

CCL INDUSTRIES INC.
2005 Second Quarter
Consolidated Statements of Earnings and Retained Earnings

Unaudited	Three months ended June 30th			Six months ended June 30th		
	2005	2004	% Change	2005	2004	% Change
(in millions of Cdn dollars, except per share data)						
Sales	\$ 280.1	\$ 232.0	20.7	\$ 545.8	\$ 472.7	15.5
Income before undernoted items	43.7	30.6	42.8	87.1	64.7	34.6
Depreciation and amortization	16.2	13.7		31.7	27.1	
Interest expense, net	5.3	4.7		10.6	9.1	
	22.2	12.2	82.0	44.8	28.5	57.2
Unusual items - net loss (note 5)	(15.5)	-		(15.5)	-	
Earnings before income taxes	6.7	12.2	(45.1)	29.3	28.5	2.8
Income taxes	1.6	3.1		8.1	7.9	
Net earnings from continuing operations	5.1	9.1	(44.0)	21.2	20.6	2.9
Net earnings from discontinued operations, net of tax (note 4)	1.7	2.8		5.3	6.1	
Gain on sale of discontinued operations, net of tax (note 4)	107.0	-		107.0	-	
Net earnings	113.8	11.9		133.5	26.7	
Retained earnings, beginning of period	289.2	239.0		272.7	227.1	
Net earnings	113.8	11.9		133.5	26.7	
Repurchase of shares	(10.7)	-		(10.7)	-	
	392.3	250.9		395.5	253.8	
Less dividends:						
Class A shares	0.2	0.2		0.4	0.4	
Class B shares	3.0	3.0		6.0	5.7	
	3.2	3.2		6.4	6.1	
Retained earnings, end of period	\$ 389.1	\$ 247.7		\$ 389.1	\$ 247.7	
Earnings per share						
Class B - Continuing operations	\$ 0.16	\$ 0.28	(42.9)	\$ 0.66	\$ 0.64	3.1
Discontinued operations	\$ 0.06	\$ 0.09		\$ 0.17	\$ 0.19	
Gain on sale of discontinued operations	\$ 3.31	\$ -		\$ 3.31	\$ -	
Class B - Net earnings	\$ 3.53	\$ 0.37		\$ 4.14	\$ 0.83	
Class A *	\$ 3.51	\$ 0.35		\$ 4.11	\$ 0.80	
Diluted earnings per share						
Class B - Continuing operations	\$ 0.16	\$ 0.27	(40.7)	\$ 0.65	\$ 0.62	4.8
Discontinued operations	\$ 0.05	\$ 0.09		\$ 0.16	\$ 0.19	
Gain on sale of discontinued operations	\$ 3.24	\$ -		\$ 3.24	\$ -	
Class B - Net earnings	\$ 3.45	\$ 0.36		\$ 4.05	\$ 0.81	
Class A *	\$ 3.43	\$ 0.34		\$ 4.02	\$ 0.78	

* Earnings per class A shares are \$0.02 lower than Class B shares for the second quarters (\$0.03 year-to-date) for 2004 and 2005.

See notes to interim consolidated financial statements.

Certain 2004 and 2005 figures have been restated (note 4) for discontinued operations.

CCL INDUSTRIES INC.
2005 Second Quarter
Consolidated Balance Sheets

Unaudited (in millions of Cdn dollars)	June 30th 2005	June 30th 2004	December 31st 2004
Assets			
Current assets			
Cash and cash equivalents	\$ 230.3	\$ 79.3	\$ 71.4
Accounts receivable - trade	162.6	197.2	194.3
Other receivables and prepaid expenses	29.8	28.4	29.5
Inventories	96.0	116.6	125.3
	<hr/> 518.7	<hr/> 421.5	<hr/> 420.5
Capital assets	479.8	468.5	471.8
Other assets	29.3	38.5	38.8
Intangible assets	27.8	18.2	27.5
Goodwill	323.4	301.2	315.5
Total assets	<hr/> \$ 1,379.0	<hr/> \$ 1,247.9	<hr/> \$ 1,274.1
Liabilities			
Current liabilities			
Bank advances	\$ 10.2	\$ 10.3	\$ 39.4
Accounts payable and accrued liabilities	230.9	254.0	271.4
Income and other taxes payable	26.9	4.2	8.1
Current portion of long-term debt	165.5	15.1	19.3
	<hr/> 433.5	<hr/> 283.6	<hr/> 338.2
Long-term debt	258.0	414.2	367.7
Other long-term items	44.5	33.7	32.3
Future income taxes	87.3	71.3	86.9
Total liabilities	<hr/> 823.3	<hr/> 802.8	<hr/> 825.1
Shareholders' equity			
Share capital (note 2)	190.0	189.2	189.8
Executive share purchase plan loans	(1.8)	(1.8)	(1.8)
Contributed surplus	0.4	0.1	0.2
Retained earnings	389.1	247.7	272.7
Foreign currency translation adjustment	(22.0)	9.9	(11.9)
Total shareholders' equity	<hr/> 555.7	<hr/> 445.1	<hr/> 449.0
Total liabilities and shareholders' equity	<hr/> \$ 1,379.0	<hr/> \$ 1,247.9	<hr/> \$ 1,274.1

See notes to interim consolidated financial statements.

Certain 2004 figures have been restated for comparative purposes.

