3.6)	-	-	17.7
Income tax effect related to stock options	-	-	-	-	1.3	-	-	1.3
Other comprehensive income	-	-	-	-	-	-	25.6	25.6
Balances, June 30, 2018	\$ 4.5	\$ 330.2	\$ (29.9)	\$ 304.8	\$ 83.3	\$ 2,047.2	\$ (27.3)	\$ 2,408.0

	Class A shares	Class B shares	Shares held in trust	Total share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total equity
Balances, January 1, 2019	\$ 4.5	\$ 331.8	\$ (30.0)	\$ 306.3	\$ 92.7	\$ 2,238.9	\$ 35.2	\$ 2,673.1
Net earnings	-	-	-	-	-	244.9	-	244.9
Dividends declared								
Class A	-	-	-	-	-	(4.0)	-	(4.0)
Class B	-	-	-	-	-	(56.5)	-	(56.5)
Stock-based compensation plan	-	3.1	-	3.1	3.5	-	-	6.6
Shares redeemed from trust	-	-	30.0	30.0	(30.0)	-	-	-
Stock options expense	-	-	-	-	5.1	-	-	5.1
Stock options exercised	-	13.3	-	13.3	(2.2)	-	-	11.1
Income tax effect related to stock options	-	-	-	-	1.8	-	-	1.8
Other comprehensive loss	-	-	-	-	-	-	(133.1)	(133.1)
Balances, June 30, 2019	\$ 4.5	\$ 348.2	\$ -	\$ 352.7	\$ 70.9	\$ 2,423.3	\$ (97.9)	\$ 2,749.0

CCL Industries Inc.

Consolidated condensed interim statements of cash flows

Unaudited

In millions of Canadian dollars

	Three Months Ended June 30		Six Months Ended June 30	
	2019	2018	2019	2018
Cash provided by (used for)				
Operating activities				
Net earnings	\$ 121.3	\$ 121.1	\$ 244.9	\$ 239.8
Adjustments for:				
Property, plant and equipment depreciation	59.3	55.2	116.6	110.3
Right-of-use assets depreciation	9.9	-	19.1	-
Intangibles amortization	14.1	13.1	28.4	25.9
Earnings in equity-accounted investments, net of dividends received	1.5	3.0	0.4	2.1
Net finance costs	20.6	20.8	42.6	39.8
Current income tax expense	33.8	42.5	65.2	82.5
Deferred tax expense (recovery)	7.4	(1.1)	20.6	0.2
Equity-settled share-based payment transactions	7.4	6.1	13.5	13.2
Loss (gain) on sale of property, plant and equipment	(0.4)	1.4	(1.0)	0.3
	274.9	262.1	550.3	514.1
Change in inventories	(0.1)	(19.4)	(12.3)	(76.6)
Change in trade and other receivables	14.3	(9.1)	(29.0)	(80.8)
Change in prepaid expenses	(5.2)	(1.1)	(3.7)	(1.5)
Change in trade and other payables	22.1	42.5	(158.1)	28.2
Change in income taxes receivable and payable	(8.9)	(5.0)	(5.1)	(1.9)
Change in employee benefits	(1.5)	(5.4)	(7.1)	(3.5)
Change in other assets and liabilities	(13.1)	(9.5)	(6.0)	(5.5)
	282.5	255.1	329.0	372.5
Net interest paid	(24.2)	(17.8)	(38.2)	(35.1)
Income taxes paid	(40.7)	(46.1)	(68.2)	(72.0)
Cash provided by operating activities	217.6	191.2	222.6	265.4
Financing activities				
Proceeds on issuance of long-term debt	9.4	596.4	113.4	637.6
Repayment of long-term debt	(72.1)	(323.4)	(116.0)	(380.9)
Payment of lease liabilities	(9.3)	-	(17.9)	-
Proceeds from issuance of shares	6.3	4.6	11.1	17.7
Dividends paid	(30.3)	(23.1)	(60.5)	(46.1)
Cash provided by (used for) financing activities	(96.0)	254.5	(69.9)	228.3
Investing activities				
Additions to property, plant and equipment	(113.7)	(95.6)	(211.0)	(204.7)
Proceeds on disposal of property, plant and equipment	2.4	12.8	4.5	16.6
Business acquisitions and other long-term investments (note 3)	(16.3)	(39.8)	(33.1)	(47.8)
Cash used for investing activities	(127.6)	(122.6)	(239.6)	(235.9)
Net increase (decrease) in cash and cash equivalents	(6.0)	323.1	(86.9)	257.8
Cash and cash equivalents at beginning of period	495.8	516.5	589.1	557.5
Translation adjustments on cash and cash equivalents	(8.3)	(17.2)	(20.7)	7.1
Cash and cash equivalents at end of period	\$ 481.5	\$ 822.4	\$ 481.5	\$ 822.4

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

CCL Industries Inc.

Notes to consolidated condensed interim financial statements Unaudited

In millions of Canadian dollars, unless otherwise noted

1. Reporting entity

CCL Industries Inc. (the "Company") is a public company, listed on the Toronto Stock Exchange, and is incorporated and domiciled in Canada. These consolidated condensed interim financial statements of the Company as at and for the interim period ended June 30, 2019 and 2018, comprise the results of the Company, its subsidiaries and its interests in joint ventures and associates. The Company has manufacturing facilities around the world and is primarily involved in the manufacture of labels, consumer printable media products, technology-driven label solutions, polymer banknote substrates and specialty films.

2. Basis of preparation and presentation

(a) Statement of compliance

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

These consolidated condensed interim financial statements should be read in conjunction with the Company's 2018 annual consolidated financial statements.

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

These consolidated condensed interim financial statements were authorized for issue by the Board of Directors on August 8, 2019.

(b) Basis of measurement

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

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

(c) Presentation currency

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

(d) New standards effective in 2019

IFRS 16 Leases ("IFRS 16")

In January 2016, IFRS 16 was issued by the International Accounting Standards Board ("IASB"). This standard introduces a single-lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, Leases, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. The Company adopted IFRS 16 in its financial statements for the annual period beginning on January 1, 2019, using the modified retrospective approach and the practical expedients related to, i. grandfathering previous assessments of which existing contracts are, or contain, leases, ii. short-term leases, and, iii. leases of low-value items. Lease obligations associated with short-term and low-value leases are recognized as an expense in the consolidated income statement when incurred. Accordingly, the comparative information for 2018 has not been restated and is presented under IAS 17.

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

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

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

Impacts on financial statements

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

CCL Industries Inc.

Notes to consolidated condensed interim financial statements (continued) Unaudited

In millions of Canadian dollars, unless otherwise noted

2. Basis of preparation and presentation (continued)

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

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

3. Acquisitions

- (a) In January 2019, the Company acquired Olympic Holding B.V. and its related subsidiaries ("Olympic"), a privately owned company based in Venray, Netherlands, for approximately \$13.6 million, net of cash acquired. Olympic is a start-up technology company with a proprietary, patented process to produce high bond, acrylic foam tapes without the use of solvents for applications in the automotive, electronics and construction industries. Olympic was added to the CCL Segment.
- (b) In January 2019, the Company acquired Easy2Name Limited ("E2N"), a privately owned company based near Newbury in the UK for approximately \$2.5 million, net of cash acquired. E2N expands Avery's direct-to-consumer online digital print offering of durable, personalised "kids' labels" to the UK market. E2N was added to the Avery Segment.
- (c) In March 2019, the Company and its joint-venture partner each invested an additional \$0.7 million in Rheinfeld Americas, LLC, a supplier of aluminum slugs for aerosol cans.
- (d) In April 2019, the Company acquired Hinsitsu Screen (Vietnam) Company Limited ("Hinsitsu"), based in Hanoi, with a second manufacturing operation in Ho Chi Minh City, for approximately \$12.9 million, net of cash acquired. Hinsitsu is a leading supplier of durable and tamper evident labels and graphic overlays for the electronics industry in Vietnam. Hinsitsu was added to the CCL Segment.
- (e) In May 2019, the Company acquired Colle À Moi Inc. ("CAM"), a privately owned company based in Quebec City, Canada, for approximately \$3.0 million, net of cash acquired. CAM adds to Avery's direct-to-consumer online digital print capabilities for personalized "kids' labels".
- (f) In June 2019, the Company acquired Say it Personally Limited ("STS"), a privately owned company based near East Grinstead in the UK for approximately \$0.4 million, net of cash acquired. STS is a manufacturer of durable, personalized garment tags for the UK market and expands Avery's direct-to-consumer online product offerings.
- (g) The following table summarizes the allocation of the consideration to the fair value of the assets acquired and liabilities assumed for the Olympic, E2N, Hinsitsu, CAM and STS acquisitions:

Cash consideration, net of cash acquired	\$	32.4
Trade and other receivables	\$	1.9
Inventories		0.9
Property, plant and equipment		2.8
Right-of-use assets		0.4
Deferred tax assets		0.2
Goodwill		28.4
Trade and other payables		(2.0)
Lease liabilities		(0.2)
Net assets acquired	\$	32.4

Goodwill is comprised of the excess fair value of the consideration paid over the fair value of the net assets acquired. Factors that make up the amount of goodwill recognized include expected synergies and employee knowledge of operations. The total amount of goodwill for Olympic, E2N, Hinsitsu, CAM and STS is \$28.4 million and is not deductible for tax purposes.

