

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

CCL INDUSTRIES INC.

Interim periods ended June 30, 2015 and 2014
Unaudited

CCL Industries Inc.

Consolidated condensed interim statements of financial position

Unaudited

In thousands of Canadian dollars

	As at June 30 <u>2015</u>	As at December 31 <u>2014</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 234,720	\$ 221,873
Trade and other receivables	479,500	380,965
Inventories	233,564	192,286
Prepaid expenses	27,950	14,949
Income tax recoverable	1,875	11,810
Total current assets	977,609	821,883
Property, plant and equipment	982,518	925,512
Goodwill	611,513	563,730
Intangible assets	246,213	226,567
Deferred tax assets	4,835	4,183
Equity accounted investments	58,735	54,652
Other assets	26,154	21,848
Total non-current assets	1,929,968	1,796,492
Total assets	\$ 2,907,577	\$ 2,618,375
Liabilities		
Current liabilities		
Trade and other payables	\$ 566,285	\$ 519,440
Current portion of long-term debt (note 7)	200,458	59,058
Income taxes payable	43,067	21,419
Derivative instruments	953	280
Total current liabilities	810,763	600,197
Long-term debt (note 7)	495,334	600,011
Deferred tax liabilities	50,783	43,453
Employee benefits	149,797	138,594
Provisions and other long-term liabilities	19,565	19,413
Derivative instruments	577	488
Total non-current liabilities	716,056	801,959
Total liabilities	1,526,819	1,402,156
Equity		
Share capital	255,287	248,087
Contributed surplus	32,401	26,241
Retained earnings	1,054,019	938,526
Accumulated other comprehensive income (note 5)	39,051	3,365
Total equity attributable to shareholders of the Company	1,380,758	1,216,219
Acquisitions (note 3)		
Subsequent events (note 8)		
Total liabilities and equity	\$ 2,907,577	\$ 2,618,375

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

CCL Industries Inc.

Consolidated condensed interim income statements

Unaudited

In thousands of Canadian dollars, except per share data

	<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Sales	\$ 721,494	\$ 650,402	\$ 1,427,364	\$ 1,260,102
Cost of sales	514,706	476,264	1,022,354	925,007
Gross profit	206,788	174,138	405,010	335,095
Selling, general and administrative	97,216	92,298	191,705	170,923
Restructuring and other items	-	1,095	940	2,041
Earnings in equity accounted investments	(245)	(975)	(763)	(1,044)
	109,817	81,720	213,128	163,175
Finance cost	6,718	6,477	13,424	13,351
Finance income	(505)	(179)	(901)	(330)
Net finance cost	6,213	6,298	12,523	13,021
Earnings before income taxes	103,604	75,422	200,605	150,154
Income tax expense	30,336	20,094	59,191	42,264
Net earnings	\$ 73,268	\$ 55,328	\$ 141,414	\$ 107,890
Attributable to:				
Shareholders of the Company	\$ 73,268	\$ 55,328	\$ 141,414	\$ 107,890
Net earnings for the period	\$ 73,268	\$ 55,328	\$ 141,414	\$ 107,890
Basic earnings per Class B share	\$ 2.12	\$ 1.61	\$ 4.09	\$ 3.15
Diluted earnings per Class B share	\$ 2.09	\$ 1.58	\$ 4.02	\$ 3.09

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

CCL Industries Inc.