CCL INDUSTRIES INC.
2005 Second Quarter
Consolidated Statements of Cash Flows

Unaudited (in millions of Cdn dollars) Cash provided by (used for)	Three months ended June 30th		Six months ended June 30th	
	2005	2004	2005	2004
Operating activities				
Net earnings	\$ 113.8	\$ 11.9	\$ 133.5	\$ 26.7
Earnings from discontinued operations	(1.7)	(2.8)	(5.3)	(6.1)
Gain on sale of discontinued operations	(107.0)	-	(107.0)	-
Items not requiring cash:				
Depreciation and amortization	16.2	13.7	31.7	27.1
Stock-based compensation	-	-	0.1	0.1
Future income taxes	(0.6)	1.1	2.7	2.9
Unusual items (note 5)	15.4	-	15.4	-
	36.1	23.9	71.1	50.7
Net change in non-cash working capital	(3.7)	10.2	(28.2)	(14.7)
Cash provided by continuing operations	32.4	34.1	42.9	36.0
Cash provided by (used for) discontinued operations	(3.3)	6.4	3.7	13.2
Cash provided by operating activities	29.1	40.5	46.6	49.2
Financing activities				
Proceeds and issuance of long-term debt	3.2	-	35.5	-
Retirement of long-term debt	(1.0)	(0.4)	(2.7)	(1.8)
Increase (decrease) in bank advances	(60.9)	5.2	(25.8)	2.6
Issue of shares	2.3	0.5	3.6	1.2
Repurchase of shares	(14.1)	-	(14.1)	-
Dividends	(3.2)	(3.2)	(6.4)	(6.1)
Cash provided by (used for) financing activities	(73.7)	2.1	(9.9)	(4.1)
Investing activities				
Additions to capital assets	(40.6)	(25.7)	(84.7)	(49.0)
Proceeds on disposals	272.8	-	272.8	-
Business acquisitions (note 3)	(0.3)	-	(64.1)	-
Other	(2.6)	1.7	0.3	0.4
Cash provided by (used for) investing activities	229.3	(24.0)	124.3	(48.6)
Effect of exchange rate changes on cash	(1.6)	0.5	(2.1)	1.0
Increase (decrease) in cash	183.1	19.1	158.9	(2.5)
Cash and cash equivalents at beginning of period	47.2	60.2	71.4	81.8
Cash and cash equivalents at end of period	\$ 230.3	\$ 79.3	\$ 230.3	\$ 79.3

Cash and cash equivalents are defined as cash and short-term investments.
See notes to interim consolidated financial statements.

Certain 2004 and 2005 figures have been restated (note 4) for discontinued operations.

CCL INDUSTRIES INC.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED JUNE 30, 2005 AND 2004

(Tabular amounts in millions of Cdn dollars except share data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The disclosures contained in these unaudited interim consolidated financial statements do not include all of the requirements of generally accepted accounting principles for annual financial statements. The unaudited interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2004.

The unaudited interim consolidated financial statements are based upon accounting principles consistent with those used and described in the annual consolidated statements, except that: starting January 1, 2005, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") amendments to Emerging Issues Committee (EIC) - 144, "Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor" related to recording of vendor rebates by a purchaser. The Committee reached a consensus that the customer should measure the rebate based on the estimated amount of the rebate that is expected to be received for the underlying transactions that have occurred and that result in progress by the customer toward achieving the specified requirement to receive the rebate. This change to EIC - 144 did not have a material impact on the Company.

Accounting Guideline - 15, "Consolidation of Variable Interest Entities", is effective for periods beginning on or after November 1, 2004. The Guideline did not have any effect on the Company as it is not party to any variable interest entities.

Comparative figures have been restated to reflect discontinued operations (note 4) and reclassified where necessary to correspond with the current period's presentation.

2. SHARE CAPITAL

Issued and outstanding

Actual number of shares:

	<u>June 30,</u> <u>2005</u>	<u>June 30,</u> <u>2004</u>	<u>December 31,</u> <u>2004</u>
Class A	2,434,951	2,442,092	2,439,187
Class B	29,766,842	30,030,751	30,021,756
Less: Executive Share Purchase Plan shares	(150,000)	(150,000)	(150,000)
Total	<u>32,051,793</u>	<u>32,322,843</u>	<u>32,310,943</u>

	<u>June 30,</u> <u>2005</u>	<u>June 30,</u> <u>2004</u>	<u>December 31,</u> <u>2004</u>
Year-to-date weighted average number of shares	<u>32,271,556</u>	<u>32,266,893</u>	<u>32,290,097</u>
Year-to-date weighted average diluted number of shares	<u>32,984,684</u>	<u>32,879,693</u>	<u>32,848,536</u>

3. ACQUISITIONS

On January 31, 2005, the Company purchased Steinbeis Packaging based in Holzkirchen, Germany, for \$64.1 million, net of cash acquired. The purchase price was financed by cash on hand and bridge bank financing denominated in Euros. In addition, the Company intends to exercise its option to purchase the Holzkirchen building and land right for \$4.0 million Euros in January 2006. Steinbeis Packaging, through its plants in the U.S., France, Germany and China, supplies battery labels on a global basis and provides premium decorative label solutions for the European consumer products market.

Details of the transaction are as follows :

Current assets	\$ 33.0
Current liabilities	(32.0)
Non-current assets at assigned values	45.1
Long-term liabilities	(9.8)
Future taxes	(3.0)
Intangible assets	3.7
Goodwill	27.1
Net assets purchased	<u>\$ 64.1</u>
Total consideration:	
Cash, less cash acquired of \$4.8 million	<u>\$ 64.1</u>

CCL INDUSTRIES INC.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED JUNE 30, 2005 AND 2004

(Tabular amounts in millions of Cdn dollars except share data)

4. DISCONTINUED OPERATIONS

In May 2005, the Company sold its North American Custom Manufacturing Division, for \$272.8 million in cash, to KCP Income Fund, a Toronto based contract manufacturer of private label household products. The sale resulted in a gain of \$129.8 million (\$107.0 million after tax). The gain on sale may be adjusted based on purchase price adjustments and finalization of costs. The disposition is reported as discontinued operations and the results are as follows:

	Second quarters ended June 30th		Six months ended June 30th	
	2005	2004	2005	2004
Sales from discontinued operations	\$ 83.0	\$ 145.4	\$ 246.8	\$ 294.8
Income before undernoted items	4.5	8.5	14.0	17.7
Depreciation and amortization	1.7	3.6	5.1	7.1
Interest expense, net	0.3	0.9	1.0	1.8
Earnings before income taxes	\$ 2.5	\$ 4.0	\$ 7.9	\$ 8.8
Income taxes	\$ 0.8	\$ 1.2	\$ 2.6	\$ 2.7
Net earnings from discontinued operations	\$ 1.7	\$ 2.8	\$ 5.3	\$ 6.1
Gain on sale of discontinued operations, net of tax of \$22.8 million	\$ 107.0	\$ -	\$ 107.0	\$ -

Interest expense is reported in discontinued operations by the allocation of total interest expense based on the ratio of net assets sold to total net assets. Income tax expense has been based on the effective income tax rate in the local country.