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

	Six Months Ended June 30	
Sales	\$	4.1
Net earnings	\$	-

CCL Industries Inc.

Notes to consolidated condensed interim financial statements (continued) Unaudited

In millions of Canadian dollars, unless otherwise noted

3. Acquisitions (continued)

(i) Pro Forma Information

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

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

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

	Six Months Ended	
	June 30	
Sales	\$	2,689.2
Net earnings	\$	245.4

(j) Acquisition of Treofan America Inc. and Trespaphan Mexico Holdings GmbH in 2018

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

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

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

(k) Other acquisitions in 2018

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

In February and May 2018, the Company and its joint-venture partner each invested an additional \$1.3 million and \$1.9 million, respectively, in Rheinfelden Americas, LLC.

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

CCL Industries Inc.

Notes to consolidated condensed interim financial statements (continued) Unaudited

In millions of Canadian dollars, unless otherwise noted

3. Acquisitions (continued)

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

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

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

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

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

4. Segment reporting and disaggregation of revenue

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

The Company's reportable segments are:

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

CCL Industries Inc.

Notes to consolidated condensed interim financial statements (continued) Unaudited

In millions of Canadian dollars, unless otherwise noted

4. Segment reporting and disaggregation of revenue (continued)

	Three Months Ended June 30				Six Months Ended June 30			
	Sales		Operating income		Sales		Operating income	
	2019	2018	2019	2018	2019	2018	2019	2018
CCL	\$ 831.5	\$ 804.2	\$ 117.0	\$ 127.3	\$ 1,682.6	\$ 1,611.8	\$ 259.1	\$ 273.7
Avery	203.3	194.0	45.3	44.6	360.9	340.3	73.2	68.6
Checkpoint	177.3	177.4	23.1	27.6	350.8	354.9	43.4	50.3
Innovia	142.1	88.8	13.3	0.1	292.0	184.5	27.9	7.6
Total operations	<u>\$ 1,354.2</u>	<u>\$ 1,264.4</u>	<u>\$ 198.7</u>	<u>\$ 199.6</u>	<u>\$ 2,686.3</u>	<u>\$ 2,491.5</u>	<u>\$ 403.6</u>	<u>\$ 400.2</u>
Corporate expense			(14.7)	(12.9)			(29.1)	(32.1)
Restructuring and other items			(2.1)	(3.6)			(3.5)	(6.9)
Earnings in equity-accounted investments			1.2	0.2			2.3	1.1
Finance cost			(19.7)	(22.0)			(41.1)	(41.9)
Finance income			0.7	1.2			1.8	2.1
Interest on lease liabilities			(1.6)	-			(3.3)	-
Income tax expense			(41.2)	(41.4)			(85.8)	(82.7)
Net earnings			<u>\$ 121.3</u>	<u>\$ 121.1</u>			<u>\$ 244.9</u>	<u>\$ 239.8</u>

	Total Assets		Total Liabilities		Depreciation and Amortization		Capital Expenditures	
	June 30	December 31	June 30	December 31	Six Months Ended June 30		Six Months Ended June 30	
	2019	2018	2019	2018	2019	2018	2019	2018
CCL	\$ 3,755.3	\$ 3,645.8	\$ 946.4	\$ 947.5	\$ 110.7	\$ 97.4	\$ 174.1	\$ 171.7
Avery	703.8	637.4	252.2	237.3	11.9	8.2	6.2	5.3
Checkpoint	956.4	978.0	455.0	451.2	18.8	14.2	12.9	20.4
Innovia	1,099.1	1,140.7	245.6	225.2	21.9	15.9	17.7	6.6
Equity-accounted investments	58.8	59.8	-	-	-	-	-	-
Corporate	449.9	565.9	2,375.1	2,493.3	0.8	0.5	0.1	0.7
Total	<u>\$ 7,023.3</u>	<u>\$ 7,027.6</u>	<u>\$ 4,274.3</u>	<u>\$ 4,354.5</u>	<u>\$ 164.1</u>	<u>\$ 136.2</u>	<u>\$ 211.0</u>	<u>\$ 204.7</u>

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

All revenues are from products and services transferred at a point in time, except \$19.4 million and \$37.2 million for the three month and six month ended June 30, 2019, respectively (June 30, 2018 - \$18.9 million and \$38.5 million), which are for installation and maintenance service arrangements within the Checkpoint Segment.

5. Accumulated other comprehensive income (loss)

	June 30	December 31
	2019	2018
Unrealized foreign currency translation gains (losses), net of tax recovery of \$5.3 (2018 – tax recovery of \$10.2)	\$ (97.9)	\$ 35.5
Losses on derivatives designated as cash flow hedges, net of tax recovery of nil (2018 – tax recovery of \$0.1)	-	(0.3)
	<u>\$ (97.9)</u>	<u>\$ 35.2</u>

CCL Industries Inc.

Notes to consolidated condensed interim financial statements (continued) Unaudited

In millions of Canadian dollars, unless otherwise noted

6. Restructuring and other items

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2019	2018	2019	2018
Restructuring costs	\$ 1.8	\$ 2.7	\$ 3.1	\$ 5.1
Acquisition costs	0.3	0.9	0.4	1.8
Total restructuring and other items	<u>\$ 2.1</u>	<u>\$ 3.6</u>	<u>\$ 3.5</u>	<u>\$ 6.9</u>

For the six months ended June 30, 2019, the Company recorded \$3.5 million (\$3.0 million, net of tax) for restructuring and other items compared to \$6.9 million (\$5.9 million, net of tax) for the same period in 2018. For the six months ended June 30, 2019, restructuring and other items were primarily for severance costs associated with the Innovia UK operations and other acquisition transaction costs.

For the six months ended June 30, 2018, the CCL Segment recorded \$0.6 million (\$0.4 million, net of tax) and the Checkpoint Segment recorded \$4.5 million (\$3.7 million, net of tax) in restructuring expense primarily related to severance costs. The acquisition cost of \$1.8 million (\$1.8 million, net of tax) were related to the 2017 Innovia acquisition, 2016 Checkpoint acquisition and Treofan America Inc. and Trespaphan Mexico Holdings GmbH ("Treofan") acquisition in 2018, see note 3.

7. Financial instruments

(a) Fair value hierarchy

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

The different levels have been defined as follows:

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

	Level 1	Level 2	Level 3	Total
June 30, 2019				
Other assets	\$ -	\$ 18.6	\$ -	\$ 18.6
Derivative financial assets	-	11.0	-	11.0
Long-term debt	-	-	(2,417.8)	(2,417.8)
Derivative financial liabilities	-	(38.5)	-	(38.5)
	<u>\$ -</u>	<u>\$ (8.9)</u>	<u>\$ (2,417.8)</u>	<u>\$ (2,426.7)</u>
December 31, 2018				
Other assets	\$ -	\$ 18.8	\$ -	\$ 18.8
Derivative financial assets	-	9.1	-	9.1
Long-term debt	-	-	(2,456.3)	(2,456.3)
Derivative financial liabilities	-	(41.1)	-	(41.1)
	<u>\$ -</u>	<u>\$ (13.2)</u>	<u>\$ (2,456.3)</u>	<u>\$ (2,469.5)</u>

(b) Fair values versus carrying amounts

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

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

	June 30, 2019		December 31, 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	\$ 2,401.3	\$ 2,417.8	\$ 2,491.6	\$ 2,456.3

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

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

CCL Industries Inc.