Consolidated condensed interim statements of comprehensive income

Unaudited

In thousands of Canadian dollars

	Three Months Ended June 30		Six Months Ended June 30	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Net earnings	\$ 73,268	\$ 55,328	\$ 141,414	\$ 107,890
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 \$645 and tax expense of \$3,688 for the three-month and six-month periods ending June 30, 2015 (2014 - tax recovery of \$2,461 and \$543)	(11,996)	(56,033)	72,297	14,185
Net gains (losses) on hedges of net investment in foreign operations, net of tax expense of \$860 and tax recovery of \$5,219 for the three-month and six-month periods ending June 30, 2015 (2014 - tax expense of \$3,639 and \$239)	5,945	25,509	(36,085)	1,601
Effective portion of changes in fair value of cash flow hedges, net of tax recovery of \$130 and \$367 for the three-month and six-months periods ending June 30, 2015 (2014 - tax expense of \$61 and tax recovery of \$9)	(214)	47	(790)	(122)
Net change in the fair value of cash flow hedges transferred to the income statement, net of tax recovery of \$68 and \$131 for the three-month and six-month periods ending June 30, 2015 (2014 - tax recovery of \$54 and \$156)	136	161	264	461
Other comprehensive income (loss), net of tax	(6,129)	(30,316)	35,686	16,125
Total comprehensive income	\$ 67,139	\$ 25,012	\$ 177,100	\$ 124,015
Attributable to:				
Shareholders of the Company	\$ 67,139	\$ 25,012	\$ 177,100	\$ 124,015
Total comprehensive income	\$ 67,139	\$ 25,012	\$ 177,100	\$ 124,015

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

CCL Industries Inc.

Consolidated condensed interim statements of changes in equity

Unaudited

In thousands of Canadian dollars

	Class A shares	Class B shares	Shares held in trust	Total share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total equity
Balances, January 1, 2014	\$ 4,504	\$ 246,843	\$ (14,158)	\$ 237,189	\$ 11,919	\$ 768,738	\$ 289	\$ 1,018,135
Net earnings	-	-	-	-	-	107,890	-	107,890
Dividends declared								
Class A	-	-	-	-	-	(1,124)	-	(1,124)
Class B	-	-	-	-	-	(15,982)	-	(15,982)
Stock-based compensation plan	-	-	-	-	2,173	-	-	2,173
Shares redeemed from trust	-	-	240	240	-	-	-	240
Shares purchased and held in trust	-	-	(100)	(100)	-	-	-	(100)
Stock option expense	-	-	-	-	1,513	-	-	1,513
Stock options exercised	-	5,835	-	5,835	(1,050)	-	-	4,785
Income tax effect related to stock options	-	-	-	-	1,884	-	-	1,884
Other comprehensive income	-	-	-	-	-	-	16,125	16,125
Balances, June 30, 2014	\$ 4,504	\$ 252,678	\$ (14,018)	\$ 243,164	\$ 16,439	\$ 859,522	\$ 16,414	\$ 1,135,539

	Class A shares	Class B shares	Shares held in trust	Total share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total equity
Balances, January 1, 2015	\$ 4,504	\$ 257,521	\$ (13,938)	\$ 248,087	\$ 26,241	\$ 938,526	\$ 3,365	\$ 1,216,219
Net earnings	-	-	-	-	-	141,414	-	141,414
Dividends declared								
Class A	-	-	-	-	-	(1,716)	-	(1,716)
Class B	-	-	-	-	-	(24,205)	-	(24,205)
Stock-based compensation plan	-	-	-	-	4,197	-	-	4,197
Shares purchased and held in trust	-	-	(144)	(144)	-	-	-	(144)
Stock option expense	-	-	-	-	2,077	-	-	2,077
Stock options exercised	-	7,344	-	7,344	(1,339)	-	-	6,005
Income tax effect related to stock options	-	-	-	-	1,225	-	-	1,225
Other comprehensive income	-	-	-	-	-	-	35,686	35,686
Balances, June 30, 2015	\$ 4,504	\$ 264,865	\$ (14,082)	\$ 255,287	\$ 32,401	\$ 1,054,019	\$ 39,051	\$ 1,380,758

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

CCL Industries Inc.