The Company has indemnified the purchasers against defined claims from the past conduct of the business. It is not possible to quantify the maximum potential liability in relation to the indemnities, however, the Company has made a provision for estimated indemnification claims.

5. UNUSUAL ITEMS

	<u>Division</u>	
Mexico Container business restructuring and asset write-down	Container	\$ (3.8)
Impairment of IntraPac L.P. investment	Corporate	(11.7)
Loss		<u>\$ (15.5)</u>
Tax recovery on unusual items		<u>\$ 0.1</u>

In June 2005, the Company completed an evaluation of its plastic packaging business within the Container Division in Mexico and recorded a provision for impairment of related capital assets and inventory write-downs that amounted to \$3.8 million, with no tax benefit.

In June 2005, the Company has provided for an impairment of its equity investment in IntraPac L.P. in the amount of \$11.7 million (\$11.6 million after tax).

6. EMPLOYEE FUTURE BENEFITS

The expense for the defined benefit plans in the second quarter is \$0.4 million (2004 - \$0.2 million) and year-to-date \$0.9 million (2004 - \$0.4 million) .In addition, the gain on disposal of discontinued operations included \$1.3 million of settlement losses.

7. INCOME TAXES

As a result of the gain realized on the sale of the North American Custom Manufacturing division, the Company reduced its valuation allowance against tax losses carried forward by \$4.3 million in the second quarter.

CCL INDUSTRIES INC.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED JUNE 30, 2005 AND 2004

(Tabular amounts in millions of Cdn dollars except share data)

8. SEGMENTED INFORMATION

Industry segments

As a result of the disposal of the North American Custom Manufacturing division, the Custom segment consists of the European Custom Manufacturing business now conducted through the ColepCCL joint venture.

	Three months ended June 30th				Six months ended June 30th			
	Sales		Operating income		Sales		Operating income	
	2005	2004	2005	2004	2005	2004	2005	2004
		<small>Restated Note 4</small>		<small>Restated Note 4</small>		<small>Restated Note 4</small>		<small>Restated Note 4</small>
ColepCCL / Custom Manufacturing Europe	\$ 47.9	\$ 46.9	\$ 4.1	\$ 2.0	\$ 99.2	\$ 100.8	\$ 9.5	\$ 4.8
Container	65.0	55.2	7.1	5.0	122.1	105.4	13.3	9.0
Label	167.2	129.9	19.3	12.4	324.5	266.5	38.4	28.6
Total operations	\$ 280.1	\$ 232.0	30.5	19.4	\$ 545.8	\$ 472.7	61.2	42.4
Corporate expense			(3.0)	(2.5)			(5.8)	(4.8)
			27.5	16.9			55.4	37.6
Interest expense, net			5.3	4.7			10.6	9.1
			22.2	12.2			44.8	28.5
Unusual items - net loss			(15.5)	-			(15.5)	-
Earnings before income taxes			6.7	12.2			29.3	28.5
Income taxes			1.6	3.1			8.1	7.9
Net earnings from continuing operations			5.1	9.1			21.2	20.6
Net earnings from discontinued operations, net of tax			1.7	2.8			5.3	6.1
Gain on sale of discontinued operations, net of tax			107.0	-			107.0	-
Net earnings			\$ 113.8	\$ 11.9			\$ 133.5	\$ 26.7

	Identifiable Assets		Goodwill		Depreciation & Amortization		Capital Expenditures	
	June 30th	December 31st	June 30th	December 31st	Six months ended June 30th		Six months ended June 30th	
	2005	2004	2005	2004	2005	2004	2005	2004
					<small>Continuing operations</small>			
Custom Manufacturing	\$ 182.6	\$ 411.9	\$ 43.7	\$ 65.9	\$ 4.2	\$ 2.7	\$ 6.8	\$ 7.9
Container	277.4	261.7	52.3	51.5	8.7	8.9	19.7	17.1
Label	649.6	512.6	227.4	198.1	18.5	14.9	58.0	23.8
Corporate	269.4	87.9	-	-	0.3	0.6	0.2	0.2
Total	\$ 1,379.0	\$ 1,274.1	\$ 323.4	\$ 315.5	\$ 31.7	\$ 27.1	\$ 84.7	\$ 49.0

MANAGEMENT'S DISCUSSION AND ANALYSIS

Second Quarters ended June 30, 2005 and 2004

This document has been prepared for the purpose of providing Management's Discussion and Analysis (MD&A) of the financial condition and results of operations for the second quarters ended June 30, 2005 and 2004 and an update to the 2004 Annual MD&A document. The information in this interim MD&A is current to July 28, 2005 and should be read in conjunction with the Company's June 30, 2005 unaudited second quarter financial statements released on July 28, 2005 and the 2004 Annual MD&A document, which forms part of the CCL INDUSTRIES INC. 2004 Annual Report, dated February 10, 2005.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and in accordance with the requirements of section 1751 of the CICA Handbook. Unless otherwise noted, both these financial statements and this interim MD&A are expressed in Canadian dollars as the reporting currency. The measurement currencies of CCL's operations are primarily the Canadian dollar, the U.S. dollar, the Euro, the Danish krone, the U.K. pound sterling, the Mexican peso, the Thailand baht and the Chinese renminbi. CCL's Audit Committee and its Board of Directors have reviewed this interim MD&A to ensure consistency with the approved strategy of the Company.

Management's Discussion and Analysis contains forward-looking statements, including statements concerning possible or assumed future results of operations of the Company. Forward-looking statements typically are preceded by, followed by or include the words "believes", "expects", "anticipates", "estimates", "intends", "plans" or similar expressions. Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties and assumptions, including, but not limited to: the impact of competition; consumer confidence and spending preferences; general economic conditions; currency exchange rates; and CCL's ability to attract and retain qualified employees and, as such, the Company's results could differ materially from those anticipated in these forward-looking statements.

Overview of Business Conditions

The markets in which CCL and its customers operate have continued to be generally buoyant through the second quarter of 2005 despite the continued economic drag of higher energy and commodity costs. The Federal Reserve continues to ramp up short-term interest rates in the United States in its attempt to soften the potential impact of excessive inflation, the devaluation of the U.S. dollar and the U.S. trade and fiscal deficits. Europe is experiencing a weaker economy overall, whereas the Asian markets continue to grow rapidly. Worldwide demand for commodities continues to be affected by China's fast growing economy and has resulted in shortages and large cost increases for raw materials in many industries. The growth in consumer non-durable products sales in the western world reflects the continuation of robust consumer spending even in the face of substantially higher energy and commodity costs. At the same time, our customers are trying to satisfy the booming demand for their products in Asia.