Notes to consolidated condensed interim financial statements (continued) Unaudited

In millions of Canadian dollars, unless otherwise noted

8. Long-term debt

During the first quarter of 2019, the Company amended its syndicated credit facilities with a reduction of the interest rate margins for both the US\$366.0 million term loan and US\$1.2 billion revolving credit facilities. The US\$366.0 million term facility was further amended by removing the quarterly principal repayment requirement and extending the maturity from February 2020 to February 2021. In addition, the Company signed a bilateral credit facility for US\$35.0 million, which expires January 22, 2021. This bilateral loan incurs interest at the applicable domestic rate plus an interest rate margin and, annually, automatically extends out additional years until January 22, 2024.

The Company's debt structure at June 30, 2019, was primarily comprised of 144A private bonds of US\$500.0 million (\$647.9 million), Canadian bonds of \$300.0 million, the syndicated revolving credit facility with an outstanding balance of \$944.0 million, the term loan facility of US\$366.0 million (\$479.0 million) and the bilateral credit facility outstanding balance of US\$20.7 million (\$27.1 million). The Company's debt structure at December 31, 2018, was primarily comprised of the 144A private bonds of US\$500.0 million (\$674.5 million), the Canadian bonds of \$300.0 million, the unsecured syndicated revolving credit facility with an outstanding balance of \$1,012.2 million and the term loan facility of US\$366.0 million (\$498.8 million). Furthermore, with the adoption of IFRS 16, an additional \$159.4 million of lease liabilities previously not recorded on the consolidated condensed interim statement of financial position were included in total debt.

During the six months ended June 30, 2019, the Company drew down \$113.4 million on its syndicated revolving credit facility and the aforementioned bilateral facility. Payments on debt of \$116.0 million for the six months ended June 30, 2019, were primarily used to repay syndicated revolving debt.

9. Subsequent event

The Board of Directors has declared a dividend of \$0.17 per Class B non-voting share and \$0.1675 per Class A voting share, which will be payable to shareholders of record at the close of business on September 16, 2019, to be paid on September 30, 2019.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Second Quarters Ended June 30, 2019 and 2018

This Management's Discussion and Analysis of the financial condition and results of operations ("MD&A") of CCL Industries Inc. ("Company") relates to the second quarters ended June 30, 2019 and 2018. The information in this interim MD&A is current to August 8, 2019, and should be read in conjunction with the Company's August 8, 2019, unaudited second quarter consolidated condensed interim financial statements released on August 8, 2019, and the 2018 Annual MD&A and consolidated financial statements, which form part of the CCL Industries Inc.'s 2018 Annual Report, dated February 21, 2019.

Basis of Presentation

The interim and annual financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting and International Financial Reporting Standards ("IFRS"), respectively, and unless otherwise noted, both the financial statements and this interim MD&A are expressed in Canadian dollars as the presentation currency. The primary measurement currencies of the Company's operations are the Canadian dollar, U.S. dollar, euro, Argentine peso, Australian dollar, Bangladeshi taka, Brazilian real, Chilean peso, Chinese renminbi, Danish krone, Hungarian forint, Indian rupee, Japanese yen, Malaysian ringgit, Mexican peso, Philippine peso, Polish zloty, Russian ruble, Singaporean dollar, South African rand, South Korean won, Swiss franc, Thai baht, Turkish lira, U.K. pound sterling and Vietnamese dong. All per Class B non-voting share ("Class B share") amounts in this document are expressed on an undiluted basis, unless otherwise indicated. The Company's Audit Committee and its Board of Directors have reviewed this interim MD&A to ensure consistency with the approved strategy and the financial results of the Company.

Cautionary Statement Regarding Forward-Looking Statements

This MD&A contains forward-looking information and forward-looking statements, as defined under applicable securities laws, (hereinafter collectively referred to as "forward-looking statements") that involve a number of risks and uncertainties. Forward-looking statements include all statements that are predictive in nature or depend on future events or conditions. Forward-looking statements are typically identified by the words "believes," "expects," "anticipates," "estimates," "intends," "plans" or similar expressions. Statements regarding the operations, business, financial condition, priorities, ongoing objectives, strategies and outlook of the Company, other than statements of historical fact, are forward-looking statements. Specifically, this MD&A contains forward-looking statements regarding the anticipated growth in sales, income and profitability of the Company's segments; the Company's anticipated improvement in market share; the Company's capital spending levels and planned capital expenditures in 2019; the adequacy of the Company's financial liquidity; earnings per share and EBITDA growth rates; the Company's effective tax rate; the Company's ongoing business strategy; the Company's planned restructuring expenditures; the Company's expectations regarding general business and economic conditions; the Company's outlook that strong cash flows in 2019 will be sufficient to fund its expected quarterly dividends; the Company's expectation that available credit capacity will be sufficient for future expansion initiatives; the Company's expectation that the Rheinfelden joint venture will start up operations in the third quarter of 2019 and will be profitable in 2020; the Company's expectation that Innovia Mexican operations will minimize start-up costs and will successfully fill incremental capacity on its new manufacturing line in future periods; the Company's expectation that the CCL Segment will improve financial results for the third quarter of 2019 compared to the second quarter of 2019 and compared to the third quarter of 2018; the Company's expectation that CCL Secure will have a stronger third quarter compared to the third quarter of 2018; the Company's expectation that the Avery direct-to-consumer businesses will continue to deliver superior growth and profitability; the Company's expectation that the Avery Segment is poised for a significantly improved back-to-school season in the third quarter of 2019; the Company's expectation that the Checkpoint \$6.0 million restructuring initiatives will drive future profitability improvement of \$6.0 million; the Company's expectation that the Checkpoint Segment will improve second half 2019 results compared to second half 2018 and will benefit from new business wins; and the Company's expectation that the Innovia Segment will continue to benefit from pricing, productivity initiatives, mix and stable resin costs for the third quarter of 2019.

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 instability of the world economy and capital markets; the impact of competition; consumer confidence and spending preferences; general economic and geopolitical conditions; currency exchange rates; interest rates and credit availability; technological changes; changes in government regulations; risks associated with operating and product hazards; and the Company's ability to attract and retain qualified employees. Do not unduly rely on forward-looking statements as the Company's actual results could differ materially from those anticipated in these forward-looking statements. Forward-looking statements are also based on a number of assumptions, which may prove to be incorrect, including, but not limited to, assumptions about the following: consumer spending; improved customer demand for the Company's products; continued historical growth trends, market growth in specific sectors and entering into new markets; the Company's ability to provide a wide range of products to multinational customers on a global basis; the benefits of the Company's focused strategies and operational approach; the achievement of the Company's plans for improved efficiency and lower costs, including stable aluminum and resin costs; the availability of cash and credit; fluctuations of currency exchange rates and the Company's continued relations with its customers. Should one or more risks come to fruition or should any assumption prove incorrect, then actual results could vary materially from those expressed or implied in the forward-looking statements. Further details on key risks can be found throughout this report and particularly in Section 4: "Risks and Uncertainties" of the 2018 Annual MD&A.

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

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

Effective January 1, 2019, the Company adopted the new accounting standard, IFRS 16, Leases ("IFRS 16"), that is discussed in "Critical Accounting Policies and Estimates" in this MD&A. The adoption of IFRS 16 impacted certain accounts within the consolidated condensed interim statement of financial position and consolidated condensed interim income statement with negligible impact to earnings. Due to the selected transition method, prior year comparatives have not been restated.

1. Overview

Second quarter 2019 sales for the Company were \$1.4 billion, with a consolidated organic growth rate of 1.9%. The CCL, Avery and Checkpoint segments posted organic increases of 2.3%, 2.5% and 0.4%, respectively, driven by significant improvement at CCL Secure and CCL Design electronics gains across all regions for the CCL Segment and a solid quarter at Avery, despite a late start to back-to-school in North America. Results for Innovia, including Treofan acquired on July 2, 2018, for the second consecutive quarter improved significantly compared to a poor prior year quarter due to price increases, richer mix and stable resin costs plus a favourable foreign exchange environment for export sales to the United States from the United Kingdom. Overall operating profitability was dampened by reduced results for Checkpoint and Home & Personal Care, compared to a robust prior year period, and lower growth rates in Food & Beverage at a time of new capacity start up costs. Consolidated, the Company posted second quarter basic earnings per Class B share of \$0.68 compared to basic earnings per Class B share of \$0.69 for the 2018 second quarter. Adjusted basic earnings per

Class B share (a non-IFRS financial measure; refer to definition in Section 13 of this MD&A) for the second quarters of 2019 and 2018 were \$0.69 and \$0.70, respectively.