Consolidated condensed interim statements of cash flows

Unaudited

In thousands of Canadian dollars

	Three Months Ended June 30		Six Months Ended June 30	
	2015	2014	2015	2014
Cash provided by (used for)				
Operating activities				
Net earnings	\$ 73,268	\$ 55,328	\$ 141,414	\$ 107,890
Adjustments for:				
Depreciation and amortization	39,279	37,049	78,684	72,556
Earnings in equity accounted investments, net of dividends received	(34)	(975)	(552)	(1,044)
Net finance cost	6,213	6,298	12,523	13,021
Current income tax expense	34,340	21,696	56,780	41,961
Deferred taxes	(4,004)	(1,602)	2,411	303
Equity-settled share-based payment transactions	3,851	2,359	6,274	5,810
Gain on sale of property, plant and equipment	(642)	(220)	(958)	(70)
	152,271	119,933	296,576	240,427
Change in inventories	(16,382)	(12,833)	(36,469)	(28,722)
Change in trade and other receivables	(15,042)	(12,497)	(94,014)	(53,963)
Change in prepaid expenses	(13,422)	(5,678)	(12,652)	(5,675)
Change in trade and other payables	24,219	31,498	36,999	20,461
Change in income taxes receivable and payable	445	(2,045)	(292)	29
Change in employee benefits	3,309	572	11,186	7,540
Change in other assets and liabilities	(7,427)	(5,370)	(5,927)	(12,370)
	127,971	113,580	195,407	167,727
Net interest paid	(1,394)	(2,603)	(11,840)	(13,086)
Income taxes paid	(15,228)	(25,999)	(24,905)	(42,599)
Cash provided by operating activities	111,349	84,978	158,662	112,042
Financing activities				
Proceeds on issuance of debt	341	13,331	47,023	111,592
Repayment of debt	(38,686)	(45,741)	(52,519)	(47,849)
Proceeds from issuance of shares	2,403	1,046	6,005	4,784
Dividends paid	(13,044)	(8,606)	(26,065)	(17,206)
Cash (used) provided by financing activities	(48,986)	(39,970)	(25,556)	51,321
Investing activities				
Additions to property, plant and equipment	(34,928)	(24,269)	(91,593)	(84,147)
Proceeds on disposal of property, plant and equipment	1,834	238	2,445	5,652
Business acquisitions and other long-term investments (note 3)	189	-	(38,623)	(86,924)
Cash used for investing activities	(32,905)	(24,031)	(127,771)	(165,419)
Net increase (decrease) in cash and cash equivalents	29,458	20,977	5,335	(2,056)
Cash and cash equivalents at beginning of period	205,993	193,843	221,873	209,095
Translation adjustment on cash and cash equivalents	(731)	(6,517)	7,512	1,264
Cash and cash equivalents at end of period	\$ 234,720	\$ 208,303	\$ 234,720	\$ 208,303

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

CCL Industries Inc.

Notes to consolidated condensed interim financial statements Unaudited

In thousands 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, 2015, comprise the Company, its subsidiaries and its interest in joint ventures and associates. The Company has manufacturing facilities around the world and is primarily involved in the manufacture of labels, containers and consumer printable media products.

2. Basis of preparation

(a) Statement of compliance

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

These consolidated condensed interim financial statements should be read in conjunction with the Company's 2014 annual financial statements.

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

These consolidated condensed interim financial statements were authorized for issue by the Board of Directors on July 31, 2015.

(b) Basis of measurement

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

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

(c) Functional and presentation currency

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

3. Acquisitions

In February 2015, the Company acquired pc/nametag Inc. and Meetings Direct, LLC ("PCN"); two privately owned companies that supply name badges and meeting registration supplies to professional meeting planners and distributors of promotional material in North America. PCN is an important addition to the Avery Segment adding depth to its meeting supplies and promotional materials product offerings. The purchase price was \$36.6 million (US\$29.2 million) net of cash acquired and inclusive of a \$2.5 million (US\$2.0 million) promissory note due February 2016. During the second quarter of 2015 the purchase was increased by an additional \$1.0 million (US\$0.9 million) for the post-closing working capital adjustment.

As a result of the timing of the PCN acquisitions in relation to the date of issuance of the financial statements for the second quarter, the availability of information and the inherent complexity associated with the valuations, the allocation of the consideration paid has not yet been completed. The initial allocation has resulted in goodwill and intangible assets of \$34.7 million of which \$5.0 million is deductible for tax purposes.