Many of CCL's international marketing customers in the personal care industry have been continuing to benefit from higher sales volumes than last year, particularly in a number of specific product categories and regions. Our pharmaceutical customers are experiencing more modest growth. Overall, customer demand for CCL's products appears to be strong into the last half of 2005. The third quarter tends to be CCL's weakest quarter due to summer

vacations, particularly in Europe and the low seasonal demand for agchem and battery label products.

The current demand for new and existing products in CCL's aluminum container business persists and is surpassing our ability to supply even after the addition of meaningful new capacity in the last two years. Personal care orders are very strong with a high backlog while orders for beverage containers are mixed with one significant customer indicating reduced volumes. The Plastic Packaging segment of the Container Division is experiencing a steady turnaround in sales volumes with a larger order intake scheduled for production in the last half of 2005. The Label business continues to enjoy good volume growth as customers are expanding product lines and realizing the benefits of our international network as they roll out products on a worldwide basis. CCL's 40% owned joint venture, ColepCCL, which was formed in July 2004, is sustaining volume growth with both existing and new customers as it benefits from the combined capabilities of the merged businesses. Further details on divisional volume trends can be found later in this report.

Sale of North American Custom Manufacturing - Discontinued Operations

On May 17, 2005, CCL completed the sale of its North American CCL Custom Manufacturing Division ("Custom") to KCP Income Fund for approximately Cdn \$273 million in cash, resulting in an after tax gain of \$107.0 million. This transaction completes the transformation of CCL into a focused specialty packaging company. The proceeds of the sale are anticipated to fund the continued expansion of CCL's higher growth Label and Container businesses through further accretive acquisitions, organic internal growth and technology enhancements. The Company may also repay debt and repurchase stock under its Normal Course Issuer Bid.

CCL is recording this divestiture as a Discontinued Operation and consequently its sales and income contribution have been excluded from the disclosure of Continuing Operations. There is further information in this report providing the sales and income of this business during CCL's ownership in 2005 and the prior year periods. In addition, information on the gain on sale of Custom is separately disclosed.

Review of Consolidated Continuing Operations

Sales for the second quarter of 2005 of \$280.1 million were 21% ahead of the \$232.0 million recorded in the second quarter of 2004 while sales for the first six months of 2005 of \$545.8 million were 16% ahead of last year's \$472.7 million. Financial comparisons to the prior year's results have continued to be negatively affected by the appreciation of the Canadian dollar relative to the U.S. dollar and the Euro. In addition, business acquisitions net of dispositions have impacted the comparison to prior periods. Sales increased for the quarter by 28% (year-to-date 22%) due to acquisitions and growth partially offset by a decrease of 7% (year-to-date 6%) due to foreign exchange and dispositions. On a comparative basis with last year's second quarter, sales volumes increased in all Divisions.

The following acquisitions, divestitures and merger affected financial comparisons in the second quarter and in the first half of 2005:

On July 12, 2004, CCL completed the merger of its European Custom Manufacturing operations with COLEP Europe to create the largest contract manufacturing company in Europe of personal care, cosmetic and over-the-counter medication and household care products. COLEP contributed its four contract manufacturing plants including its metal packaging business to the joint venture and CCL contributed its two European plants and Cdn \$24 million to acquire a 40% investment in the joint venture named ColepCCL. CCL is proportionately consolidating its interest in the joint venture.

Also in July 2004, the Label Division acquired Graphiques Apex Inc. located in Boucherville, Québec and divested its non-core Winnipeg label business.

On January 31, 2005, CCL acquired Steinbeis Packaging, based in Holzkirchen, Germany for Cdn \$64 million. Steinbeis supplies battery labels on a global basis and produces premium decorative label solutions for the European consumer products market.

Net earnings from continuing operations for the second quarter of 2005 of \$5.1 million were down by 44% from the \$9.1 million recorded in the second quarter of 2004. Net income was negatively affected by unusual losses of \$15.5 million in the second quarter of 2005 (\$15.4 million after tax). In addition, net earnings were positively affected by a tax benefit from previously unrecognized losses of \$4.3 million. There were no unusual items in the second quarter of 2004. Operating income improved from last year's second quarter due to a substantially stronger performance in the Label Division and the Container Division (in both the aluminum and plastic packaging segments), and higher income from the new ColepCCL joint venture in 2005 than our former European Custom Manufacturing business in 2004. These improvements in operating income were partly offset by the negative effect of the lower value of the U.S. dollar and the Euro relative to the Canadian dollar. Net interest expense allocated to continuing operations was \$0.6 million higher than last year in the quarter due primarily to higher U.S. floating interest rates. Since the sale of Custom in mid-May, all interest expense and the interest income received on the cash from the sale of Custom are included in continuing operations. Corporate expenses were up \$0.5 million due to higher public company costs and inflation. The tax rate for continuing operations, excluding unusual items, was 7% for the quarter, due to the one-time benefit of utilizing previously recognized tax losses as a result of the gain on the disposition of Custom (\$4.3 million) but would have been 27% excluding this tax benefit.

For the first six months of 2005, net earnings from continuing operations were \$21.2 million, up 3% from the \$20.6 million in the comparable 2004 period. Net earnings for the six months were affected by the unusual losses of \$15.5 million (\$15.4 million after tax) in the second quarter of 2005. The benefit from previously unrecognized tax losses of \$4.3 million was included in the six months

of 2005 results. There were no unusual items in the first half of 2004. Operating income in the first six months improved in all divisions, compared to 2004, but was partially offset by the negative effect of currency translation and transactions due to the weaker U.S. dollar and Euro. Net interest expense allocated to continuing operations for the six months was up \$1.5 million compared to last year, due to higher floating interest rates and acquisition debt. The tax rate before unusual items for the six months was 18% but would have been 28% excluding the benefit of utilizing previously recognized tax losses as a result of the gain on the disposition of Custom (\$4.3 million).