2. Review of Consolidated Financial Results

The following acquisitions affected the financial comparisons to 2018 including those announced during the second quarter of 2019:

- In June 2019, the Company acquired Say it Personally Limited (“STS”), a privately owned company based near East Grinstead in the UK for approximately \$0.4 million, net of cash acquired. STS is a manufacturer of durable, personalized garment tags for the UK market and expands Avery’s direct-to-consumer online product offerings.
- In May 2019, the Company acquired the shares of Colle a Moi Inc. (“CAM”), a privately owned company based in Quebec City, Canada, for approximately \$3.0 million, net of cash acquired. CAM adds to Avery’s direct-to-consumer online digital print capabilities for personalized “kids’ labels.”
- In April 2019, the Company acquired the shares of Hinsitsu Screen (Vietnam) Company Limited (“Hinsitsu”), based in Hanoi, Vietnam, for approximately \$12.9 million, net of cash acquired. Hinsitsu is a leading supplier of durable and tamper evident labels and graphic overlays for the electronics industry in the ASEAN region and was added to CCL Design within the CCL Segment.
- In January 2019, the Company acquired Olympic Holding B.V. and its related subsidiaries (“Olympic”), a privately owned company based in Venray, Netherlands, for approximately \$13.6 million, net of cash acquired. Olympic is a start-up technology company with a proprietary, patented process to produce high bond, acrylic foam tapes without the use of solvents for applications in the automotive, electronics and construction industries. Olympic was added to the CCL Segment.
- In January 2019, the Company acquired Easy2Name Limited (“E2N”), a privately owned company based near Newbury, U.K., for approximately \$2.5 million, net of cash acquired. E2N expands Avery’s direct-to-consumer online digital print offering of durable, personalized “kids’ labels” to the U.K. market.
- In December 2018, acquired the assets of Unilogo, based near Warsaw, Poland, for approximately \$10.7 million. Unilogo is a supplier of digitally printed, pressure sensitive and sleeve labels for consumer products customers and was added to the CCL Segment.
- In July 2018, acquired Treofan America Inc. and Trespaphan Mexico Holding GmbH (“Treofan”) from their ultimate parent, M&C S.p.A., an Italian public company listed on the Milan stock exchange. Treofan, based in Zacapu, Mexico, is a leading producer of Biaxially Oriented Polypropylene (“BOPP”) film for the North American market. The purchase price, net of cash acquired,

was approximately \$307.6 million inclusive of \$43.6 million of capital additions incurred between announcement date and closing date for the construction of its new film line. Treofan immediately commenced trading as Innovia Films.

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

Sales for the second quarter of 2019 were \$1,354.2 million, an increase of 7.1% compared to \$1,264.4 million recorded in the second quarter of 2018. Organic growth of 1.9%, acquisition-related growth of 4.9% and the positive impact from foreign currency translation of 0.3% drove the sales increase. For the six-month period ended June 30, 2019, sales were \$2,686.3 million, an increase of 7.8% compared to \$2,491.5 million for the same six-month period a year ago. This improvement in sales can be attributed to 2.4% organic growth, a 5.0% impact of the eleven aforementioned acquisitions and a 0.4% positive impact from foreign currency translation.

Selling, general and administrative expenses ("SG&A") were \$201.2 million and \$396.8 million for the three-month and six-month periods ended June 30, 2019, compared to \$190.0 million and \$385.8 million for same periods in the prior year, respectively. The increase in SG&A expenses for the comparative three-month and six-month periods can be attributed to additional SG&A expenses associated with the eleven acquisitions since January 1, 2018.

The Company recorded an expense of \$2.1 million (\$1.8 million after tax) for restructuring and other items in the second quarter of 2019 compared to \$3.6 million (\$3.0 million after tax) for the second quarter of 2018. For the second quarter of 2019,

restructuring and other items were principally severance costs associated with Innovia's U.K. operations and other transaction costs. Restructuring and other items for the 2018 second quarter were mainly Checkpoint restructuring costs and acquisition-related transaction costs. For the six-month period ending June 30, 2019, the Company recorded \$3.5 million (\$3.0 million after tax) in restructuring and other items primarily related to the Innovia acquisition and other transaction costs. For the six-month period of 2018, restructuring and other items were \$6.9 million (\$6.0 million after tax) primarily related to the Checkpoint and other transaction costs.

Operating income (a non-IFRS financial measure; refer to definition in Section 13 of this MD&A) for the second quarter of 2019 was \$198.7 million, compared to \$199.6 million for the second quarter of 2018. The improved results for the Avery and Innovia Segments were offset by declines in the CCL and Checkpoint Segments compared to the same period in 2018. Foreign currency translation and the adoption of IFRS 16 had a positive impact of 0.7% and 0.8%, respectively, on operating income for the comparable three-month periods. For the six months ended June 30, 2019, operating income increased 0.8%. The six-month increase was due to improved results for the Avery and Innovia Segments offset by declines in the CCL and Checkpoint Segments compared to the same six-month period in 2018. Foreign currency translation and the adoption of IFRS 16 had a positive impact of 0.4% and 0.8%, respectively, on operating income for the comparable six-month periods.

Earnings before net finance cost, taxes, earnings in equity accounted investments, depreciation and amortization, restructuring and other items ("EBITDA," a non-IFRS financial measure; refer to definition in Section 13 of this MD&A) was \$267.3 million for the second quarter of 2019, an increase of 4.8% compared to \$255.0 million for the second quarter of 2018. Foreign currency translation and the adoption of IFRS 16 had had a positive effect of 0.6% and 4.5%, respectively, on EBITDA. For the six months ended June 30, 2019, EBITDA was \$538.6 million, an increase of 6.8% compared to \$504.3 million in the comparable 2018 six-month period. Foreign currency translation and the adoption of IFRS 16 had a positive impact of 0.5% and 4.4%, respectively, on EBITDA for the comparable six-month periods.

Net finance cost was \$20.6 million and \$42.6 million for the three-month and six-month periods ended June 30, 2019, compared to \$20.8 million and \$39.8 million for same periods in the prior year, respectively. A lower average interest rate for the second quarter of 2019 compared to the second quarter of 2018 resulted in a reduction of comparative finance costs. The increase in net finance cost for the six-month period ended June 30, 2019, was attributable to the adoption of IFRS 16, which resulted in additional interest expense from lease liabilities of \$3.3 million.

The overall effective income tax rate was 25.6% and 26.1% for the three-month and six-month periods ended June 30, 2019, compared to 25.5% and 25.7% for the same periods in the prior year, respectively. The effective tax rate may increase in future periods if a higher portion of the Company's taxable income is earned in higher tax jurisdictions.

Net earnings for the second quarter of 2019 were \$121.3 million compared to \$121.1 million for the second quarter of 2018. This resulted in basic and diluted earnings of

\$0.68 and \$0.68 per Class B share, respectively, for the 2019 second quarter compared to basic and diluted earnings of \$0.69 and \$0.68, respectively, per Class B share for the prior year second quarter.

Net earnings for the six-month period of 2019 were \$244.9 million, an increase of 2.1% compared to \$239.8 million for the same period a year ago. This resulted in basic and diluted earnings of \$1.38 and \$1.37 per Class B share, respectively, for the 2019 six-month period compared to basic and diluted earnings of \$1.36 and \$1.34 per Class B share, respectively, for the prior year six-month period. The weighted average number of shares for the 2019 six-month period were 177.7 million basic and 178.8 million diluted shares compared to 176.6 million basic and 178.6 million diluted shares for the comparable period of 2018. Diluted shares include weighted average in-the-money equity compensation arrangement totaling 1.1 million shares.

Adjusted basic earnings per Class B share were \$0.69 and \$1.40 for the three-month and six-month periods of 2019, respectively, compared to \$0.70 and \$1.39 for the same periods of 2018.