The following tables summarize the initial allocation of the consideration to the fair value of the assets acquired and liabilities assumed on February 27, 2015:

(in millions of Canadian dollars)

Cash consideration	\$	35.1
Promissory note		2.5
Total consideration	\$	37.6

(in millions of Canadian dollars)

Trade and other receivables	\$	1.8
Inventories		2.1
Other current assets		0.3
Property, plant and equipment		5.3
Other long-term assets		0.2
Goodwill and intangible assets		34.7
Trade and other payables		(2.2)
Deferred tax		(4.6)
Net assets acquired	\$	37.6

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

CCL Industries Inc.

Notes to consolidated condensed interim financial statements (continued)

Unaudited

In thousands of Canadian dollars, unless otherwise noted

3. Acquisitions (continued)

PCN contributed sales of \$14.3 million and net earnings of \$1.9 million since the date of acquisition, including integration costs.

In February 2015, the Company acquired INT America LLC; a private company based in Detroit, Michigan that builds metal tread plates for domestic automotive original equipment manufacturers. The purchase price was \$3.5 million (US\$2.8 million), including a reduction of \$1.3 million for preliminary post-closing adjustments recognized during the second quarter of 2015.

Pro Forma Information

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

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

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

(in millions of Canadian dollars)	Six months ended June 30, 2015
Sales	\$ 1,448.8
Net earnings	\$ 144.2

4. Segment reporting

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

The Company is comprised of the following main business segments:

- **Label** – Includes the production of pressure sensitive and extruded film materials for a wide range of decorative, instructional and functional applications for large global customers in the consumer packaging, healthcare, automotive and consumer durables markets. Extruded and laminated plastic tubes, folded instructional leaflets, precision printed and die cut metal components with LED displays and other complementary products and services are sold in parallel to specific end-user markets.
- **Avery** – Includes the manufacturing and selling of various consumer products, including labels, binders, dividers, sheet protectors and writing instruments in North America, Latin America, Asia Pacific and Europe.
- **Container** – Includes the manufacturing of specialty containers for the consumer products industry in North America, including Mexico. The key product line is recyclable aluminum aerosol cans and bottles for the personal care, home care and cosmetic industries, plus shaped aluminum bottles for the beverage market.

	Three Months Ended June 30				Six Months Ended June 30			
	Sales		Operating income		Sales		Operating income	
	2015	2014	2015	2014	2015	2014	2015	2014
Label	\$ 468,900	\$ 423,758	\$ 72,001	\$ 55,983	\$ 955,031	\$ 847,498	\$ 153,793	\$ 125,370
Avery	198,168	174,200	45,277	28,405	358,358	307,123	71,837	41,548
Container	54,426	52,444	5,354	4,804	113,975	105,481	14,068	10,828
Total operations	<u>\$ 721,494</u>	<u>\$ 650,402</u>	<u>122,632</u>	<u>89,192</u>	<u>\$ 1,427,364</u>	<u>\$ 1,260,102</u>	<u>239,698</u>	<u>177,746</u>
Corporate expense			(13,060)	(7,352)			(26,393)	(13,574)
Restructuring and other items			-	(1,095)			(940)	(2,041)
Earnings in equity accounted investments			245	975			763	1,044
Finance cost			(6,718)	(6,477)			(13,424)	(13,351)
Finance income			505	179			901	330
Income tax expense			(30,336)	(20,094)			(59,191)	(42,264)
Net earnings			<u>\$ 73,268</u>	<u>\$ 55,328</u>			<u>\$ 141,414</u>	<u>\$ 107,890</u>

CCL Industries Inc.