Earnings from continuing operations per Class B share were \$0.16 in the second quarter of 2005 compared to the \$0.28 earned in the same period last year, a decrease of 43%. Unusual items reduced earnings per share by \$0.48 in the second quarter of 2005 and the tax benefit from previously unrecognized tax losses positively impacted earnings per share from continuing operations by \$0.13 in the second quarter of 2005. The impact of the unusual items and the tax benefit on a per share basis is measured by dividing the after-tax amount of the items by the average number of shares outstanding in the relevant period. There were no unusual items in the second quarter of 2004.

For the first six months of 2005, earnings from continuing operations per Class B share were \$0.66 compared to \$0.64, a 3% increase from the earlier period. Unusual items reduced earnings per share by \$0.48 for the six months of 2005 and the tax benefit from unrecognized tax losses positively impacted earnings per share by \$0.13 for the six months of 2005. There were no items of this nature in the first half of 2004. Management will continue to disclose the impact of significant unusual items on its 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 divisions before the effect of unusual items. Diluted earnings per Class B share from continuing operations were the same as the basic earnings for the second quarter of 2005 and \$0.01 lower than basic earnings year-to-date.

There were two unusual items in the second quarter of 2005 totaling \$15.5 million (\$15.4 million after tax). In the third quarter of 2003, the Company sold four non-core business units in its Container Division to IntraPac L.P. for \$71.5 million and retained a 50% equity interest. The value of this equity interest has been impaired and has been written-down by \$11.7 million (\$11.6 million after tax) to its net expected realizable value. Additionally, the Company restructured its Mexican Plastic Container business, giving rise to the impairment of certain equipment and inventory write-downs as described later in this report. This unusual expense was \$3.8 million with no tax benefit recognized. The earnings impact of these unusual items was \$0.48 per Class B share.

The following table is presented to provide context to the change in the Company's business in 2005 after the sale of Custom. CCL's challenge is to replace the ongoing income previously generated by Custom. The plan to replace this income includes investing in its existing businesses by capital

expenditures and accretive acquisitions over the next two years, generating interest income on the cash proceeds from the sale, paying down debt and repurchasing stock at appropriate prices. The progress of the replacement of the Custom income is of primary importance to our shareholders and the financial community. This progress is measured based on earnings per Class B share from the following table. The gain from the sale of the Custom business is excluded for this purpose. If the net negative impact of unusual items and the tax benefit from previously unrecognized tax losses is excluded from these results, there is meaningful improvement over the prior year performance.

(in Canadian dollars)

<u>Earnings per Class B shares</u>	2nd Quarter		Year-to-Date	
	2005	2004	2005	2004
From Continuing Operations	\$0.16	\$0.28	\$0.66	\$0.64
From Discontinued Operations	\$0.06	\$0.09	\$0.17	\$0.19
Net loss from Unusual Items and Tax Benefit Included in Continuing Operations	<u>\$0.35</u>	=	<u>\$0.35</u>	=

The gain, after tax, on the sale of Custom recorded in the second quarter of 2005 is \$107.0 million or \$3.31 per Class B share. Adjustments to the gain on disposal may be required upon resolution of contingencies related to the disposal. The reclassification to discontinued operations of the historical earnings of Custom was prepared according to generally accepted accounting principles. Interest expense was allocated based on the ratio of the net assets employed in the business (not the proceeds from the sale) to the total net assets of CCL. The income tax expense was based on Custom operating as an independent business in Canada and the U.S.A. and incurring income tax at the appropriate federal, provincial and state tax rates.

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-Continuing Operations					
2005	\$ 265.7	\$ 280.1			\$ 545.8
2004	240.7	232.0	220.0	221.2	913.9
2003	254.2	245.7	215.0	205.9	920.8
Net earnings-Continuing Operations					
2005	16.1	5.1			21.2
2004	11.5	9.1	13.5	9.9	44.0
2003	7.6	9.0	1.8	11.3	29.7
Net earnings					
2005	19.7	113.8			133.5
2004	14.8	11.9	18.6	13.9	59.2
2003	\$ 14.1	\$ 14.7	\$ 6.8	\$ 17.4	\$ 53.0

	<u>Qtr 1</u>	<u>Qtr 2</u>	<u>Qtr 3</u>	<u>Qtr 4</u>	<u>Total</u>
Net earnings per Class B share					
Continuing Operations					
Basic					
2005	\$ 0.50	\$ 0.16			\$ 0.66
2004	0.36	0.28	0.42	0.30	1.36
2003	0.23	0.28	0.05	0.35	0.91
Diluted					
2005	0.49	0.16			0.65
2004	0.35	0.27	0.42	0.30	1.34
2003	0.23	0.28	0.05	0.34	0.90
Net earnings per Class B share					
Basic					
2005	0.61	<u>3.53</u>			4.14
2004	0.46	0.37	0.58	0.43	1.84
2003	0.43	0.46	0.21	0.54	1.64
Diluted					
2005	0.60	<u>3.45</u>			4.05
2004	0.45	0.36	0.57	0.43	1.81
2003	\$ 0.42	\$ 0.45	\$ 0.21	\$ 0.53	\$ 1.61

Over 85% of CCL's sales from continuing operations are generated in foreign currencies and are then translated into Canadian dollars for reporting purposes. The United States dollar is the functional currency for over 40% of CCL's total sales from continuing operations and it has depreciated on average by 8% compared to the Canadian dollar in the second quarter 2005 versus last year's second quarter. In addition, the Euro is the functional currency for approximately 40% of CCL's sales and it has also weakened by 3% versus the Canadian dollar. Changes in foreign exchange rates have reduced earnings per share from continuing operations due to currency translation by \$0.03 in the second quarter compared to 2004 and \$0.05 year-to-date.

Additionally, CCL has a hedging program to lock in a portion of its expected U.S. dollar revenues earned in Canada. These hedge transactions were at an average rate of \$1.35 (US\$ 2.0 million sold forward) for the second quarter of 2004 but, due to the decline in the U.S. dollar over the last year, the average rate on the 2005 hedges was \$1.23 (US\$ 5.3 million sold forward). The change in the rates on these currency transactions reduced comparative income for continuing operations by \$0.6 million in the second quarter of 2005 (\$1.3 million year-to-date) and reduced comparative earnings per share by \$0.02 for the quarter (\$0.04 year-to-date). In addition, during the second quarter of 2005, the Company cancelled foreign exchange contracts for the Custom business at a cost of \$0.9 million, which was expensed against the gain on disposition. As at June 30, 2005, the remaining outstanding foreign exchange contracts for 2005 and 2006 had a fair value of \$0.3 million.