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

(in Canadian dollars)	Second Quarter		Year-To-Date	
Adjusted Basic Earnings per Class B Share	2019	2018	2019	2018
Basic earnings per Class B share	\$ 0.68	\$ 0.69	\$ 1.38	\$ 1.36
Restructuring and other items	0.01	0.01	0.02	0.03
Adjusted basic earnings ⁽¹⁾ per class B share	\$ 0.69	\$ 0.70	\$ 1.40	\$ 1.39

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

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

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

	<u>Qtr 1</u>	<u>Qtr 2</u>	<u>Qtr 3</u>	<u>Qtr 4</u>	<u>Total</u>
Sales					
2019	\$ 1,332.1	\$ 1,354.2	\$ -	\$ -	\$ 2,686.3
2018	1,227.1	1,264.4	1,337.2	1,332.8	5,161.5
2017	1,061.5	1,252.9	1,206.8	1,234.5	4,755.7
Net earnings					
2019	123.6	121.3	-	-	244.9
2018	118.7	121.1	112.8	114.2	466.8
2017	87.9	109.9	106.9	169.4	474.1
Net earnings per Class B share					
Basic					
2019	0.70	0.68	-	-	1.38
2018	0.67	0.69	0.63	0.65	2.64
2017	0.50	0.63	0.60	0.97	2.70
Net earnings per Class B share					
Adjusted basic					
2019	0.71	0.69	-	-	1.40
2018	0.69	0.70	0.66	0.68	2.73
2017	0.57	0.68	0.61	0.83	2.69
Net earnings per Class B share					
Diluted					
2019	0.69	0.68	-	-	1.37
2018	0.66	0.68	0.63	0.64	2.61
2017	0.49	0.63	0.59	0.95	2.66

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

3. Business Segment Review

CCL Segment (“CCL”)

(\$ millions)	Second Quarter			Year-To-Date		
	<u>2019</u>	<u>2018</u>	<u>+/-</u>	<u>2019</u>	<u>2018</u>	<u>+/-</u>
Sales	\$ 831.5	\$ 804.2	3.4%	\$ 1,682.6	\$ 1,611.8	4.4%
Operating Income ⁽¹⁾	\$ 117.0	\$ 127.3	(8.1%)	\$ 259.1	\$ 273.7	(5.3%)
Return on Sales ⁽¹⁾	14.1%	15.8%		15.4%	17.0%	
Capital Spending	\$ 92.9	\$ 82.6	12.5%	\$ 174.1	\$ 171.7	1.4%
Depreciation and Amortization ⁽²⁾	\$ 50.2	\$ 49.1	2.2%	\$ 100.3	\$ 97.4	3.0%

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

⁽²⁾ Depreciation and Amortization expense excludes depreciation of \$5.4 million and \$10.4 million, respectively, for right-of-use assets in three-month and six-month periods of 2019.

The CCL Segment has five customer sectors. The Company trades in three of them as CCL Label (and CCL Container or CCL Tube to recognize product differentiation where relevant) and one each as CCL Design and CCL Secure. The differentiated CCL sub-branding, points to the nature of the application for the final product. The sectors have many common or overlapping customers, process technologies, information technology systems, raw material suppliers and operational infrastructures. CCL Label supplies innovative labels, aluminum aerosols and tube solutions to Home & Personal Care customers; decorative and functional labels for Food & Beverage companies to premiumize brands; and regulated and complex multi-layer labels for major pharmaceutical, consumer medicine, medical instrument and industrial or consumer chemical customers referred to as the Healthcare & Specialty business. CCL Design, supplies long-life, high performance labels and other products to automotive, electronics and durable goods OEMs. CCL Secure supplies polymer banknote substrate, pressure sensitive stamps, passport components and other security products to government institutions and to corporations for brand protection.

Sales for CCL were \$831.5 million for the second quarter of 2019, compared to \$804.2 million for the same quarter last year. The components of the 3.4% increase in sales are organic growth of 2.3%, acquisition-related growth of 0.9% and positive impact from foreign currency translation of 0.2%.

North American sales were down low-single digit for the second quarter of 2019, excluding currency translation, compared to the second quarter of 2018. Home & Personal Care sales and profitability declined compared to a very strong prior year, largely driven by unusually slow demand for aluminum aerosols. Healthcare & Specialty sales were down slightly with good profitability improvements in specialty markets offset by a decline in results in Healthcare, especially in Canada. CCL Design posted flat sales but profitability improvements in both electronics and automotive end markets eclipsed a small decline in battery markets. Food & Beverage posted solid growth in Sleeves offsetting a decline in Wine & Spirits labels, with overall profitability declining on

start up costs for new capacity and pricing pressures. CCL Secure had a strong quarter on stamp and security product sales. Overall operating income, excluding currency translation, for the current quarter in North America declined compared to the second quarter of 2018.

Sales in **Europe** were up mid-single digit for the second quarter of 2019, excluding currency translation and acquisitions, compared to the second quarter of 2018. CCL Secure results improved significantly on a large new currency denomination, compared to a soft second quarter of 2018. Home & Personal Care results declined but the Unilogo acquisition in Poland exceeded expectations partly offsetting lower profitability in Germany. Healthcare & Specialty sales were up but profitability declined driven by soft results in the UK and Scandinavia. Food & Beverage recorded modest improvement in sales but profits fell on lower rates of growth than expected. Sales and profitability gains in electronics for CCL Design largely offset slower industrial markets and German automotive demand. Overall, European operating income, excluding currency translation, increased compared to the prior year second quarter.

Sales in **Latin America**, excluding currency translation, improved double digits for the second quarter of 2019 compared to the second quarter of 2018. Sales in Mexico were well ahead of a very strong prior year quarter. Profitability was driven by robust results for CCL Secure, solid gains for CCL Design electronics more than offsetting declines in Home & Personal Care and start-up costs for CCL Design automotive. Profitability in Brazil, Chile and Argentina declined significantly on lower sales in soft end markets, pricing pressures, notably in Home & Personal Care and Food & Beverage and operational challenges in the quarter. Excluding the impact of currency translation, underlying operating income decreased and return on sales declined.

Asia Pacific sales, excluding currency translation, were up low single digit for the second quarter of 2019, compared to the corresponding quarter in 2018. CCL Label sales and profits in China declined on slower demand but strong improvement at CCL Design in electronics end markets more than offset. ASEAN sales increased on the CCL Design acquisition in Vietnam but declined organically overall with significantly reduced profitability compared to a strong prior year period on softer mix and start up costs for new capacity in Thailand. Australian sales declined but profitability increased significantly on improvement in Healthcare and a solid performance for CCL Secure. The new Wine label plant in New Zealand posted start-up losses. For the Asia Pacific region, operating income improved compared to the second quarter of 2018.

Operating income for the second quarter of 2019 was \$117.0 million, compared to \$127.3 million for the second quarter of 2018. Return on sales was 14.1% compared to the 15.8% recorded for the same period in 2018. The declines are largely due to reduced profitability for Home & Personal Care and Food & Beverage end markets.

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

CCL invested \$174.1 million in capital spending for the first six months of 2019, compared to \$171.7 million in the same period in 2018. The investments for the six-

month period are in line with planned capital expenditures for 2019. Major expenditures for the six-month period related to capacity additions to support the Home & Personal Care and Food & Beverage globally. Investments will continue in order to add capacity, broaden capabilities, expand geographically, and replace or upgrade existing plants and equipment. Depreciation and amortization was \$100.3 million for the six months ended June 30, 2019, compared to \$97.4 million for the same period of 2018.

Avery Segment (“Avery”)

(\$ millions)	Second Quarter			Year-To-Date		
	<u>2019</u>	<u>2018</u>	<u>+/-</u>	<u>2019</u>	<u>2018</u>	<u>+/-</u>
Sales	\$ 203.3	\$ 194.0	4.8%	\$ 360.9	\$ 340.3	6.1%
Operating Income ⁽¹⁾	\$ 45.3	\$ 44.6	1.6%	\$ 73.2	\$ 68.6	6.7%
Return on Sales ⁽¹⁾	22.3%	23.0%		20.3%	20.2%	
Capital Spending	\$ 3.4	\$ 2.7	25.9%	\$ 6.2	\$ 5.3	17.0%
Depreciation and Amortization ⁽²⁾	\$ 4.3	\$ 4.3	-	\$ 8.6	\$ 8.2	4.9%

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

⁽²⁾ Depreciation and Amortization expense excludes depreciation of \$1.7 million and \$3.3 million, respectively, for right-of-use assets in three-month and six-month periods of 2019.

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

Avery sales were \$203.3 million for the second quarter of 2019, compared to \$194.0 million for the same quarter last year. The 4.8% increase in sales is attributed to 2.5% organic growth in sales, 0.2% impact from acquisitions and a 2.1% positive effect from foreign currency translation.