Notes to consolidated condensed interim financial statements (continued) Unaudited

In thousands of Canadian dollars, unless otherwise noted

4. Segment reporting (continued)

	<u>Total Assets</u>		<u>Total Liabilities</u>		<u>Depreciation and Amortization</u>		<u>Capital Expenditures</u>	
	<u>June 30</u>	<u>December 31</u>	<u>June 30</u>	<u>December 31</u>	<u>Six Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Label	\$ 1,800,679	\$ 1,668,565	\$ 452,237	\$ 436,527	\$ 63,588	\$ 58,498	\$ 79,729	\$ 65,625
Avery	615,404	490,337	214,233	189,567	7,098	6,689	8,676	5,700
Container	162,784	162,460	60,137	54,701	7,520	6,965	3,188	12,822
Equity accounted investments	58,735	54,652	-	-	-	-	-	-
Corporate	269,975	242,361	800,212	721,361	478	404	-	-
Total	\$ 2,907,577	\$ 2,618,375	\$ 1,526,819	\$ 1,402,156	\$ 78,684	\$ 72,556	\$ 91,593	\$ 84,147

Due to the seasonality of CCL's business, the Company's operating results for the six months ended June 30, 2015, are not necessarily indicative of the results that may be expected for the full year ending December 31, 2015. The first and second quarters are traditionally higher sales periods for the Label and Container Segments as a result of the greater number of work days and various customer activities undertaken during this period versus the third and fourth quarters of the year. For Avery, the third quarter has historically been its strongest, as it benefits from the increased demand related to back-to-school activities in North America.

5. Accumulated other comprehensive income

	<u>June 30</u>	<u>December 31</u>
	<u>2015</u>	<u>2014</u>
Unrealized foreign currency translation gains, net of tax recovery of \$4,364 (2014 – tax recovery of \$2,833)	\$ 40,094	\$ 3,882
Losses on derivatives designated as cash flow hedges, net of tax recovery of \$373 (2014 – tax recovery of \$137)	(1,043)	(517)
	<u>\$ 39,051</u>	<u>\$ 3,365</u>

6. Financial instruments

(a) Fair value hierarchy

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

The different levels have been defined as follows:

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

	Level 1	Level 2	Level 3	Total
June 30, 2015				
Available-for-sale financial assets	\$ -	\$ 16,453	\$ -	\$ 16,453
Derivative financial liabilities	-	1,530	-	1,530
Contingent consideration	-	-	5,257	5,257
Unsecured senior notes	-	-	328,424	328,424
	<u>\$ -</u>	<u>\$ 1,530</u>	<u>\$ 333,681</u>	<u>\$ 335,211</u>
December 31, 2014				
Available-for-sale financial assets	\$ -	\$ 16,463	\$ -	\$ 16,463
Derivative financial liabilities	\$ -	\$ 768	\$ -	\$ 768
Contingent consideration	-	-	5,305	5,305
Unsecured senior notes	-	-	307,415	307,415
	<u>\$ -</u>	<u>\$ 768</u>	<u>\$ 312,720</u>	<u>\$ 313,488</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 statement of financial position, are as follows:

	<u>June 30, 2015</u>		<u>December 31, 2014</u>	
	<u>Amount</u>	<u>Fair Value</u>	<u>Amount</u>	<u>Fair Value</u>
Long-term debt	\$ 695,792	\$ 725,698	\$ 659,069	\$ 689,653

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 thousands of Canadian dollars, unless otherwise noted

7. Long-term debt

As at June 30, 2015, the current portion of long-term debt includes the unsecured senior notes issued March 2006 at 5.57% of \$137.4 million (US\$110.0 million) repayable in March 2016. The unsecured senior note was classified as long-term debt as at December 31, 2014.

8. Subsequent events

In July 2015, the Company acquired Fritz Brunnhoefler GmbH based in Nurnberg, Germany, for a net cash purchase price of \$7.8 million, inclusive of the cost of a manufacturing facility. Sales in 2014 were \$8.5 million. The acquisition builds on the Company's developing presence in the German durable goods market.

In July 2015, the Company signed a binding agreement with Korsini-SAF to create a North American "in-mould" label joint venture. The partners will invest approximately \$20.0 million between them, in a combination of debt and equity, each owning 50% of the new company. It is expected to be in operation by mid-2016.

In July 2015, the Company acquired the assets of Phoenix Label House in the Riverina wine region of Australia for AUD 1.2 million.

The Board of Directors has declared a dividend of \$0.3750 for the Class B non-voting shares and \$0.3625 on the Class A voting shares that will be payable to shareholders of record at the close of business on September 16, 2015, to be paid on September 30, 2015.