Net interest expense for continuing operations was \$5.3 million for the second quarter of 2005, up from \$4.7 million from the comparable period last year due to

the impact of higher floating interest rates. The depreciation of the U.S. dollar has also had the effect of reducing reported interest expense as CCL's borrowings are primarily denominated in U.S. dollars in the form of private placements from U.S. institutional investors. Net interest expense is net of interest earned on both short-term investments and interest rate swaps. The Interest Rate Swap Agreements ("IRSA") have had the effect of converting U.S. dollar fixed rate debt into U.S. dollar floating rate debt. The Company is also amortizing a gain realized on the sale of an IRSA in 2001. In addition, the Company entered into two Cross Currency Interest Rate Swap Agreements ("CCIRSA") in June 2005 that have the effect of converting \$68.5 million U.S. dollar fixed rate debt into Euro floating rate debt for a notional amount of 56.6 million Euros. These two CCIRSA's reflect the terms of the Company's existing U.S. dollar borrowings and are a hedge against CCL's European investments and cash flow. The CCIRSA's expire in 2010 and 2012.

The unrealized loss on all of the above agreements as at June 30, 2005 amounted to approximately \$0.2 million. The effect of these four IRSAs and two CCIRSA's has been to reduce interest expense by \$0.8 million in the second quarter of 2005 compared to a reduction of \$1.9 million in the second quarter of 2004. For the first six months, the impact was a reduction of \$1.8 million in 2005 and \$3.7 million in 2004. Interest coverage (defined as operating income before unusual items and net interest expense divided by net interest expense calculated on a 12-month rolling basis) improved to 5.3 times in 2005 compared to 4.3 times in 2004.

The income tax rate for continuing operations, excluding unusual items, and the tax benefit from previously unrecognized tax losses was 27% in the second quarter of this year (year-to-date 28%), compared to 25% in last year's second quarter (year-to-date 28%). This effective tax rate is lower than the combined Canadian federal and provincial tax rates of 34.2% for the year 2005 due to the benefit of lower tax rates in foreign subsidiaries net of income and expense items not subject to tax expense or tax recovery.

The Company's financial position is very solid. At the end of June 30, 2005, cash and cash equivalents amounted to \$230.3 million compared to \$79.3 million as at June 30, 2004 and \$71.4 million at December 31, 2004. Capital spending was heavy in the second quarter with spending of \$40.6 million compared to \$25.7 million last year. The major capital expenditures in the second quarter were the line installations in the Container Penetanguishene operation, printing equipment for the Plastic tube business and many new presses for Label plus the new plant installations in Poland and China. As is usual in CCL's business, working capital increased in its traditional seasonal pattern in the first half of both 2005 and 2004 after the typically lower levels at the end of each year. Net debt amounted to \$203 million at June 30, 2005, \$152 million lower than the net debt of \$355 million at the end of 2004 and \$157 million lower than the \$360 million on June 30, 2004. The decrease in net debt since December 31, 2004 is primarily due to the Custom divestiture offset in part by the Steinbeis acquisition, capital spending and the seasonal working capital increase. The decrease in net debt from a year

ago is due primarily to the Custom sale offset in part by the Steinbeis acquisition combined with the \$24 million of cash invested in July 2004 to create the ColepCCL joint venture.

In June 2005, the Company announced its intention to acquire, via a Normal Course Issuer Bid ("Bid"), up to 10,000 Class A voting shares and 2,100,000 of its issued and outstanding Class B non-voting shares between June 16, 2005 and June 15, 2006. This Bid represents 0.4% of the issued and outstanding Class A shares and 9.8% of the public float of the Class B shares. As of today's date, no shares have been acquired under this Bid. Under its previous Bid that expired on May 24, 2005, the Company repurchased 2,200 Class A shares and 658,500 Class B shares at an average price of \$23.91 per share in the 12-month period. During the second quarter of 2005, the Company repurchased 560,000 Class B shares under the previous Bid at an average price of \$25.16.

During the second quarters of 2005 and 2004, the Company generated cash from all operations of \$29.1 million and \$40.5 million, respectively. Working capital consumed \$3.7 million of cash in the second quarter of 2005 while generating \$10.2 million in last year's second quarter. In addition, \$40.6 million was spent on capital additions in the second quarter as CCL continues to reinvest in its businesses to take advantage of current and future expected organic growth. This level of capital spending was higher than the \$16.2 million of depreciation and amortization in the second quarter of 2005. Plans for capital spending in 2005 are expected to be in excess of \$120 million as the Company continues to expand its business base into new markets and invest in assets to add capacity and improve its competitiveness.

Net debt to total capitalization defined as net debt divided by net debt plus shareholders' equity, at June 30, 2005 was 26.8%, down from 44.2% at the end of 2004 and 44.7% a year ago due primarily to the Custom sale. Book value per share defined as shareholders' equity divided by total period end shares, was \$17.31 at the end of the second quarter of 2005, 26% higher than the year ago level of \$13.76 and 25% above \$13.89 at year-end 2004. The increase is primarily the result of earnings retained in the Company including the significant gain on the sale of Custom.

Discussion of Divisional Business Segments

ColepCCL Joint Venture/Custom Manufacturing-Europe

The ColepCCL joint venture was created in July 2004. For the second quarter of 2005, CCL's proportionate share of the joint ventures' sales was \$47.9 million. This sales level was 2% higher than the comparative sales last year of CCL's two former European operations of \$46.9 million. On a year-to-date basis, CCL's share of the joint venture sales was \$99.2 million; this is 2% less than the \$100.8 million of sales from our former operations in 2004. Comparative sales have been reduced by the decline in the value of the Euro since last year. The Euro declined 4% for the quarter and 3% year-to-date.

Operating income in the second quarter of 2005 for ColepCCL was \$4.1 million indicating an improved return on sales of 8.6%. CCL's former operations in the second quarter of 2004 had operating income of \$2.0 million and a return on sales of 4.3%. Operating income on a year-to-date basis was \$9.5 million versus \$4.8 million from our former operations in 2004.