Sales in **North America** for the second quarter of 2019 were up low single digit excluding currency translation, despite a later back-to-school start in June, compared to the second quarter of 2018. Sales and profitability for Printable Media product lines were up slightly. Direct to Consumer product lines continued to post double digit sales and profitability improvements. Sales and profitability for OPG improved slightly, primarily due to increased volumes in low margin ring binders. Canadian sales and profitability declined in legacy product lines, largely due to the later back-to-school start.

International sales, largely generated in the Printable Media category, represented approximately 22% of Avery sales for the second quarter. Excluding currency translation and acquisitions, sales in Europe were flat, offset by declines in Latin America and Australia compared to the prior year second quarter. Direct to Consumer sales and profitability grew substantially for the second quarter but declines in profitability in traditional business lines reduced overall profitability for the second quarter of 2019 compared to the same period in 2018.

Operating income for the second quarter of 2019 increased 1.6% to \$45.3 million compared to \$44.6 million for the second quarter of 2018. Return on sales was 22.3%, compared to 23.0% recorded for the same quarter in 2018.

Avery invested \$6.2 million in capital spending in the first six months of 2019 compared to \$5.3 million in the same period a year ago. The majority of the expenditures were capacity additions in the Direct to Consumer operations in North America. Depreciation and amortization was \$8.6 million for the 2019 six-month period compared to \$8.2 million for the 2018 six-month period.

Checkpoint Segment (“Checkpoint”)

(\$ millions)	Second Quarter			Year-To-Date		
	<u>2019</u>	<u>2018</u>	<u>+/-</u>	<u>2019</u>	<u>2018</u>	<u>+/-</u>
Sales	\$ 177.3	\$ 177.4	(0.1%)	\$ 350.8	\$ 354.9	(1.2%)
Operating Income ⁽¹⁾	\$ 23.1	\$ 27.6	(16.3%)	\$ 43.4	\$ 50.3	(13.7%)
Return on Sales ⁽¹⁾	13.0%	15.6%		12.4%	14.2%	
Capital Spending	\$ 7.1	\$ 8.8	(19.3%)	\$ 12.9	\$ 20.4	(36.8%)
Depreciation and Amortization ⁽²⁾	\$ 7.8	\$ 6.7	16.4%	\$ 14.9	\$ 14.2	4.9%

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

⁽²⁾ Depreciation and Amortization expense excludes depreciation of \$2.0 million and \$3.9 million, respectively, for right-of-use assets in the three-month and six-month periods 2019.

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

Checkpoint sales were \$177.3 million for the second quarter of 2019 compared to \$177.4 million for the second quarter of 2018 with 0.4% organic sales growth offset by 0.5% negative impact from foreign currency translation. MAS sales and profitability declined largely due to slower sales of higher margin hard tags in the United States.

European results were flat and Asian operations posted improved sales and profitability on strong sales mix. ALS posted modest sales growth and reduced profitability on weaker sales mix for the quarter. The small Meto business had reduced sales and profitability for the second quarter of 2019 compared to the same period in 2018.

Operating income was \$23.1 million for the second quarter of 2019 compared to \$27.6 million for the second quarter of 2018; return on sales declined to 13.0% from 15.6%.

Checkpoint invested \$12.9 million in capital spending for the first six months of 2019, compared to \$20.4 million for the six-month period of 2018. The majority of the expenditures were in the Asia Pacific region to enhance capacity and technology within the MAS and ALS manufacturing facilities. Depreciation and amortization was \$14.9 million for the six-month period ended June 30, 2019, compared to \$14.2 million for the six-month period of 2018.

Innovia Segment (“Innovia”)

(\$ millions)	Second Quarter			Year-To-Date		
	<u>2019</u>	<u>2018</u>	<u>+/-</u>	<u>2019</u>	<u>2018</u>	<u>+/-</u>
Sales	\$ 142.1	\$ 88.8	60.0%	\$ 292.0	\$ 184.5	58.3%
Operating Income ⁽¹⁾	\$ 13.3	\$ 0.1	n.m.	\$ 27.9	\$ 7.6	267.1%
Return on Sales ⁽¹⁾	9.4%	0.1%		9.6%	4.1%	
Capital Spending	\$ 10.2	\$ 1.9	436.8%	\$ 17.7	\$ 6.6	168.2%
Depreciation and Amortization ⁽²⁾	\$ 10.9	\$ 8.0	36.3%	\$ 20.7	\$ 15.9	30.2%

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

⁽²⁾ Depreciation and Amortization expense excludes depreciation of \$0.6 million and \$1.2 million, respectively, for right-of-use assets in the three-month and six-month periods of 2019.

The Innovia Segment consists of the February 28, 2017, and July 2, 2018, acquired film manufacturing operations of Innovia and Treofan, respectively, and two small legacy CCL extrusion plants. Innovia supplies specialty, high-performance, multi-layer, surface engineered BOPP films from facilities in Australia, Belgium, Mexico and the United Kingdom to customers in the pressure sensitive label materials, flexible packaging and consumer packaged goods industries worldwide. Additionally, a small percentage of the total volume is sold internally to CCL Secure while the smaller legacy facilities produce almost their entire output for CCL Label.

Sales for Innovia were \$142.1 million for the second quarter of 2019 compared to \$88.8 million for the second quarter of 2018. The components of the 60.0% increase in sales are 0.2% organic decline, 0.8% negative impact from currency translation and 61.0% from the Treofan acquisition. Legacy Innovia results gained from price increases, richer mix, better productivity, stable resin costs and foreign exchange gains on U.K. export sales to the United States, driving significant profitability improvement compared to the poor second quarter of 2018. The Treofan operation, acquired at the beginning of July 2018, posted modest profitability including late second quarter start-up friction from the

new film manufacturing line in Mexico. Estimates for the start up cost of the new line will be clearer by the end of the third quarter. Operating income improved substantially to \$13.3 million compared to operating income of \$0.1 million in the 2018 second quarter.

Innovia invested \$17.7 million in capital spending for the first six months of 2019 compared to \$6.6 million for the 2018 six-month period. Depreciation and amortization was \$20.7 million for the six months ended June 30, 2019 compared to \$15.9 million for the six months ended 2018.

Joint Ventures

	Second Quarter			Year-to-Date		
	2019	2018	+/-	2019	2018	+/-
(\$ millions)						
Sales (at 100%)						
CCL joint ventures	\$ 31.1	\$ 28.9	7.6%	\$ 61.3	\$ 57.4	6.8%
Rheinfelden*	-	-	-	-	1.3	n.m.
CCL Total	\$ 31.1	\$ 28.9	7.6%	\$ 61.3	\$ 58.7	4.4%
Earnings (losses) in equity accounted investments						
CCL joint ventures	\$ 1.5	\$ 0.7	114.3%	\$ 3.0	\$ 1.8	66.7%
Rheinfelden	(0.3)	(0.5)	40.0%	(0.7)	(0.7)	-
CCL Total	\$ 1.2	\$ 0.2	500.0%	\$ 2.3	\$ 1.1	109.1%

* primarily sales to the CCL Segment

Results from the joint ventures in CCL-Kontur, Russia; Pacman-CCL, Middle East and Rheinfelden in the United States are not proportionately consolidated into a Segment but instead are accounted for as equity investments. The Company's share of the joint ventures' net earnings is disclosed in "Earnings in Equity-Accounted Investments" in the consolidated condensed interim income statements. Pacman-CCL posted significant sales and profitability improvements, partially offset by reduced profitability for CCL-Kontur due to higher overhead costs related to capacity expansions for the 2019 second quarter compared to the prior year second quarter. Profitability at the Rheinfelden slug operation will not occur until 2020 due to a small fire in the facility in the first quarter of 2018 and subsequent delay in new equipment installations. Production is anticipated to commence during the third quarter 2019. Earnings in equity accounted investments amounted to \$1.2 million for the second quarter of 2019 compared to income of \$0.2 million for the second quarter of 2018. Commencing June 2018, equity investments no longer include the financial results of the CCL-Korsini venture due to the Company's increase in ownership to 100%.

4. Currency Transaction Hedging and Currency Translation

Approximately 97% of sales made in the second quarter of 2019 to end-use customers were denominated in foreign currencies leaving the Company exposed to potentially significant translation variances when reporting results publicly in Canadian dollars. The Company does not hedge or manage such translation movements but does actively manage transaction exposures. Where possible, the Company contracts its business in local currencies with both customers and suppliers of raw materials.