Sales growth for the joint venture in local currency was 9% higher than the combined former operations for the first half of 2005 versus 2004 *pro forma*, with higher volumes in the Contract Manufacturing Operations due to the synergies of this business combination. Metal Packaging sales were ahead of last year but have been impacted by conversions from steel to aluminum aerosols by its customers due to the high cost of tinplate. Profitability from these operations has been strong, with Contract Operations benefiting from the volume increase and Metal Packaging from significant price increases that have more than offset the added tinplate costs.

In June 2005, ColepCCL completed the closure of its plant in Madrid, Spain. Some of its production lines were moved to the U.K., Poland and Portugal. Significant closing costs approaching \$5 million were incurred and the land and building are being sold. This plant closure is expected to improve overall profitability in ColepCCL and certain qualifying costs associated with its closure were accounted for as part of the formation of the joint venture in 2004. Closing costs that were expensed in the quarter were immaterial.

Container

Sales in the second quarter were \$65.0 million, up 18% from \$55.2 million last year and for the first half of 2005 were \$122.1 million, up 16% from the \$105.4 million last year. Sales increased for the quarter by 25% (year-to-date 23%) due to internal growth, offset in part by a decrease of 7% (year-to-date 7%) due to foreign exchange translation.

The Container Division continues to benefit from the strong demand for aluminum aerosol containers, the growth in usage of aluminum bottles, and other new applications for this technology. Personal care volume in the aerosol format continued to be very strong as our customers are ramping up many new products. The beverage business benefited from the new aluminum beer bottle promoted originally by Pittsburgh Brewing and now Molson for its Kick product. Non-alcoholic beverage container sales were down from a year ago. Mexican aerosol container sales also were strong in the second quarter but plastic tube sales were much lower than 2004. The backlog for aluminum container products remains very high even as new capacity has been added to meet this demand and to improve service levels. In the meantime, certain production requirements are being outsourced to satisfy customer requirements. In the Plastic Packaging business in the U.S., sales were down 3% in the second quarter compared to last year, due to unfavourable currency translation that was partially offset by volume increases. The demand for plastic tubes has continued to show improvement in the quarter and new orders to be manufactured in the last half of the year appears to be strong. New management, improved operational performance and

new equipment installations have improved credibility with the customer base. Plastic closure sales volumes were similar to last year's performance.

Operating income for the second quarter of 2005 was \$7.1 million, up 42% from \$5.0 million in the second quarter of 2004. Operating income increased by 52% (year-to-date 56%) for the quarter, offset by a decrease of 10% (year-to-date 8%) due to foreign exchange translation. The improvement in operating income is due to the higher aluminum container volumes and improved operational performance in the Plastic Packaging business. Plastic Packaging operated at profit in the second quarter of 2005 compared to a loss in the prior year quarter, a turnaround of \$1.7 million reflecting higher volume, overhead reductions and improvements in manufacturing. For the six months to date, operating income for the Container Division was \$13.3 million versus \$9.0 million last year, up 48%.

The aluminum container plant in Penetanguishene, Ontario sells a large part of its production to the United States market. During 2004, this operation hedged some of its sales by selling forward the U.S. dollar into Canadian dollars at the rate of \$1.35. However, as the U.S. dollar has weakened, the contracts for 2005 were transacted at only \$1.23, which further reduced the Division's comparable income by \$0.6 million for the quarter and \$1.3 million for the first six months compared to last year.

The Mexican container operation has been the responsibility of Geoff Martin, President and Chief Operating Officer, this year. After a review of its profitability and its investment base, the operation was restructured to concentrate on only profitable product lines and, consequently, certain machinery and inventory, primarily in the plastic tube side of the business, were written off. This unusual item was \$3.8 million. The Mexican operation's metal container business is profitable and plans for future growth are under consideration.

The Container Division has invested \$12.4 million in capital in the second quarter of 2005 compared to \$5.0 million last year, to maintain and expand its manufacturing base and reduce its production costs. Depreciation and amortization amounted to \$4.5 million in the second quarter of 2005 compared to \$4.6 million in the second quarter of 2004. The Division has successfully installed three new aluminum container lines in the last two years and is now installing a fourth new line which is expected to be operational in early third quarter 2005. A fifth new line is on order for installation during 2006 and is destined for the expanded Hermitage, Pennsylvania plant. The sixth and seventh new lines are on order for later in 2006 although their destination has not yet been determined.

The Container Division continues to hedge some of its anticipated future aluminum purchases through futures contracts. The value of these futures at June 30, 2005 was \$7.1 million.

Label

Sales for the Label Division of \$167.2 million for the second quarter were up 29% from \$129.9 million in the same quarter last year. For the six months to date, sales were \$324.5 million in the quarter, up 22% from the \$266.5 million of the comparable prior year period. Sales increased for the quarter by 38% (year-to-date 30%) due to acquisitions and growth, partially offset by foreign exchange and a disposition of 9% (year-to-date 8%).

Sales growth in the second quarter was predominantly due to the Steinbeis acquisition but the business also experienced a continuation of the positive volume trends in its other businesses seen since late last year. North American personal care volume was well ahead of last year for the quarter, with major improvements in Mexico. Specialty products were also much improved over last year's second quarter in both agchem and promotional labels. The North American healthcare business recorded sales that were ahead of last year due primarily to the Graphiques Apex acquisition. European sales were ahead of last year in personal care, healthcare and specialty and food and beverage, and Thailand enjoyed dramatic growth from last year's start-up position. Sales from Steinbeis Packaging were particularly strong for the battery business. The business continues to benefit from its international presence dealing with large multinational customers. There are many new opportunities for growth in the new Asian and Polish operations and in the beverage category.

Operating income for the second quarter of 2005 was a robust \$19.3 million, up 56% from \$12.4 million in the second quarter of 2004 and return on sales at 11.5% exceeded internal targets. This improvement was driven primarily by improvements in volumes and operating margins in most of the Division's operations and the incremental effect of acquisitions completed in the last three years. Year-to-date operating income was \$38.4 million versus \$28.6 million last year, up 34%. Return on sales was 11.8%. Operating income increased for the quarter by 69% (year-to-date 46%) due to acquisitions and growth but was offset by a decrease of 13% for the quarter (year-to-date 12%) due to foreign exchange and a disposition.

CCL acquired the Steinbeis Packaging business on January 31, 2005 for approximately \$64 million in cash. The transaction was paid for with cash on hand and a bridge bank line of credit. Steinbeis Packaging, based in Germany, supplies battery labels on a global basis and provides premium product decorating solutions for the European consumer products market. Steinbeis' plants are located in Germany, France, the United States and China and complement CCL's existing plants. In July 2004, the Division acquired Graphiques Apex Inc. in Boucherville, Québec to expand its healthcare offerings. Sales and operating income from these two acquisitions in second quarter 2005 amounted to \$33.7 million and \$3.4 million, respectively. Also, in July 2004, the non-core Winnipeg business was sold. Sales and operating income for this disposition in the second quarter of 2004 were \$2.3 million and \$0.3 million, respectively.

Sales backlogs for the label business are generally low due to short customer lead times but indications are that customers' orders are firm for the third quarter of 2005. However, it is important to note that there is seasonality in the overall label business with the first and fourth quarters being generally stronger than the second quarter and particularly the third quarter. This seasonality slowdown is a result of summer vacations primarily in Europe, strong agchem label production before the spring planting season, and then increased battery label production in the late summer and fall for the Christmas season.

The Label Division invested \$24.4 million in capital in the second quarter of 2005 compared to \$17.0 million in the same period last year. The capital was spent throughout the Division to maintain and expand its manufacturing base by adding presses in strategic locations including the construction of new plants in Poland and China. The Division expects to continue to spend capital to increase its capabilities, expand geographically, and replace or upgrade existing plants and equipment to improve efficiencies over the next few years. Depreciation and amortization for the Label Division were \$9.5 million for the second quarter of 2005 and \$7.5 million in the comparable 2004 period.

Liquidity and Capital Structure

The Company's debt structure is primarily comprised of three private debt placements completed in 1996, 1997 and 1998 totaling US\$ 304.9 million (Cdn\$ 373.6 million) at June 30, 2005, with an average interest rate of 5.6%, factoring in the related Interest Rate Swap Agreements. A scheduled annual repayment of US\$ 9.4 million (Cdn\$ 11.5 million) on one of these notes is due in September 2005. In addition, the US\$ 120 million notes issued in 1996 are due to be repaid in March 2006. Repayment of these notes is expected to come primarily from the recent proceeds on the sale of the Custom business as described above. Net debt has decreased from year-end 2004 and from the year ago period due primarily to the Custom sale offset in part by the Steinbeis acquisition. The net debt analysis is as follows:

<u>\$ Millions</u>	<u>June 30, 2005</u>	<u>December 31, 2004</u>	<u>June 30, 2004</u>
Total debt	\$433.7	\$426.4	\$439.6
Cash on hand	<u>230.3</u>	<u>71.4</u>	<u>79.3</u>
Net debt	<u>\$203.4</u>	<u>\$355.0</u>	<u>\$360.3</u>

Non-cash working capital traditionally increases during the first part of each year to accommodate increased customer activity following the slower year-end period, before reducing to its lowest point at the next year-end. This increase in working capital in the first six months of \$28.2 million in 2005 compared to an increase of \$14.7 million in the comparable 2004 period.

Capital spending was \$40.6 million in the second quarter of 2005; \$14.9 million higher than the \$25.7 million spent in the same quarter last year. Year-to-date capital spending of \$84.7 million compares to \$49.0 million spent in the first half of 2004. Overall, the level of capital spending exceeded depreciation and

amortization to provide for increased capacity as previously described, to implement cost reduction programs, and to maintain the existing business and asset base. It is expected that capital spending will continue at a strong pace in 2005 and is expected to be above the \$120 million mark for the year.

Dividends declared in the second quarters of 2005 and 2004, were \$6.4 million and \$6.1 million, respectively. The total number of shares outstanding at June 30, 2005 of 32.2 million is slightly lower than the 32.5 million outstanding a year ago due to the exercise of stock options more than offset by the shares repurchased under Normal Course Issuer Bids. The current annualized dividend rate is \$0.35 per Class A share and \$0.40 per Class B share. The Company has historically paid out dividends at a rate of 20-25% of normalized earnings. Since the Company's cash flow is strong, the Board approved a continuation of the quarterly dividend rate of \$0.0875 per Class A share and \$0.10 per Class B share payable at the end of September 2005.

Effective January 1, 2005, the Company has adopted the Canadian Institute of Chartered Accountants ("CICA") amendments to the Emerging Issues Committee rules with respect to the recording of vendor rebates by a purchaser. The adoption of this change did not have a material impact on the Company. A new CICA guideline on the consolidation of variable interest entities had no impact on the Company since it is not a party to any variable interest entities.

The Company has no material "off balance sheet" financing obligations except for typical long-term operating lease agreements. The nature of these commitments is described in note 14 of the December 31, 2004 Annual Consolidated Financial Statements. The Company does not have any material related party transactions. Additionally, the vast majority of the Company's post-employment obligations are defined contribution pension plans. There are no defined benefit plans funded with CCL stock.

Risks and Strategies

The 2004 Management's Discussion and Analysis in the Annual Report detailed the risks to the Company's business and the strategies that were planned for 2005 and beyond. The disposition of the North American Custom Manufacturing business has eliminated or reduced certain risks applicable to that business segment. CCL will have less dependence on the international competitiveness of North American manufacturing; less reliance on the long-term currency effects of the U.S. dollar relative to the Canadian dollar; less refinancing risk on the maturity of its US\$ 120 million senior notes in March 2006 and less overall dependence on a concentrated number of consumer products companies. CCL will now be more dependent on the inherent risks associated with running a more internationally diverse specialty packaging business without the diversification effect of the divested business. The Company will have more dependence on the European and Asian economies and their currencies. These non-Canadian risks were described in the 2004 Management's Discussion and Analysis.

Outlook

In 2005, the Company will be more focused on the growth prospects of its specialty packaging business and the prudent management of the cash generated from the disposition with a view to improving shareholder value. The Company is investigating a number of mid-sized potential acquisition candidates that meet its criteria of core products and customers, and the expectation of immediate earnings accretion. The sales growth experienced in the first half of 2005 is expected to continue through the balance of the year.