The results of the second quarter of 2019 were impacted by the appreciation of the Canadian dollar against the euro, U.K pound, Brazilian real and Chinese renminbi by 2.3%, 2.0%, 4.7% and 3.1%, respectively, compared to the rates in the same period in 2018. This negative impact was offset by a depreciation of the Canadian dollar relative to the U.S. dollar, Mexican peso and Thai baht of 3.6%, 5.1% and 4.7%, respectively, when comparing the rates in the second quarters of 2019 and 2018. For the second quarter of 2019, currency translation had a negligible impact on earnings per Class B share compared to last year's second quarter.

5. Liquidity and Capital Resources

The Company's capital structure is as follows:

(\$ Millions)		June 30, 2019	December 31, 2018
Current portion of long-term debt	\$	2.1	\$ 71.8
Current lease liabilities		36.8	-
Long-term debt		2,399.2	2,419.8
Long-term lease liabilities		122.6	-
Total debt		2,560.7	2,491.6
Cash and cash equivalents		(481.5)	(589.1)
Net debt ⁽¹⁾	\$	2,079.2	\$ 1,902.5
EBITDA ⁽¹⁾⁽²⁾	\$	1,029.6	\$ 995.3
Pro forma lease expense ⁽³⁾		14.6	-
Pro forma EBITDA	\$	1,044.2	\$ 995.3
Net debt to Pro forma EBITDA ⁽¹⁾		1.99	1.91

⁽¹⁾ Net debt, EBITDA and net debt to Pro forma EBITDA are non-IFRS financial measures. Refer to definitions in Section 13 of this MD&A.

⁽²⁾ EBITDA is calculated on a trailing twelve-month basis. Refer to definitions in Section 13 of this MD&A.

⁽³⁾ Pro forma lease expense represents the estimated lease expenses for the six months ended December 31, 2018.

During the first quarter of 2019, the Company amended its syndicated credit facilities with a reduction of the interest rate margins for both the US\$366.0 million term loan and US\$1.2 billion revolving credit facilities. The US\$366.0 million term facility was further amended by removing the quarterly principal repayment requirement and extending the maturity from February 2020 to February 2021. In addition, the Company signed a

bilateral credit facility for US\$35.0 million, which expires January 22, 2021. This bilateral loan incurs interest at the applicable domestic rate plus an interest rate margin and, annually, automatically extends out additional years until January 22, 2024.

During the second quarter of 2018, the Company closed its initial Canadian \$300.0 million aggregate principal amount of 3.864% bonds due April 2028 by way of offering memorandum. The bonds are unsecured senior obligations. The proceeds of the offering were used to repay drawn debt within the Company's revolving credit facility.

During the first six months of 2019, the Company drew down \$80.8 million on its syndicated revolving credit facility and US\$20.7 million on its new bilateral credit agreement. Debt payments of \$116.0 million were primarily used to repay syndicated revolving debt in the first six months of 2019.

The Company's debt structure at June 30, 2019, was primarily comprised of 144A private bonds of US\$500.0 million (\$647.9 million), Canadian bonds of \$300 million, the syndicated revolving credit facility with an outstanding balance of \$944.0 million, the term loan facility of US\$366.0 million (\$479.0 million) and the bilateral credit facility outstanding balance of US\$20.7 million (\$27.1 million). Furthermore, with the adoption of IFRS 16 on January 1, 2019, an additional \$159.4 million of lease liabilities previously not recorded on the consolidated condensed interim statement of financial position were included in total debt. The Company's debt structure at December 31, 2018, was primarily comprised of the 144A private bonds of US\$500.0 million (\$674.5 million), the Canadian bonds of \$300.0 million, the unsecured syndicated revolving credit facility with an outstanding balance of \$1,012.2 million and the term loan facility of US\$366.0 million (\$498.8 million).

Net debt was \$2,079.2 million at June 30, 2019, \$176.7 million higher than the net debt of \$1,902.5 million at December 31, 2018. The increase in net debt is primarily due to the aforementioned additional lease liabilities and a \$107.6 million reduction of cash-on-hand compared to December 31, 2018, partially offset by debt repayments in the first six months of 2019.

Net debt to pro forma EBITDA at June 30, 2019, increased as expected to 1.99 times, compared to 1.91 times at December 31, 2018, reflecting the increase in net debt attributable to lease liabilities without a proportionate increase in EBITDA for the associated lease payments that were reclassified according to IFRS 16.

Including \$3.2 million of outstanding letters of credit, the Company had approximately US\$475.8 million of available capacity within its syndicated revolving credit facility as at June 30, 2019.

The Company's overall average finance rate, excluding lease liabilities, was 2.6% as at June 30, 2019, compared to 3.0% at December 31, 2018, primarily driven by reduced interest rate margins on the Company's revolving and term loan facilities.

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

6. Cash Flow

Summary of Cash Flows	Second Quarter		Year-to-Date	
	2019	2018	2019	2018
Cash provided by operating activities	\$ 217.6	\$ 191.2	\$ 222.6	\$ 265.4
Cash provided by (used in) financing activities	(96.0)	254.5	(69.9)	228.3
Cash used for investing activities	(127.6)	(122.6)	(239.6)	(235.9)
Translation adjustments on cash and cash equivalents	(8.3)	(17.2)	(20.7)	7.1
Increase (decrease) in cash and cash equivalents	\$ (14.3)	\$ 305.9	\$ (107.6)	\$ 264.9
Cash and cash equivalents – end of period	\$ 481.5	\$ 822.4	\$ 481.5	\$ 822.4
Free cash flow from operations ⁽¹⁾	\$ 106.3	\$ 108.4	\$ 16.1	\$ 77.3

⁽¹⁾ Free cash flow from operations is non-IFRS financial measure. Refer to definition in Section 13.

During the second quarters of 2019 and 2018, the Company generated cash from operating activities of \$217.6 million and \$191.2 million, respectively. Free cash flow from operations was an inflow of \$106.3 million in the 2019 second quarter compared to an inflow of \$108.4 million in the prior year second quarter. Improved non-cash working capital was the primary driver for the increase in cash provided by operating activities.

Capital spending in the second quarter of 2019 amounted to \$113.7 million compared to \$95.6 million in the 2018 second quarter. Total depreciation and amortization for the second quarter of 2019 was \$83.3 million, including \$9.9 million of depreciation for right-of-use assets resulting from the adoption of IFRS 16 not reflected in the \$68.3 million for the second quarter of 2018. Capital spending in 2019 is expected to be approximately \$350 million. The Company is continuing to seek investment opportunities to expand its business geographically, add capacity in its facilities and improve its competitiveness.

Dividends in the second quarters of 2019 and 2018 were \$30.3 million and \$23.1 million, respectively. The total number of shares issued and outstanding as at June 30, 2019 and 2018, were 178.3 million and 177.0 million, respectively. Since the Company's current cash flow and financial position are strong and its outlook for the remainder of 2019 continues to be positive, the Board of Directors has approved a dividend of \$0.1675 per Class A share and \$0.17 per Class B share to shareholders of record as of September 16, 2019, and payable September 30, 2019. The annualized dividend rate is \$0.67 per Class A share and \$0.68 per Class B share.

7. Interest rate and Foreign Exchange Management

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

As at June 30, 2019, the Company had US\$913.0 million, EUR18.5 million and GBP60.3 million term loan and syndicated bank credit facility, which are hedging a portion of its US\$-based, euro-based and GBP-based investments and cash flows.

As at June 30, 2019, the Company utilized cross-currency interest rate swap agreements ("CCIRSAs") to hedge its euro-based assets and cash flows, effectively converting notional US\$264.7 million 3.25% fixed rate debt into 1.23% fixed rate euro debt, US\$111.5 million 3.25% fixed rate debt into 1.16% fixed rate euro debt, and US\$228.4 million floating rate debt into negative 0.28% fixed rate euro debt. The effect of the CCIRSAs has been to decrease finance cost by \$8.6 million for the six months ended June 30, 2019.

8. Accounting Policies

A) Critical Accounting Estimates

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

The 2018 annual audited consolidated financial statements and notes thereto, as well as the 2018 annual MD&A, have identified the accounting policies and estimates that are critical to the understanding of the Company's business operations and results of operations. For the six months ended June 30, 2019, there are no changes to the critical accounting policies and estimates from those described in the 2018 annual MD&A, except as outlined below.

IFRS 16 Leases ("IFRS 16")

In January 2016, IFRS 16 was issued by the International Accounting Standards Board. 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 Company adopted IFRS 16 in its financial statements for the annual period beginning on January 1, 2019, using the modified retrospective approach and the practical expedients related to, i. grandfathering previous assessments of which existing contracts are, or contain, leases, ii. short-term leases, and, iii. leases of low-value items. Lease obligations associated with short-term and low-value leases are recognized as an expense in the consolidated income

statement when incurred. Accordingly, the comparative information for 2018 has not been restated and is presented under IAS 17.

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

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

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

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

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

B) Inter-Company and Related Party Transactions

A summary of the Company's related party transactions are set out in note 26 of the annual consolidated financial statements for the year ended December 31, 2018.

9. Commitments and Contingencies

The Company has no material "off-balance sheet" financing obligations, surety bonds and loan guarantees. The nature of these commitments are described in note 25 and note 26 of the annual consolidated financial statements for the year ended December 31, 2018. There are no defined benefit plans funded with CCL Industries Inc. stock.

There have been no material changes during the six months of 2019 other than the adoption of IFRS 16.

10. Controls and Procedures

In accordance with the provisions of National Instrument 52-109 – Certification of Disclosure in Issuers’ Annual and Interim Filings, management, including the CEO and CFO, have limited the scope of their design of the Company’s disclosure controls and procedures and internal control over financial reporting to exclude controls, policies and procedures of Treofan. The Company acquired Treofan on July 2, 2018, for approximately \$307.6 million.

The scope of the limitation is primarily based on the time required to assess Treofan’s disclosure controls and procedures and internal control over financial reporting in a manner consistent with the Company’s other operations. Further details related to the summary financial information of Treofan is disclosed in Note 3(j) of the Company’s unaudited consolidated condensed interim financial statements for the period ended June 30, 2019.

Except for the preceding changes, there were no other material changes in internal control over financial reporting in the six-month period ended June 30, 2019.

11. Risks and Strategies

The 2018 MD&A in the annual report detailed risks to the Company’s business and the strategies planned for 2019 and beyond. There have been no material changes to those risks and strategies during the first six months of 2019.

12. Outlook

The Company posted solid consolidated organic sales growth of 1.9% for the second quarter of 2019 on mixed results from customer end markets. Innovia and CCL Secure posted significant improvements over a soft prior year quarter, while the CCL Segment’s Home & Personal Care and Food & Beverage businesses declined compared to a strong second quarter of 2018. Checkpoint faced tough first half comparisons as the prior year period included the completion of two large technology installation contracts, comparisons moderate for the third quarter 2019. Avery’s modest organic growth and profitability improvements for the second quarter of 2019 suggest improved returns for the upcoming North American back-to-school season. Consolidated second quarter adjusted basic earnings were solid at \$0.69 per class B share.

CCL Segment results could improve sequentially and comparatively this coming quarter as CCL Secure plants appear set to outpace a poor third quarter in 2018 while demand level looks stable in other business lines so far, compared to the prior year third quarter, albeit in an uncertain and volatile global environment.

Avery seems poised for a significantly improved North American back-to-school season and direct-to-consumer digital businesses should continue to outperform, while management looks for additional acquisitions to add incremental digital capabilities and products.

Checkpoint's ALS business commenced a \$6.0 million restructuring initiative during the second quarter of 2019 with completion planned in the first half of 2020 to yield equal annualized savings. The changes are also strategically necessary to localize all label manufacturing in countries where retailers and brand owners source apparel. The back half of the year is the cyclically stronger retail period. Checkpoint expects to improve over 2018 second half results due to operational efficiencies achieved from restructuring initiatives and new business wins.

Financial results for Innovia improved in the first half of 2019 due to pricing, productivity initiatives, mix, stabilizing resin costs and foreign exchange benefits on U.S. dollar sales from the UK. Comparisons for the upcoming quarter continue to look favourable. Further enhancements are still required in future periods to improve margins using the same levers. Focus will be on the start-up of the new BOPP line at Innovia's Mexican operation, minimizing the impact of start-up costs and filling the new incremental capacity.

The Company finished the second quarter with \$481.5 million of cash-on-hand and additional liquidity of US\$475.8 million within its syndicated revolving credit facility. The Company remains focused on vigilantly managing working capital and prioritizing capital to higher-growth organic opportunities or unique acquisitions expected to enhance shareholder value. The Company's capital spending for the year will be approximately \$350.0 million. In absence of any significant business acquisition, the Company expects to use free cash flow to reduce debt.

Foreign currency translation would have negligible impact at current exchange rates for the third quarter, largely due to the stability of the U.S. dollar to the Canadian dollar.

13. Key Performance Indicators and Non-IFRS Financial Measures

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

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

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

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

(in millions of Canadian dollars)	Second Quarter		Year-to-Date	
EBITDA	2019	2018	2019	2018
Net earnings	\$ 121.3	\$ 121.1	\$ 244.9	\$ 239.8
Corporate expense	14.7	12.9	29.1	32.1
Earnings in equity accounted investments	(1.2)	(0.2)	(2.3)	(1.1)
Finance cost, net	20.6	20.8	42.6	39.8
Restructuring and other items – net loss	2.1	3.6	3.5	6.9
Income taxes	41.2	41.4	85.8	82.7
Operating income (a non-IFRS measure)	\$ 198.7	\$ 199.6	\$ 403.6	\$ 400.2
Less: Corporate expense	(14.7)	(12.9)	(29.1)	(32.1)
Add: Depreciation and amortization	83.3	68.3	164.1	136.2
EBITDA (a non-IFRS measure)	\$ 267.3	\$ 255.0	\$ 538.6	\$ 504.3
			2019	2018
EBITDA for 12 months ended December 31, 2018 and 2017, respectively			\$ 995.3	\$ 959.2
less: EBITDA for six months ended June 30, 2018 and 2017, respectively			(504.3)	(460.1)
add: EBITDA for six months ended June 30, 2019 and 2018 respectively			\$ 538.6	\$ 504.3
EBITDA for 12 months ended June 30			\$ 1,029.6	\$ 1,003.4

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

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

(in millions of Canadian dollars)

Free Cash Flow from Operations	Second Quarter		Year-to-Date	
	2019	2018	2019	2018
Cash provided by operating activities	\$ 217.6	\$ 191.2	\$ 222.6	\$ 265.4
Less: Additions to property, plant and equipment	(113.7)	(95.6)	(211.0)	(204.7)
Add: Proceeds on disposal of property, plant and equipment	2.4	12.8	4.5	16.6
Free Cash Flow from Operations	\$ 106.3	\$ 108.4	\$ 16.1	\$ 77.3

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

Net Debt to EBITDA and Net Debt to Pro forma EBITDA (or leverage ratio) – A measure that indicates the Company's ability to service its existing debt. Net Debt to EBITDA is calculated as net debt divided by EBITDA. Net debt to Pro forma EBITDA is calculated as net debt divided by Pro forma EBITDA. Pro forma EBITDA removes for the six months ended December 31, 2018, the estimated lease expense as if the Company adopted IFRS 16 retrospectively.

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

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

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

operating performance. Management evaluates the operating income of its segments before the effect of these items.

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

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

(in millions of Canadian dollars)

	Sales Second Quarter		Operating Income Second Quarter		Return on Sales Second Quarter	
	2019	2018	2019	2018	2019	2018
CCL	\$ 831.5	\$ 804.2	\$ 117.0	\$ 127.3	14.1%	15.8%
Avery	203.3	194.0	45.3	44.6	22.3%	23.0%
Checkpoint	177.3	177.4	23.1	27.6	13.0%	15.6%
Innovia	142.1	88.8	13.3	0.1	9.4%	0.1%
Total Operations	\$ 1,354.2	\$ 1,264.4	\$ 198.7	\$ 199.6	14.7%	15.8%

Supplemental Financial Information

Sales Change Analysis Revenue Growth Rates (%)

	Three Months Ended June 30, 2019				Six Months Ended June 30, 2019			
	Organic Growth	Acquisition Growth	FX Translation	Total	Organic Growth	Acquisition Growth	FX Translation	Total
CCL	2.3%	0.9%	0.2%	3.4%	3.2%	0.8%	0.4%	4.4%
Avery	2.5%	0.2%	2.1%	4.8%	2.6%	1.3%	2.2%	6.1%
Checkpoint	0.4%	-	(0.5%)	(0.1%)	(0.7%)	-	(0.5%)	(1.2%)
Innovia	(0.2%)	61.0%	(0.8%)	60.0%	0.3%	58.6%	(0.6%)	58.3%
Total	1.9%	4.9%	0.3%	7.1%	2.4%	5.0%	0.4%	7.8%